

The Commercial Bank (P.S.Q.C.) Announces

Net Profit of QAR 3,010 Million for the year ended 31 December 2023

24 January 2024, Doha, Qatar: The Commercial Bank (P.S.Q.C.) (“the Bank”), its subsidiaries and associates (“Group”) announced today its financial results for the year ended 31 December 2023. The Group reported a net profit of QAR 3,010.2 million as compared to QAR 2,811.1 million for the same period in 2022.

The Board of Directors proposed a dividend distribution to shareholders of QAR 0.25 per share i.e. 25% of the nominal share value.

The financials and proposed dividend distribution are subject to Qatar Central Bank approval and endorsement by shareholders at the Bank’s Annual General Meeting.

Key financial highlights for the Group compared to the same period in 2022

- Net profit of QAR 3,010.2 million, up by 7.1%.
- Operating income of QAR 5,489.5 million, up by 3.7%.
- Net interest margin (NIM) is improved to 2.8%, up by 10 basis points.
- Return on average assets (ROAA) has improved to 1.8% as compared to 1.7% in 2022.
- Total assets of QAR 164.4 billion, down by 2.8%.
- Customer loans and advances of QR 91.5 billion, down by 6.7% from December 2022.
- Customer deposits of QR 76.5 billion, down by 8.0% from December 2022.
- “The Most Innovative Bank” award in the Middle East by World Finance.
- “The Fastest Growing Brokerage House” award in Qatar by International Finance.

Sheikh Abdulla bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said, “The confirmation of Commercial Bank’s 'A-' rating with a positive outlook by Fitch, and 'A-' rating with a stable outlook by S&P, reflects the proactive execution of our strategic plan and the strength of Qatar’s Government and economy.

In line with the Qatar National Vision 2030, Commercial Bank launched its inaugural Sustainable Finance Framework, which will further our commitment to support projects that enable the transition to a low carbon and climate resilient economy, as well as a positive societal impact.

Our commitment to investing in technology and innovation has earned a number of awards, including “Fastest-Growing Partner in Qatar” and the “Highest Spend per Card in Qatar” at the Mastercard MENA Business Forum, highlighting our influence in the Middle East's cards and payments industry.”

Mr. Hussain Ibrahim Alfardan, Commercial Bank’s Vice Chairman, said,

“We are pleased to report Commercial Bank’s good performance for the fiscal year of 2023. Substantial growth in crucial segments has played a vital role in achieving strong financial results, highlighting our effectiveness in meeting our customers’ needs.

Looking ahead, our commitment remains strong as we work towards solidifying Commercial Bank's position as a leading banking provider in the region. We look forward to another year of achievements and contributing towards the growth and prosperity of Qatar's economy.”

Net interest income for the Group decreased by 2.4% to QAR 3,867.3 million for the year ended 31 December 2023 compared with QAR 3,963.1 million achieved in the same period in 2022. The decrease is mainly due to Alternatif Bank, where the net interest income has decreased by 18.5%. Net interest margin improved to 2.8% for the year ended 31 December 2023.

Non-interest income for the Group increased by 21.9% to QAR 1,622.2 million for the year ended 31 December 2023 compared with QAR 1,330.9 million achieved in the same period in 2022. The overall increase in non-interest income was mainly due to the higher investment income.

Total operating expenses increased by 26.6% to QAR 1,440.8 million for the year ended 31 December 2023 compared with QAR 1,138.1 million in the same period in 2022 mainly due to inflation related expenses as well as one-off expenses in Turkey and Bank's continued digital investments.

The Group's **net provisions for loans** increased by 0.3% to QAR 990.7 million for the year ended 31 December 2023, from QAR 987.6 million in the same period in 2022. Despite strong recoveries, we have continued with prudent provisioning on NPL customers. Non-performing loan (NPL) ratio stood at 5.9% at 31 December 2023 from 5.3% at 30 September 2023 and 4.9% at 31 December 2022. The reason for increase in NPL is due to decrease in the loans and advances exposure during the year.

The Group **balance sheet** has decreased by 2.8% as at 31 December 2023 with total assets at QAR 164.6 billion compared with QAR 169.1 billion in December 2022. The decrease was mainly due to decrease in loans and advances to customers and due from banks.

The Group's **loans and advances to customers** has decreased by 6.7% to QAR 91.5 billion at 31 December 2023 as compared to QAR 98.0 billion in December 2022. This is due to Alternatif Bank, whose loans decreased due to the Turkish lira depreciation. At domestic level, the decrease was partly due to government repayments of temporary overdrafts.

The Group's **investment securities** increased by 3.1% to QAR 30.8 billion at 31 December 2023 compared with QAR 29.8 billion in the same period in 2022.

The Group's **customer deposits** decreased by 8.0% to QAR 76.5 billion at 31 December 2023, compared with QAR 83.2 billion in the same period in 2022. The decrease is mainly in current and call deposits.

Mr. Joseph Abraham, Commercial Bank's Group Chief Executive Officer, commented, "Throughout 2023, Commercial Bank maintained its strong performance while successfully implementing our five-year strategic plan.

“In 2023, the Group achieved a consolidated net profit of QAR 3,010.2 million, marking a 7.1% increase from the QAR 2,811.1 million reported in 2022. This growth was largely driven by continuing increase in operating income which increased by QAR 195.5 million as compared to 2022.

“The Group's net interest income for the year 2023 saw a slight decrease of 2.4%, to reach QAR 3,867.3 million, down from QAR 3,963.1 million in 2022. Although loan balance reduced by 6.7% year on year, the decrease in net interest income was 2.4% as we managed to increase asset yield whilst continue to manage interest cost.

“Overall fees and other income increased by 21.9% to QAR 1,622.2 million, compared to QAR 1,330.9 million in 2022. This rise was mainly driven by higher investment income.

“In 2023, the Group saw an increase in its cost-to-income ratio, reaching 26.2% from 21.5% in 2022. This rise was mainly due to elevated operating expenses incurred at Alternatif Bank. The Domestic Bank's cost-to-income ratio remained low at 22.2%.

“The gross cost of risk increased by 1 basis points (bps) to 144 bps as compared to 143 bps, aligning with our 2023 guidance. However, the net cost of risk decreased by 16 basis points to 105 basis points as compared to 121 basis points in 2022, due to strong recoveries during the year.

“Investment securities increased by 3.1%, reaching QAR 30.8 billion, up from QAR 29.8 billion in 2022.

“Customer deposits declined by 8.0% this year at QAR 76.5 billion, mirroring a 6.7% reduction in net loans and advances to customers, which decreased to QAR 91.5 billion from QAR 98.0 billion in 2022. This decline is largely due to the effects of rising interest rates. In addition, low-cost deposits fell by 15.3%, reaching QAR 25.7 billion, compared to QAR 30.3 billion in the previous year.

“Our associates continue to deliver good performance, with our profit from share of associates growing by 32.3% in 2023, amounting to QAR 294.2 million, up from QAR 222.3 million in 2022.

“The Group remains in adherence to the International Accounting Standards (IAS) 29, which require the application of hyperinflationary accounting for Alternatif Bank. As a result, a non-cash "net monetary loss" of QAR 335.0 million was recorded in the Group's income statement for the period as compared to QAR 189.4 million in the corresponding period in 2022.

“The Domestic Bank’s net profit showed a growth of 9.8%, rising to QAR 2,860.0 million from QAR 2,603.6 million in 2022. This increase is due to higher investment income and higher recoveries during the year.

“During the year, Alternatif Bank witnessed a substantial upturn in net profit, achieving QAR 83.6 million in contrast to QAR 31.5 million net profit in the previous year. This improvement can be attributed to an improved FX and trading income, which experienced an increase of 842.8% to QAR 417.5 million, compared to QAR 44.3 million in the same period last year.”