

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

Financial Results

For the quarter ended 31 March 2023



Forward Looking Statements

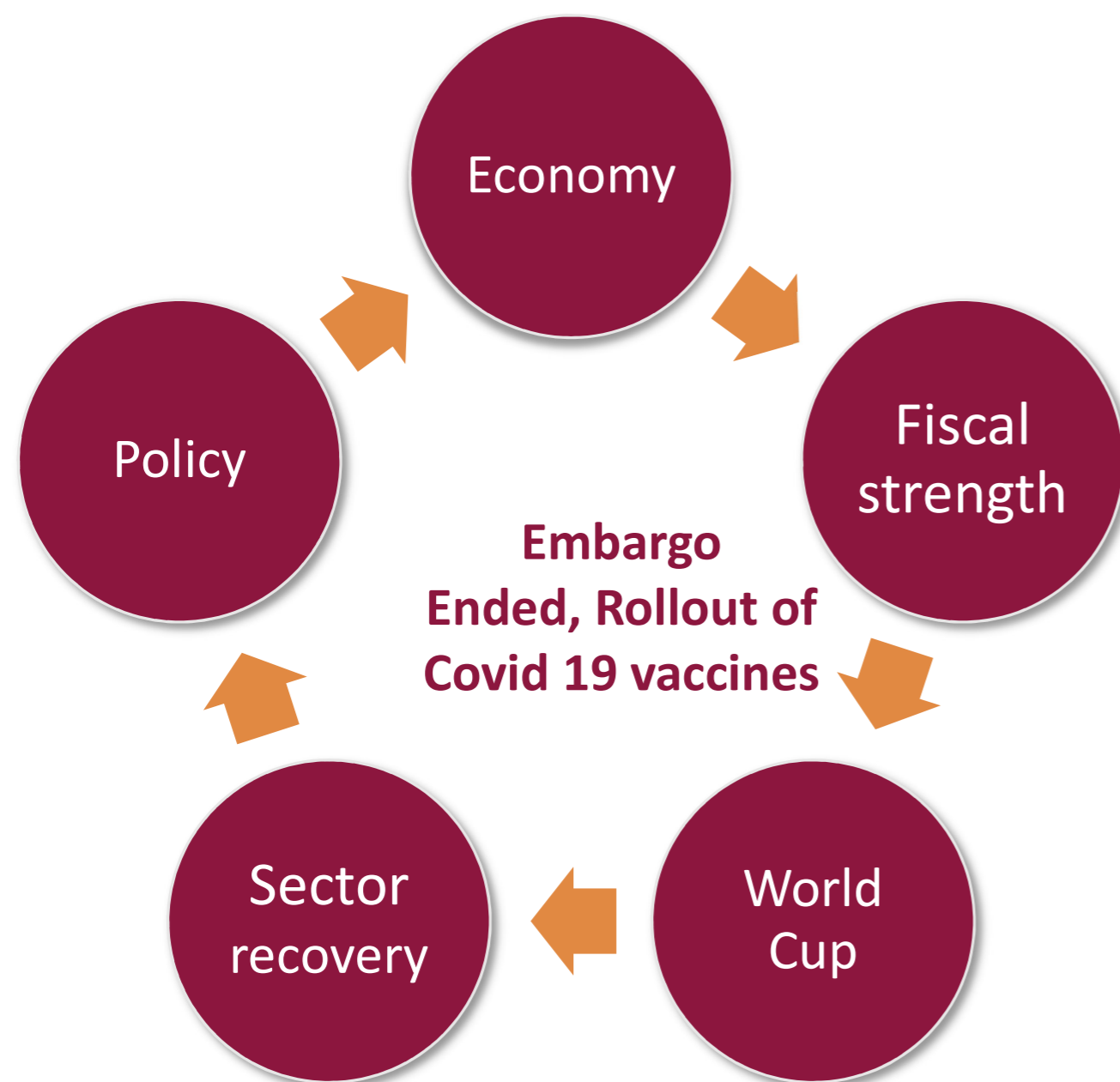
- This presentation and subsequent discussion may contain certain forward-looking statements with respect to certain plans and current goals and expectations of Commercial Bank and its associated companies relating to their future financial condition and performance. These forward-looking statements do not relate only to historical or current facts but also represent Commercial Bank's expectations and beliefs concerning future events. By their nature forward-looking statements involve known and unknown risks and uncertainty because they relate to future events and circumstances including a number of factors which are beyond Commercial Bank's control. As a result, Commercial Bank's actual future results or performance may differ materially from the plans, goals and expectations expressed or implied in such statements.
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- **ECONOMY AND FIVE YEAR PLAN TARGETS**
- CONSOLIDATED HIGHLIGHTS AND PERFORMANCE
- SUBSIDIARY PERFORMANCE



Qatar Outlook economy well positioned for 2023 and beyond



Source: Standard Chartered Bank Economic Outlook 2023, Qatar News Agency

- Qatar continues to be one of the **world's largest LNG exporter**.
- **Economic activity should continue** to be supported by investment related to the **North Field gas expansion and robust growth in logistics, manufacturing, and trade**.
- The North Field gas expansion plans to **increase Qatar's LNG output to 110 million tonnes per annum (mtpa) by 2025 and thereafter to 126 mtpa by 2027**.
- The **FIFA World Cup Qatar 2022™** has been a **major success** for the country and region. More than **1.4 million people** visited Qatar during the 29-day event.
- **Qatar's GDP growth** is projected at **4 percent** in 2023, Standard Chartered said in a 2023 Economic Outlook report earlier this month.
- Qatar approved its budget for the 2023 fiscal year, with particular **focus on health and education sectors**.
- Fitch Ratings has **revised the Outlook** on Qatar's Long-Term Foreign-Currency Issuer Default Rating (IDR) to **Positive from Stable** and affirmed the IDR at 'AA-'.
- Moody's had **raised the country's outlook from stable to positive**, while Standard & Poor's **had raised the country's credit rating from (AA-) to (AA)** with a stable outlook
- The improvement in the country's credit rating confirms the **strength and flexibility of the local economy**, in addition to **the financial stability** witnessed by the country, which increases the country's **attractiveness to foreign investments** and contributes to **reducing the cost of borrowing** for the country and the institutions operating in it.



Our progress to date and next five year plan targets

Strategic intent		2016	5 Year 2021 Targets	2021 Actual	5 Year 2026 Targets	2022 Actual	2023 Guidance
CET1	CET1 :	9.7%	11.0% - 11.5%	11.7%	13.0% - 14.0%	11.6%	12.2% - 12.7%
	CAR :	15.2%	16.0% - 16.5%	18.1%	18.5% - 19.0%	17.3%	18.0% - 18.5%
Risk Management	NPL :	5.0%	4.0% - 4.5%	4.7%	2.5%	4.9%	4.5% - 5.0%
	CoR :	164 bps	50 bps	111bps	60 - 80 bps	121 bps	120 – 135 bps
Reshape loan book	Gov/public sector:	10%	16%	18%	25%	16%	15% - 18%
	Real estate :	28%	20%	19%	16%	20%	18% - 20%
Cost to Income Ratio*	Consolidated :	45.7%	35%	24.1%	< 20%	21.6%	< 21%
	Domestic :	40.2%	30%	20.5%	< 17%	19.2%	< 19%
Return on Equity (ROE)	ROE:	2.7%	10%	10%	13% - 15%	11.3%	12.5% - 13.0%







*normalized



- ECONOMY AND FIVE YEAR PLAN TARGETS
- **CONSOLIDATED HIGHLIGHTS AND PERFORMANCE**
- SUBSIDIARY PERFORMANCE



Executive summary

Strategic Focus	Progress
 Results	<ul style="list-style-type: none"> • Net profit of QAR 751.3 million, up by 7.0% compared to the same period in Q1 2022. • Normalized operating income of QAR 1,351.7 million, up by 11.1% (+10.4% on reported basis). • NIM increased to 2.8% in Q1 2023 from 2.7% in Q1 2022. • Operating profit of QAR 1,025.8 million, up by 8.8% as compared to the same period in Q1 2022. • The Group reported a non-cash “net monetary loss” of QAR 42.1 million in Q1 2023 as a result of application of hyperinflation accounting to Alternatifbank in accordance with International Accounting Standards (IAS) 29. • Total assets of QAR 163.3 billion, down by 4.7%. • Fitch Ratings revised Commercial Bank’s outlook from Stable to Positive and affirmed A- / F2 long and short-term issuer default ratings. • Ranked 21st on Forbes’ list of the top 50 Most Valuable Banks in the Middle East for 2023. • “Best Trade Finance Provider in Qatar” award from Global Finance
 Capital & Funding	<ul style="list-style-type: none"> • CET1, Tier 1 and Total Capital Ratios at 11.7%, 15.2% and 16.4%, respectively, as compared to 12.2%, 16.4% and 18.1% at 31 March 2022. • Successful issuance of first-ever Qatari Riyal denominated international bond of a total size QAR 429 million. • Low cost deposits have decreased by 8.4%, year-on-year.
 Reshaping Loan Book	<ul style="list-style-type: none"> • Consolidated loan book decreased by 4.0% to QAR 94.4 billion at 31 March 2023 compared with QAR 98.4 billion at March 31 2022. The decrease was mainly due to decrease in acceptances by QAR 3.7 billion and decrease in Alternatif Bank loans and advances by QAR 2.2 billion whilst domestic loans increased by QAR 1.9 billion. • Focus remains on re-shaping profile of the lending book • Continued diversification of risk across a range of sectors including increasing exposure to government and public sector.
 Provisioning	<ul style="list-style-type: none"> • Non-performing loan (NPL) ratio at 5.0% at 31 March 2023 compared with 4.6% at 31 March 2022. • Loan coverage ratio (including ECL) strengthened to 108.9% compared with 100.2% at 31 March 2022. • Net cost of risk decreased to 66 bps compared to 96 bps in Q1 2022.
 Costs	<ul style="list-style-type: none"> • Normalized consolidated cost to income ratio increased to 24.1% (reported 30.0%) in Q1 2023 from 22.5% (reported 29.0%) in Q1 2022 mainly due to inflation related expenses and also earthquake donations in Turkey. • In Qatar, cost to income ratio improved to 20.2% (reported 27.1%) in Q1 2023 from 20.4% (reported 27.6%) in Q1 2022.
 Subsidiary	<ul style="list-style-type: none"> • Alternatif Bank reported net profit of TL 313.0 million (QAR 60.4m) in Q1 2023 compared to a net profit of TL 131.8m (QAR 34.4m) in Q1 2022. The results for 2023 are impacted by the hyperinflation accounting. The net monetary losses due to hyperinflation is QAR 42.1 million.

Normalized numbers exclude the impact of fully hedged staff performance rights scheme. Due to accounting requirements, it results in a gross up of operating income and operating cost lines, so accordingly, the impact is removed to show the underlying trend of the results.



Financial Progress

QAR million	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Variance Q1 2023 v Q4 2022 (%)	Variance Q1 2023 v Q1 2022 (%)	Q1 2023	Q1 2022	Variance Q1 2023 v Q1 2022 (%)
	Normalized					Reported				
Operating Income	1,216	1,336	1,269	1,477	1,352	-8.5%	11.1%	1,465	1,327	10.4%
Costs	-274	-302	-286	-280	-326	-16.3%	-19.1%	-440	-385	-14.3%
Operating Profit	942	1,033	983	1,197	1,026	-14.3%	8.8%	1,026	942	8.8%
Net Provisions*	-276	-253	-217	-518	-273	47.2%	0.9%	-273	-276	0.9%
Share of Associates' Results	47	60	60	56	70	23.7%	48.9%	70	47	48.9%
Non-Cash Net Monetary Loss	-	-69	-29	-91	-42	53.7%	-100.0%	-42	-	-100.0%
Tax	-11	-41	-28	-35	-29	18.1%	-159.3%	-29	-11	-159.3%
Net Profit	702	730	769	610	751	23.2%	7.0%	751	702	7.0%
Lending Volume	98,366	101,240	98,431	98,016	94,440	-3.6%	-4.0%	94,440	98,366	-4.0%
Deposit Volume	84,547	89,331	86,233	83,167	76,063	-8.5%	-10.0%	76,063	84,547	-10.0%
NIM	2.7%	2.8%	2.8%	2.9%	2.8%	-0.1%	0.1%	2.8%	2.7%	0.1%
C/I Ratio	22.5%	22.6%	22.5%	19.0%	24.1%	-5.1%	-1.6%	30.0%	29.0%	-1.0%
COR (bps) – net	96	105	80	191	66	125	30	66	96	30
NPL Ratio	4.6%	4.5%	4.5%	4.9%	5.0%	-0.1%	-0.4%	5.0%	4.6%	-0.4%
Coverage Ratio*	100.2%	103.2%	107.6%	105.4%	108.9%	3.5%	8.7%	108.9%	100.2%	8.7%
CET 1	12.2%	11.7%	11.3%	11.6%	11.7%	0.1%	-0.5%	11.7%	12.2%	-0.5%
Tier 1	16.4%	15.7%	15.2%	15.6%	15.2%	-0.4%	-1.2%	15.2%	16.4%	-1.2%
CAR	18.1%	17.5%	17.0%	17.3%	16.4%	-0.9%	-1.7%	16.4%	18.1%	-1.7%

1. Normalised is after removing the impact of IFRS 2 from costs and derivative income from operating income to show underlying business trend (see slide 12).
2. The entire one-time adjustment of Net Monetary Loss for H1 2022 has been reported under Q2 2022 to show underlying trend, hence Q1 2022 continues to be reported as earlier.
3. Cost of risk includes net provision charge on loans and NPLs (including net provision charge on off-balance sheet items).

*includes ECL



Group Financial Performance – Quarter ended 31 March 2023

Group Profitability (Normalized)

QAR Million	Q1 2023	Q1 2022	%
Net interest income	987	918	7.5%
Non-interest income	365	298	22.2%
Total costs	(326)	(274)	-19.1%
Net provisions	(274)	(276)	0.9%
Share of associates' results	70	47	48.9%
Non-cash net monetary loss	(42)	-	-100.0%
Tax	(29)	(11)	-159.3%
Net profit	751	702	7.0%

Performance Ratios

	Q1 2023	Q1 2022
RoAE	12.2%	11.7%
RoAA	1.8%	1.7%
NIM	2.8%	2.7%

Consolidated Balance Sheet

QAR Million	Mar 2023	Mar 2022	%
Total assets	163,330	171,467	-4.7%
Loans and advances	94,440	98,366	-4.0%
Investment Securities	29,816	28,270	5.5%
Customer Deposits	76,063	84,547	-10.0%
Total Equity	23,849	23,737	0.5%

Capital

	Mar 2023	Mar 2022
RWA (QAR million)	125,199	120,241
Tier 1 ratio (Basel III)	15.2%	16.4%
Total Capital ratio (Basel III)	16.4%	18.1%



Leader in Digital Innovation Driving Customer Experience and Cost Benefits



Corporate

- Best Cash Management Bank (2016 – 2021) from The Asian Banker
- Best Transaction Bank in Qatar (2018-2021) from The Asian Banker
- Best Online Cash Management (2019, 2020) from Global Finance
- Best Trade Finance Service (2019 – 23) from Global Finance
- Best Mobile Banking App (2021-22) from Global Finance
- Best Bank for Corporate Banking in Qatar from Euromoney (2022)
- Best Integrated Corporate Banking Site from Global Finance (2022)
- Market Leader in Qatar in Corporate Banking from Euromoney Digital Rankings (2022)
- Best Leading Corporate for Investor Relations in Qatar from MEIRA Annual Conference & Awards (2022)

Retail

- The “Serving Business Owners” in Private Banking and Wealth Management in Qatar from Euromoney (2021 – 22)
- Best Retail Bank in Qatar (2017-2020) from The Asian Banker
- Best Consumer Digital Bank from Global Finance (2020)
- Best Online Product Offering from Global Finance (2020)
- Best Mobile Banking App from Global Finance (2021)
- Best in Social Media Marketing and Services from Global Finance (2021-22)
- Best Online Deposit, Card and Investment Product Offerings from Global Finance (2022)
- Best User Experience (UX) Design from Global Finance (2022)
- Best Open Banking APIs from Global Finance (2022)
- Best in Social Media Marketing and Consumer Services in the world from Global Finance (2021-22)
- Market Leader in Qatar in Digitals Solutions from Euromoney Digital Rankings (2022)

Innovation

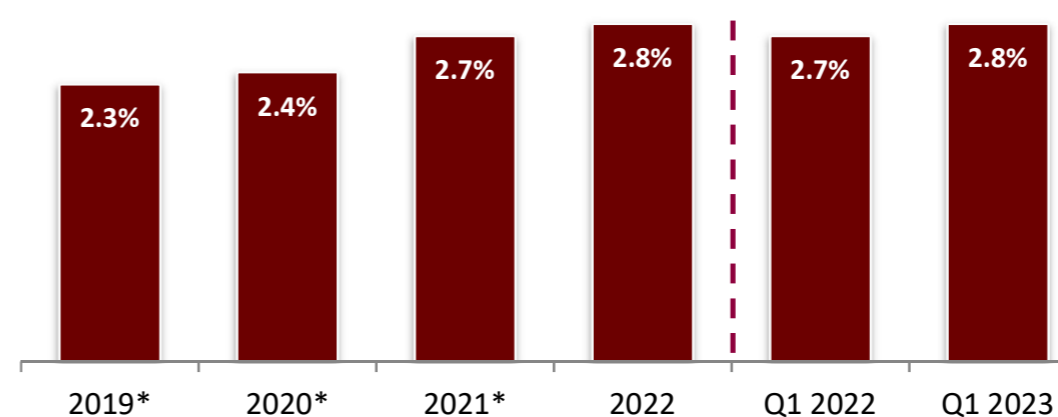
- The Most Outstanding Innovation in Fraud Detection award in the world from Global Finance (2022)
- Most Innovative Customer Service Bank from International Finance Magazine (2021-22)
- Most Innovate Mobile Trading App from International Finance (2021-2022)
- Best Bank in Qatar from Global Finance (2019, 2021-22)
- Best Bank in Qatar from Euromoney (2021)
- Best in Social Media Engagement in the Middle East from The Asian Banker (2021)
- Bank of the Year in Qatar from The Banker (2022)

Earnings Performance – For the quarter ended 31 March 2023

Profitability

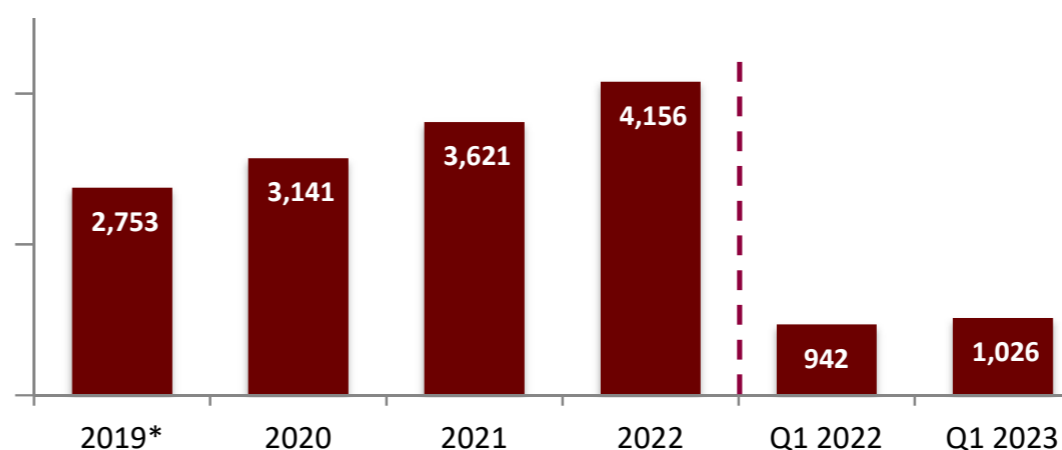
- ◆ Net interest income up by 7.5% to QAR 987.0m in Q1 2023 v Q1 2022.
 - ◆ NIM increased to 2.8% in Q1 2023 from 2.7% in Q1 2022.
- ◆ Normalized non-interest income up 22.2% to QAR 364.7m (+16.9% to QAR 478.4m on reported basis) in Q1 2023 v Q1 2022.
 - ◆ Net income from investment activities increased by QAR 43.4m due to unrealized mark to market movement in investments.
 - ◆ Normalized net fee income and other operating income increased by QAR 22.9 million mainly due to higher FX and trading income.

Net interest margin



Net interest income as a % of average interest earning assets, including (i) Loans and advances to customers (ii) bonds and (iii) loans to other credit institutions

Operating Profit



*Normalized



Continuous income growth further improves cost income ratio with a best in class employee share option scheme

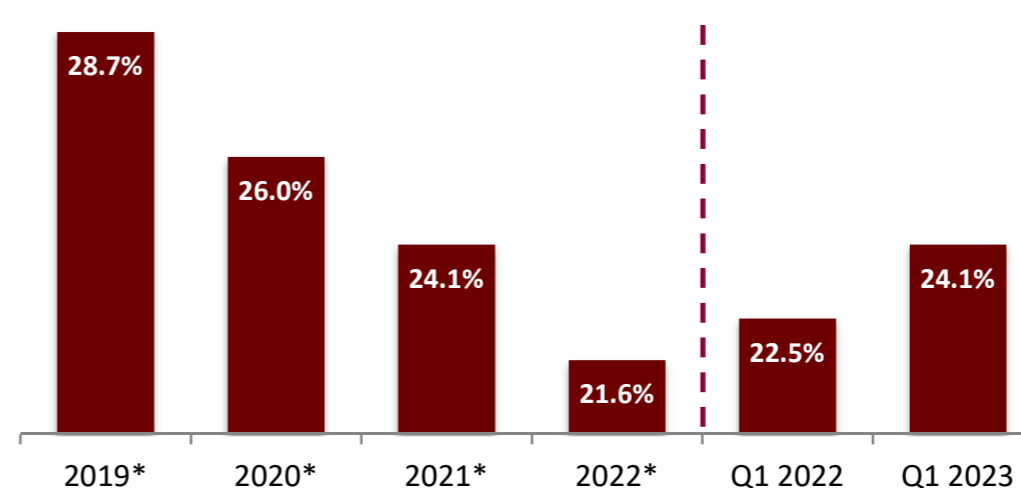
Operating Expenses

- ◆ Normalised cost to income ratio increased to 24.1% (actual reported 30.0%) in Q1 2023 from 22.5% (actual reported 29.0%) in Q1 2022 mainly on account of inflation related expenses and Turkey earthquake donations.
- ◆ In Qatar, normalised cost to income ratio improved to 20.2% (actual reported 27.1%) in Q1 2023 from 20.4% (actual reported 27.6%) in Q1 2022.
- ◆ Continued focus on digital processes and tight expense management.

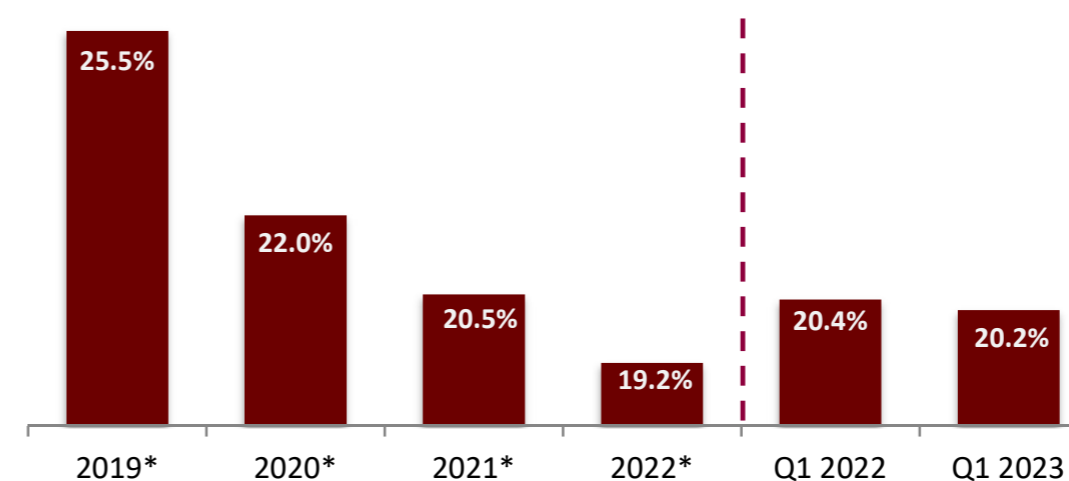
Employee Share option scheme

- ◆ The Bank introduced employee share option scheme in 2017 and has granted performance rights to employees including senior management.
- ◆ It has proved to be a successful retention scheme.
- ◆ The scheme has malice and claw back clauses.
- ◆ Performance rights are settled in cash.
- ◆ Based on IFRS 2, we account for the movement in share price under staff costs.
- ◆ Staff costs include a charge of QAR 113.7m compared to a charge of QAR 111.0m in Q1 2022 with respect to performance rights. This is hedged and hence no impact to P&L.
- ◆ CB share price has moved to QAR 5.80 as at 31 March 2023 from QAR 5.00 as at 31 December 2022.

Cost to Income Ratio Consolidated



Cost to Income Ratio Domestic



*Represents Normalized C/I ratio

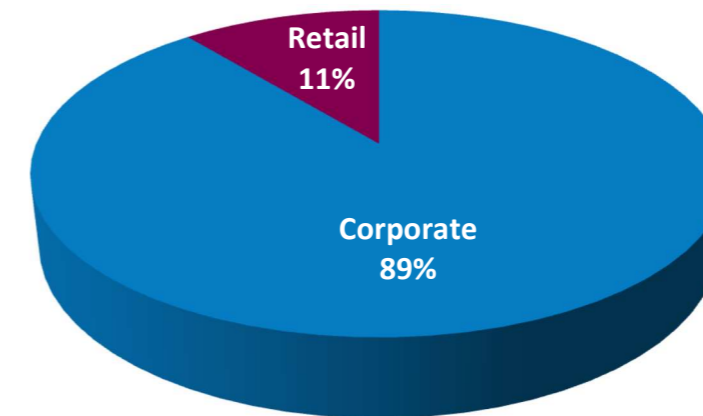


Improved loan book structure

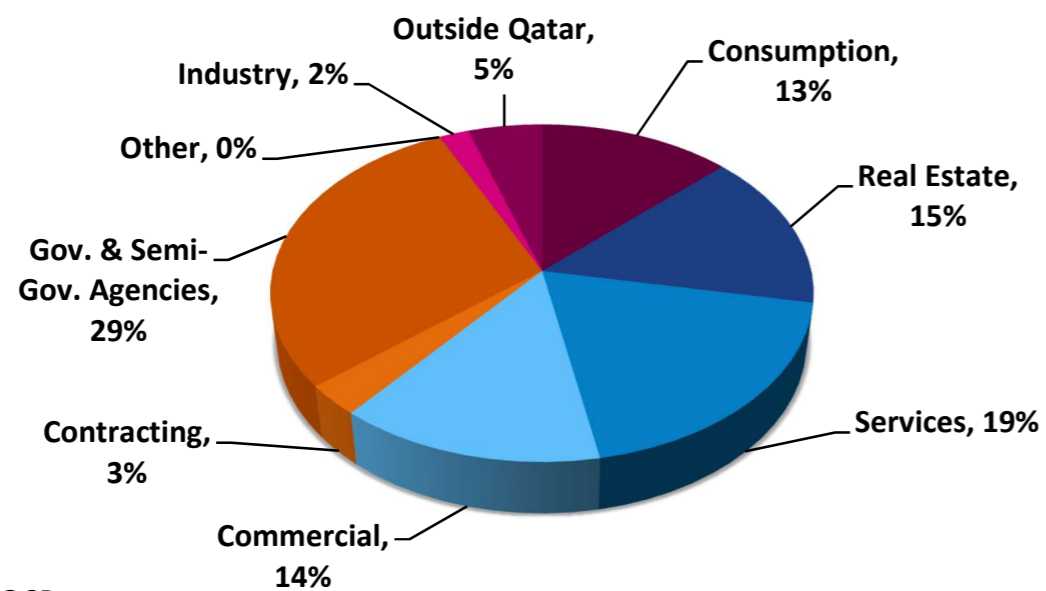
Summary

- ◆ Loans to customers decreased by 4.0% to QAR 94.4 billion.
- ◆ Reduction mainly in acceptances by QAR 3.7 billion and Alternatif Bank loans and advances by QAR 2.2 billion
- ◆ However, domestic loans increased by QAR 1.9 billion.
- ◆ Focus continues on diversifying loans and improving market share in Government and Public sector.

Loan book breakdown by division – March 2023



Qatari banks credit facilities breakdown by sector – February 2023



Source: QCB

Loan book breakdown by sector – March 2023

Sector	Mar-23	Mar-22
Govt and Public Sector	16%	16%
Industry	8%	8%
Commercial	16%	19%
Services	27%	29%
Contracting	4%	4%
Real Estate	20%	18%
Consumption	7%	4%
Others*	2%	2%
	100%	100%

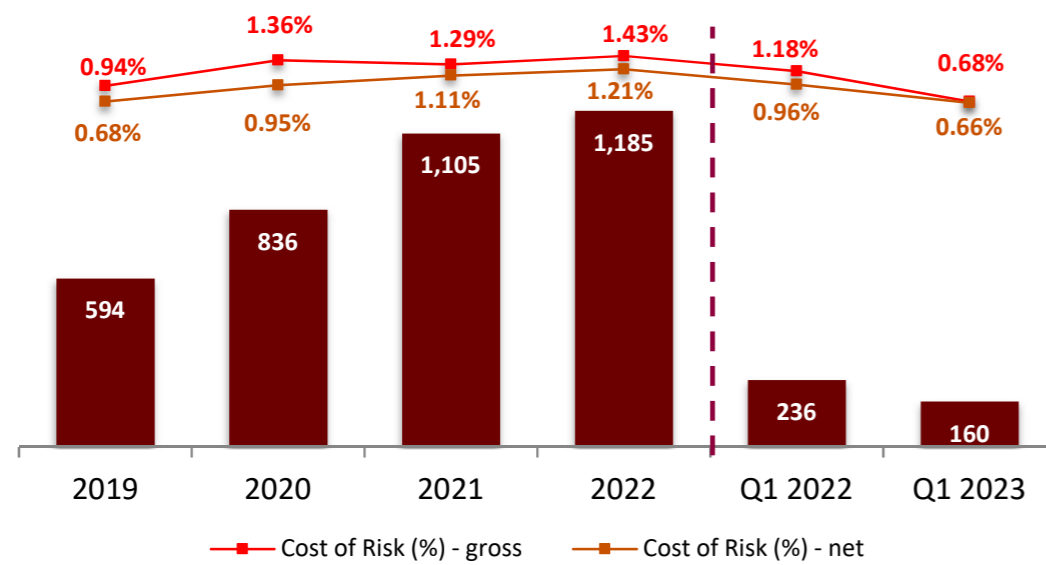
*Others include non-banking financial institutions

Asset Quality – 31 March 2023: Continued Prudent Approach on Provisioning

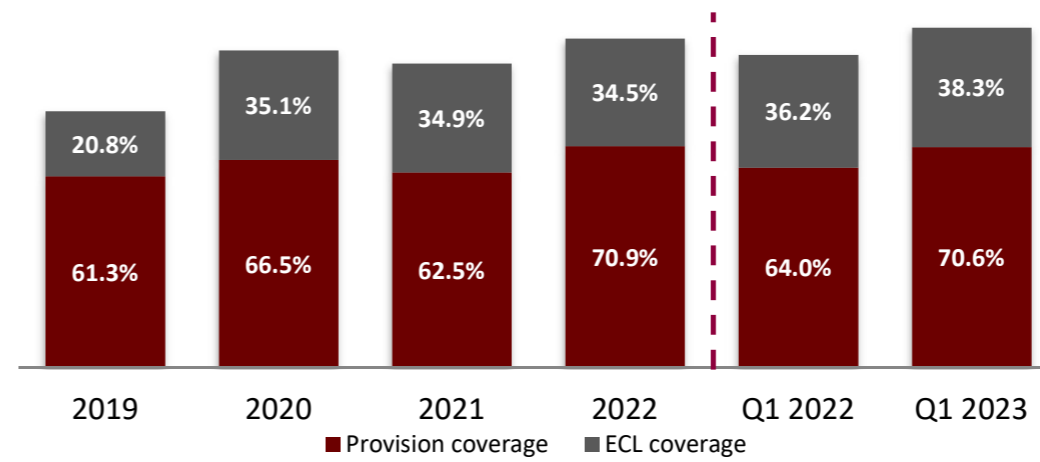
Summary

- ◆ Net provision charge for loans and NPLs of QAR 160.0m vs QAR 236.2m in Q1 2022.
 - ◆ QAR 118.1m for Corporate
 - ◆ QAR 33.2m for Retail
 - ◆ QAR 8.7m for Alternatifbank
- ◆ NPL ratio increased to 5.0% as at 31 March 2023 from 4.6% as at 31 March 2022.
- ◆ Cost of Risk – net decreased to 66 bps in Q1 2023 Vs 96 bps in Q1 2022.
- ◆ Loan coverage strengthened to 108.9% from 100.2% in March 2022.
- ◆ Risk reserve maintained at 2.5% of total loans and advances in addition to credit impairment losses and interest is suspense. Risk reserve stands at QAR 2.3 billion in March 2023.

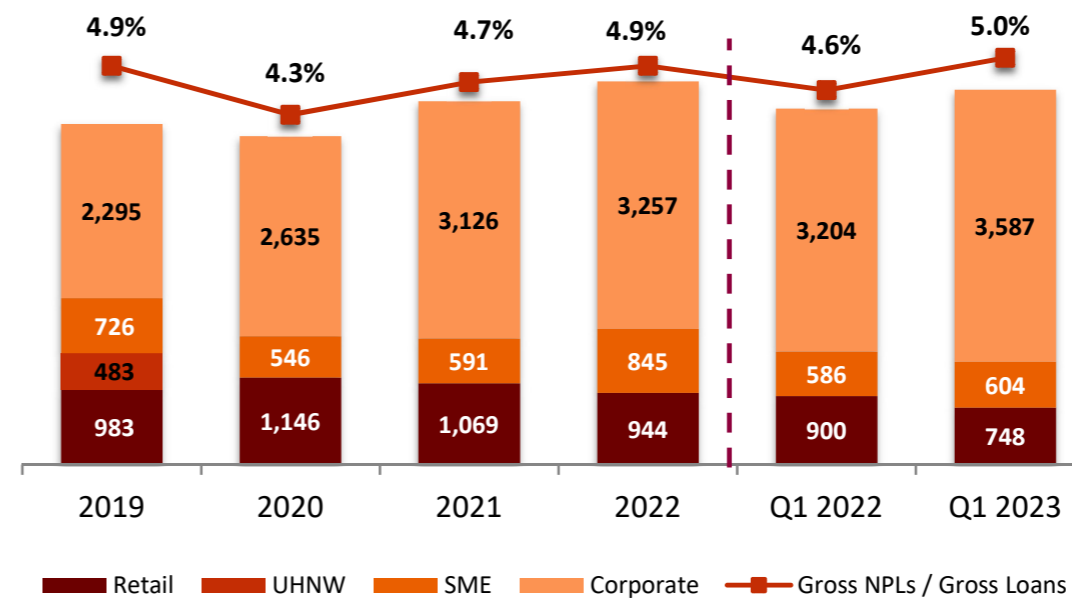
Net Provision Charge for Loans and NPLs (QAR million)



Loan coverage ratio



Non-performing loan ('NPL') ratio (90 day basis)



Funding : Continue to build up diverse sources of funding

Summary

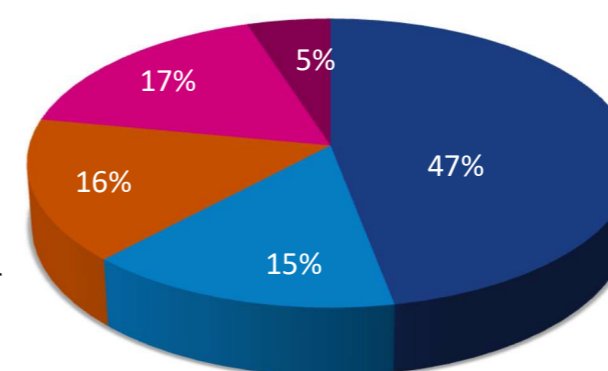
- ◆ Customers' deposits at QAR 76.1 bn, down by 10.0% vs March 2022 representing 46.6% of the total balance sheet.
- ◆ Well diversified funding mix
- ◆ Total equity represents 14.6% of funding mix.

Debt issued and other borrowed funds

Issuance Type (QARm)	Mar-23	Mar-22
Subordinated Notes	732	731
EMTN	10,301	10,527
Senior Notes	14	183
Other loans (including CPs)	16,764	17,810
Total	27,811	29,251

Total funding mix – 31 March 2023

- Customers' Deposits
- Total Shareholders' Equity
- Due to Banks and Financial Institutions
- Debt Securities & Other borrowings
- Other Liabilities



Commercial Bank credit ratings

Rating Agency	Foreign Ccy Deposits/IDR		Bank Strength	Outlook	Date
	LT	ST			
Fitch	A-	F2	bb+	Positive	Apr 23
Moody's	A2	P-1	ba1	Stable	Nov 22
S&P	A-	A-2	bbb-	Stable	Nov 22

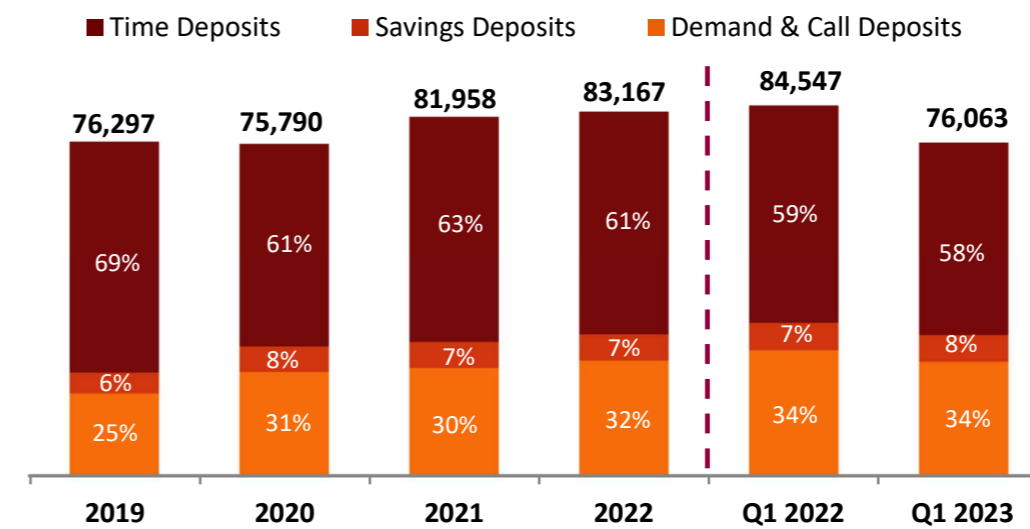


Well diversified deposit portfolio

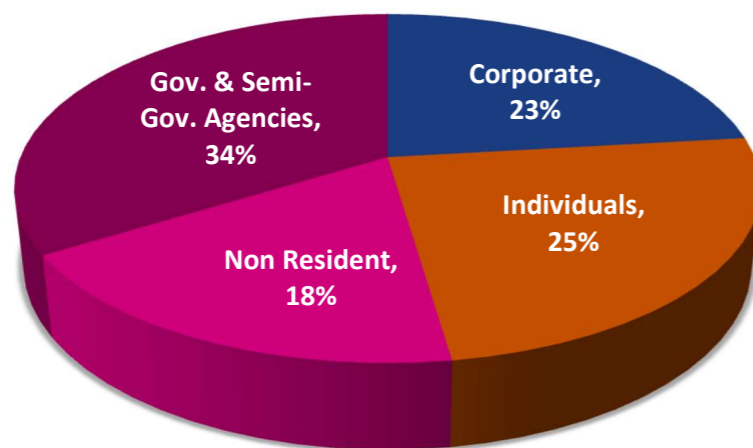
Summary

- ◆ Diversified deposit mix with Government and Semi-Government at 31% , corporate at 28% and individuals at 31%
- ◆ Current and Savings accounts deposit composition at 42% of the deposit base.
- ◆ The mix of Qatar non resident deposit is 10%.

Customer deposits (QAR million)

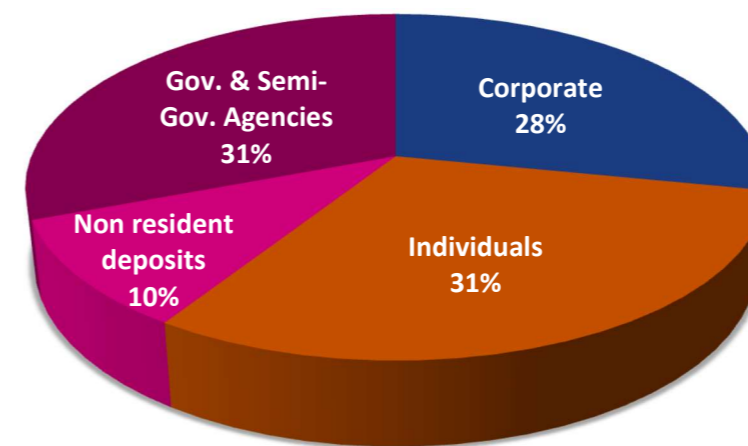


Qatari banks deposits breakdown by sector – February 2023



Source: QCB

Deposits by customer type – March 2023

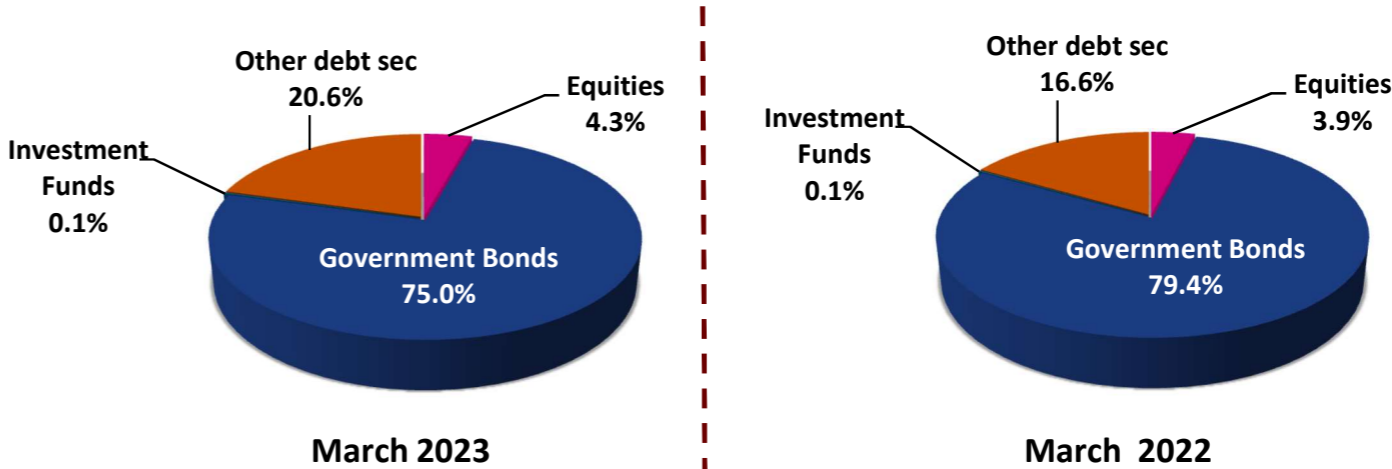


Investment Portfolio – 31 March 2023: High asset quality with 80% of the portfolio invested in HQLA Government Bonds

Summary

- ◆ Investment portfolio up 5.5% to QAR 29.8bn vs Mar 2022.
 - ◆ Investments in highly rated Sovereign Bonds provides stability to the portfolio and makes it less volatile.
- ◆ 75% Government Bonds
- ◆ 80% AAA+ to A- rated securities.

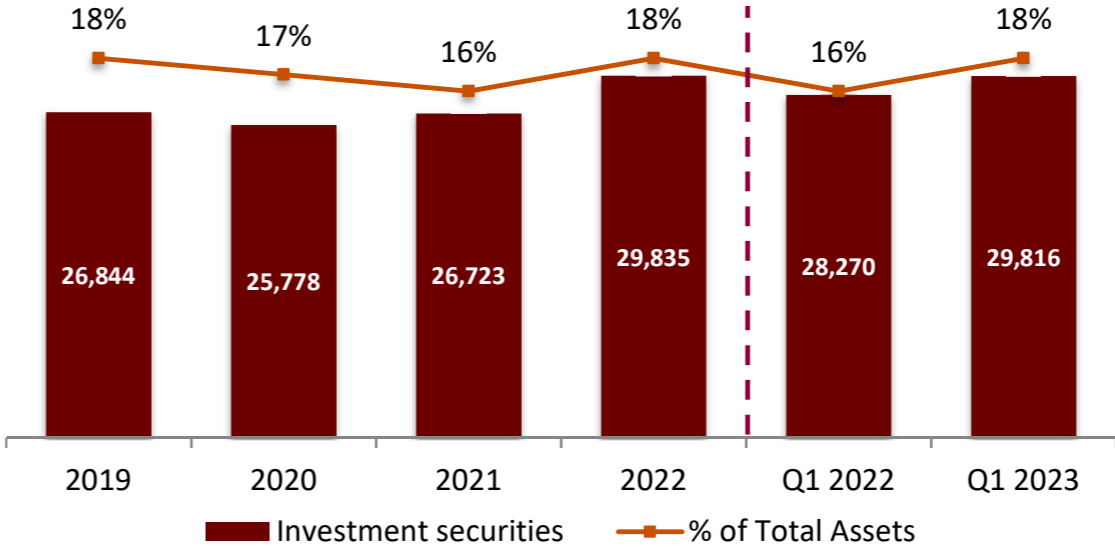
Investment portfolio – 31 March 2023 vs 31 March 2022



Investment portfolio by credit rating

Credit Rating	Portfolio Weight
AAA+ to A-	80%
BBB+ to BB-	7%
B+ to B-	2%
Unrated	11%

Investment portfolio evolution (QAR million)



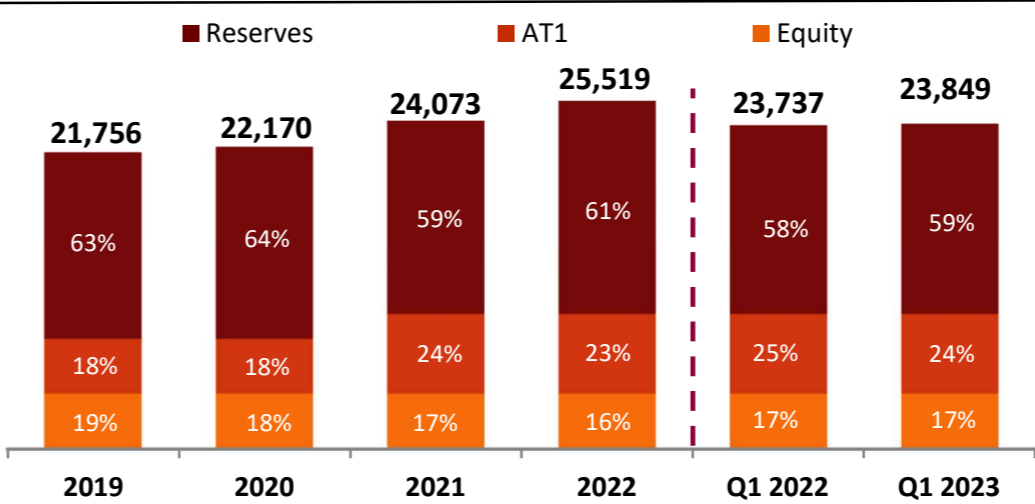
Capitalization Levels – 31 March 2023

Summary

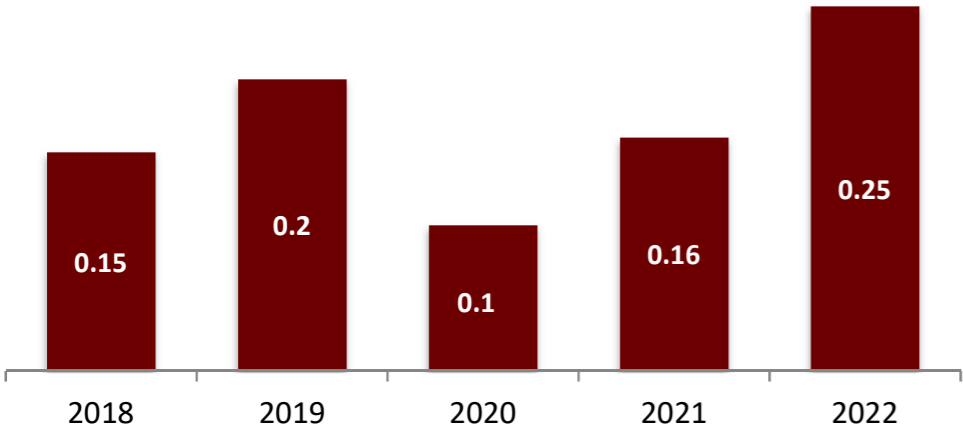
Total equity at QAR 23.8 bn up down by QAR 1.7 bn from Dec 2022 due to:

- ◆ Decrease in retained earnings by QAR1.7 bn mainly on account profits in Q1 2023 adjusted by the dividends payment of 2022 and transfer to other reserve of QAR 69.6 mn.
- ◆ Decrease in fair value reserve by QAR 0.2 bn
- ◆ Capital Adequacy Ratio at 16.4% (Basel III)

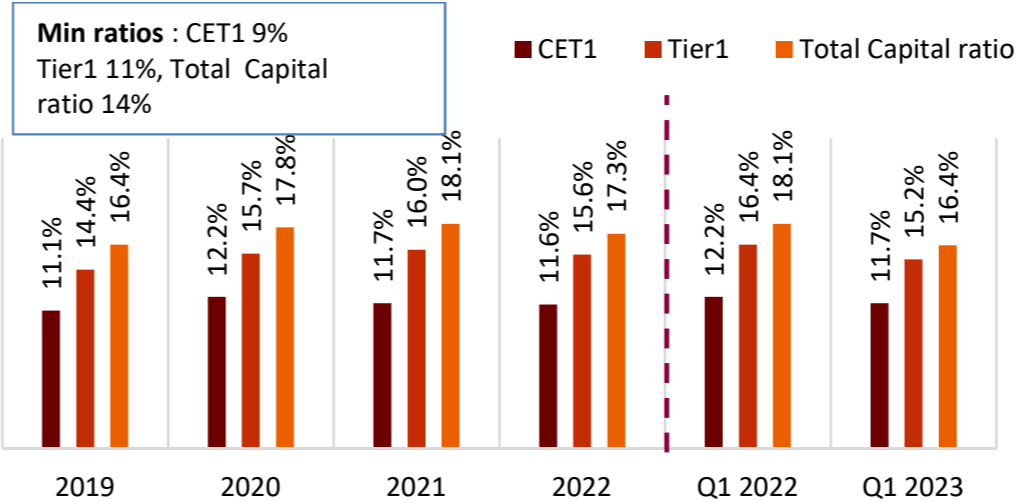
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio (Basel III)



Commercial Bank Financial Performance – For the quarter ended 31 March 2023 (CB Domestic)

Profitability

QAR Million	Q1 2023	Q1 2022	%
Net interest income	926	827	11.9%
Non-interest income	271	279	-3.0%
Total costs	(242)	(225)	-7.2%
Net provisions	(263)	(248)	-6.1%
Net profit	691	633	9.2%

Performance Ratios

	Q1 2023	Q1 2022
ROAA	1.8%	1.6%
NIM	2.8%	2.6%
Cost income ratio (normalized)	20.2%	20.4%

Balance Sheet

QAR Million	Mar 2023	Mar 2022	%
Total assets	155,866	158,860	-1.9%
Loans & advances	88,563	90,264	-1.9%
Investment Securities	27,641	25,935	6.6%
Customer Deposits	71,579	77,777	-8.0%
Total equity	24,881	23,114	7.6%

Capital

	Mar 2023	Mar 2022
RWA (QAR million)	112,169	104,434
Tier 1 ratio	14.6%	16.7%
Total Capital ratio	15.7%	17.8%



Commercial Bank is committed to enhancing its Environmental, Social and Governance practices

Selected ESG highlights

- Formal sustainability governance: Management-level Sustainability Committee with Board-level oversight
- ESG risk assessment criteria on lending and investment
- Remuneration linked to sustainable performance
- First bank in Qatar to introduce deferred bonuses for Executive Management with provisions for malus and clawback
- Mandatory bonus deferrals for Executive Management in performance rights
- 2022 Sustainability Report published
- Signatory to UN Global Compact. Material sustainability topics under sustainability strategy align with the UN Sustainable Development Goals



- Participant in QSE's voluntary ESG disclosure initiative

- ECONOMY AND FIVE YEAR PLAN TARGETS
- CONSOLIDATED HIGHLIGHTS AND PERFORMANCE
- **SUBSIDIARY PERFORMANCE**



Alternatifbank Results – For the quarter ended 31 March 2023

Balance Sheet

TL million	Q1 22*	Q1 23
Assets		
Cash and Balances with Central Bank	7,044	4,768
Due from banks	2,830	2,374
Loans and advances	32,680	30,968
Investment securities	9,416	11,463
Other assets	2,643	4,895
Total Assets	54,612	54,468
Liabilities & Equity		
Due to banks	3,117	3,180
Customer deposits	27,304	23,627
Other borrowed funds	18,134	19,052
Other liabilities	3,106	2,931
Shareholders Equity	2,951	5,678
Total Liabilities and Equity	54,612	54,468

Profitability

TL million	Q1 22*	Q1 23
Operating Income	422	805
Total Operating Expenses	-140	-377
Net Provisions	-108	-53
Profit Before Tax	173	375
Taxes	-41	-145
Net Monetary Losses	0	-218
Net Profit	132	11

Alternatifbank of Turkey

- ◆ Hyperinflationary accounting implemented as of Jun 22
- ◆ Q1 23 Net Profit after tax and hyperinflation at **TL 11m**
- ◆ YoY total equity increase at **92% (TL 2.7bn)**, corresponds with NML excluding NP
- ◆ The net monetary losses due to hyperinflation is **TL 218m** (2022 YtD: **TL 933m**)
- ◆ Opex increase includes appr. **TL 50m** one-off expenses additionally to the increasing inflation (YoY 50.5% & Q1 23: 12%)



Q&A

