

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

## **Financial Results**

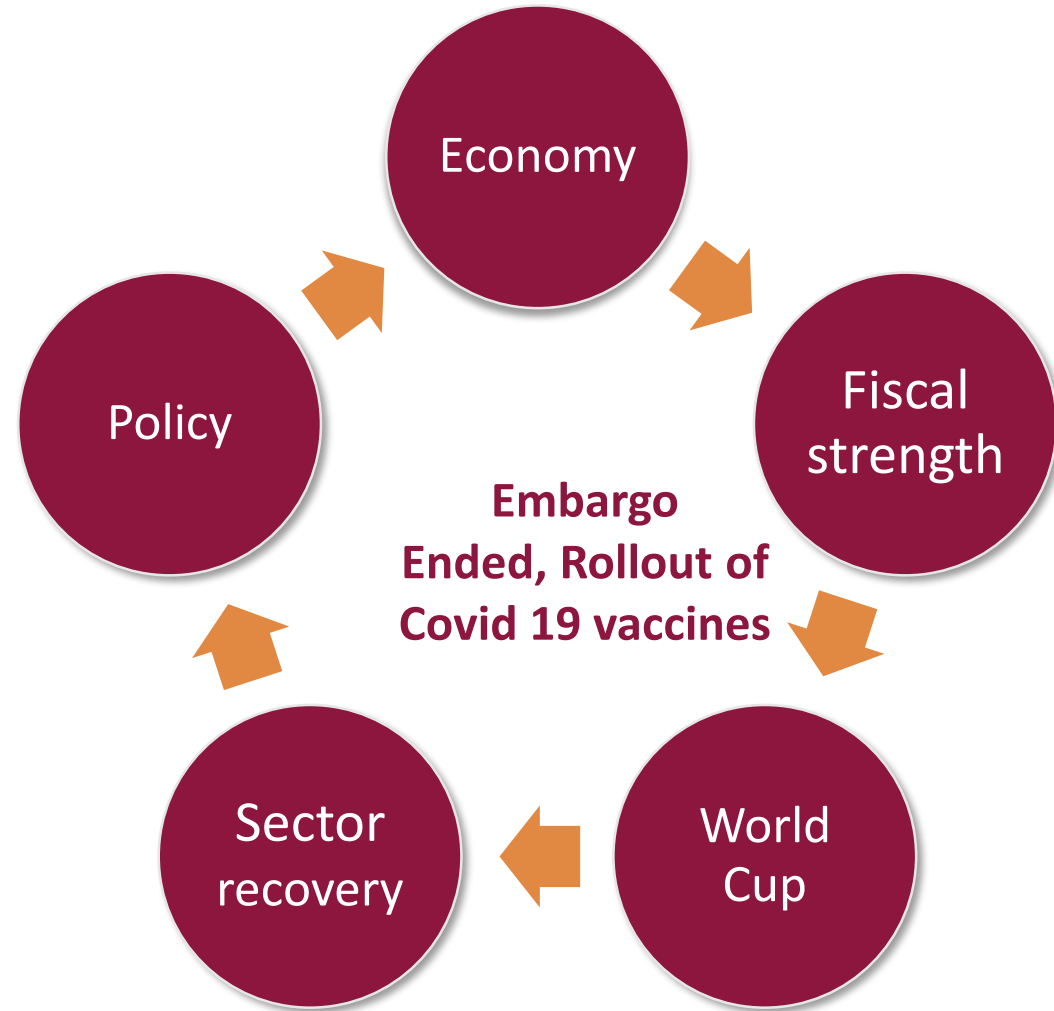
**For the quarter ended 31 March 2022**

## 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
- ASSOCIATES AND SUBSIDIARY PERFORMANCE

## Qatar Outlook economy well positioned for 2022 and beyond



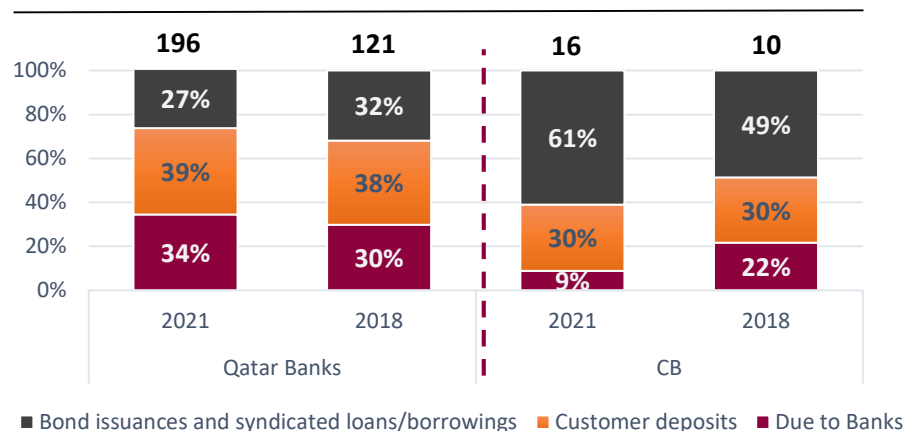
- **Qatar's GDP growth is** projected at 3.4 percent in 2022.
- IMF projects Qatar to **swiftly return to a current account surplus** in 2022 – with current account balance projected at 19.9% of GDP in 2022.
- **Multiple infrastructure projects** (e.g. World Cup 2022 stadiums, Qatar Rail, Lusail) **will continue to bolster the economy.**
- Qatar is one of the **world's largest LNG exporter.**
- Qatar Energy (QE), the state-run LNG producer, plans to increase production to **110 million tonnes per annum (mtpa) by 2025** from current's 77 mtpa via the Phase 1 North Field expansion (North Field East).
- The second phase (North Field South) will **further boost** Qatar's LNG production capacity to **126 mtpa by 2027**. These measures will secure Qatar's position as the **world's leading supplier of LNG.**

## Our progress to date and next five year plan targets

Strategic intent		2016	2017-21 - 5 Year Plan Targets	2021	2022-26 Plan Targets	2022 Guidance
CET1	CET1 :	9.7%	11.0% - 11.5%	11.7%	13.0% - 14.0%	11.7% - 12.2%
	CAR :	15.2%	16.0% - 16.5%	18.1%	18.5% - 19.0%	18.0% - 18.5%
Risk Management	NPL :	5.0%	4.0% - 4.5%	4.7%	2.5%	4.0% - 4.5%
	CoR :	1.6%	50 bps	111bps	60 - 80 bps	100 - 110 bps
Reshape loan book	Gov/public sector:	10%	16%	18%	25%	19%
	Real estate :	28%	20%	19%	16%	18%
Cost to Income Ratio	Consolidated :	45.7%	35%	24.1%	< 20%	< 23%
	Domestic :	40.2%	30%	20.5%	< 17%	< 20.5%
Return on Equity (ROE)	ROE:	2.7%	10%	10%	13% - 15%	11.5% - 12.5%

# CB and Qatari Banks Foreign Funding

## Non-resident funding (USD billion)



■ Bond issuances and syndicated loans/borrowings ■ Customer deposits ■ Due to Banks

## Fitch Ratings Comments

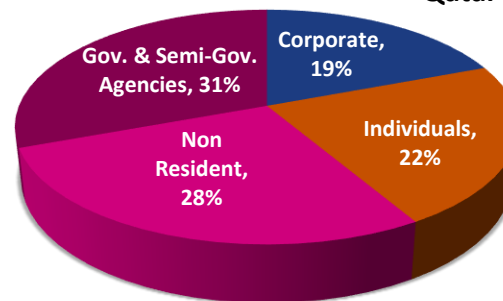
- The rating action reflects the Qatari banking sector's increased reliance on external funding and recent rapid asset growth, which Fitch believes has weakened the sovereign's ability to provide support to the system, in case of need.
- Non-resident funding reached USD196 billion or 47% of the Qatari banking sector's liabilities at end-2021 (up from USD121 billion or 38% at end-2018).

## CB Position

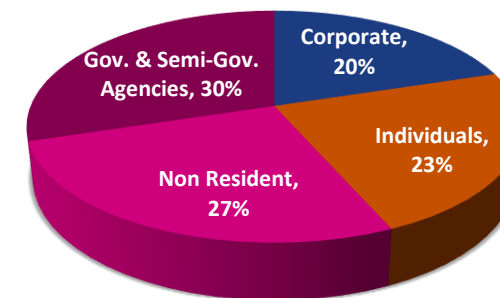
- The Bank has strong relationship with its non-resident customers. They have been with the Bank for more than five years. Even during the blockade, CB did not lose non-resident deposits.
- The Bank continues to diversify the sources of funding.
- Bond issuances and syndicated loans/borrowings have average remaining tenor of over 2.5 years which moderates funding risks.

## Deposit Breakdown

### Qatar Banking Sector

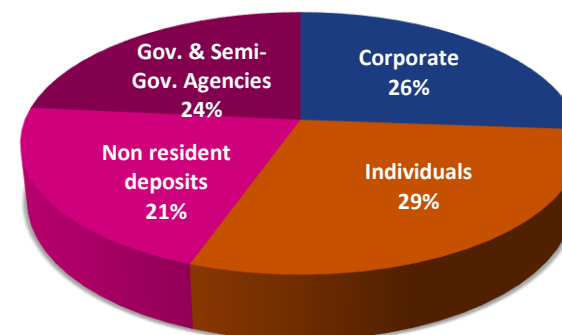


December 2021

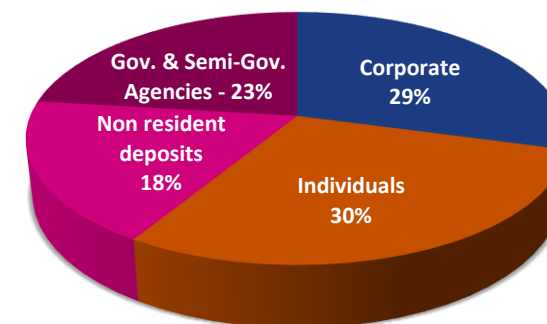


February 2022

### CB









December 2021



March 2022

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

# Executive summary

Strategic Focus	Progress
 <b>Results</b>	<ul style="list-style-type: none"><li>• Net profit of QAR 702.3 million, up by 16.5% compared to the same period in Q1 2021.</li><li>• Normalized operating income of QAR 1,216.2 million, up by 11.9% (+14.3% on reported basis)</li><li>• NIMs increased to 2.8% from 2.6% in Q1 2021.</li><li>• Operating profit of QAR 942.5 million, up by 18.6% as compared to Q1 2021.</li><li>• Total assets of QAR 171.5 billion, up by 5.1% .</li><li>• “Best Bank” award in Qatar by Global Finance.</li><li>• “Best Trade Finance Provider” award in Qatar by Global Finance.</li><li>• “Serving Business Owners” award in Private Banking and Wealth Management in Qatar from Euromoney.</li></ul>
 <b>Capital &amp; Funding</b>	<ul style="list-style-type: none"><li>• CET1, Tier 1 and Total Capital Ratios at 12.2%, 16.4% and 18.1%, respectively, as compared to 12.0%, 16.3% and 18.3% at Mar 2021.</li><li>• Low cost deposits have increased by 10.9%, year-on-year.</li></ul>
 <b>Reshaping Loan Book</b>	<ul style="list-style-type: none"><li>• Consolidated loan book stood at QAR 98.4 billion, down 1.0% from Mar 2021 but up by 0.4% from Dec 2021.</li><li>• Focus remains on re-shaping profile of the lending book</li><li>• Continued diversification of risk across a range of sectors including decreasing real estate exposure and increasing exposure to government and public sector.</li><li>• Growth in commercial and services sectors, but Government sector exposures decreased to 16% in Mar 2022 from 19% in Mar 2021 due to repayment of the temporary overdraft by Government.</li></ul>
 <b>Provisioning</b>	<ul style="list-style-type: none"><li>• NPL ratio increased to 4.6% at Mar 2022 from 4.2% at Mar 2021, however this has decreased from 4.7% in Dec 2021.</li><li>• Loan coverage ratio (including ECL) decreased to 100.2% as compared with 105.9% in Mar 2021, but increased from 97.4% in Dec 2021.</li><li>• Due to continued prudent provisioning on NPL customers, gross cost of risk increased to 118 bps in Mar 22 Vs 108 bps in Mar 21.</li><li>• Net cost of risk increased to 96 bps at Mar 2022 compared with 87 bps at Mar 2021.</li></ul>
 <b>Costs</b>	<ul style="list-style-type: none"><li>• Normalized consolidated cost to income ratio decreased to 22.5% (reported 29.0%) in Q1 2022 from 26.8% (reported 31.5%) in Q1 2021 and in Qatar decreased to 20.4% (reported 27.6%) in Q1 2022 from 22.2% (reported 27.5%) in Q1 2021.</li></ul>
 <b>Subsidiaries &amp; Associates</b>	<ul style="list-style-type: none"><li>• Subsidiary and associates have improved profitability year-on-year.</li><li>• Alternatif Bank reported net profit of TL 131.8m (QAR 34.4m), compared to a net loss of TL 41.3m in Q1 2021.</li><li>• NBO reported net profit of OMR 10.2m (CB’s share QAR 33.8m), compared to a net profit of OMR 6.9 million in Q1 2021.</li><li>• UAB reported a net profit of AED 30.4m (CB’s share of QAR 12.0m), compared to a net profit of AED 10.2m in Q1 2021.</li></ul>

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 2021 Normalized	Q2 2021 Normalized	Q3 2021 Normalized	Q4 2021 Normalized	Q1 2022 Normalized	Variance Q1 2022 v Q4 2021 Normalized	Variance Q1 2022 v Q1 2021 Normalized	Q1 2022 Reported	Q1 2021 Reported	Variance Q1 2022 v Q1 2021 Reported
Operating Income	1,087	1,197	1,206	1,282	1,216	-5.1%	11.9%	1,327	1,161	14.3%
Costs	-292	-287	-287	-284	-274	3.7%	6.1%	-385	-366	5.1%
Operating Profit	795	910	919	998	942	-5.6%	18.6%	942	795	18.6%
Net Provisions*	-224	-220	-143	-559	-276	50.6%	-23.0%	-276	-224	23.0%
Associates Income (Loss)	27	36	33	-258	47	118.1%	70.6%	47	27	-70.6%
Net Profit	603	725	805	173	702	305.9%	16.5%	702	603	16.5%
Lending Volume	99,387	100,588	101,093	98,003	98,366	0.4%	-1.0%	98,366	99,387	-1.0%
Deposit Volume	81,839	82,340	80,684	81,958	84,547	3.2%	3.3%	84,547	81,839	3.3%
NIM	2.6%	2.7%	2.7%	2.7%	2.8%	0.1%	0.2%	2.8%	2.6%	0.2%
C/I Ratio	26.8%	24.0%	23.8%	22.2%	22.5%	0.3%	-4.3%	29.0%	31.5%	-2.5%
COR (bps) – gross	108	90	69	231	118	113	10	118	108	-10
COR (bps) – net	87	80	55	206	96	110	9	96	87	-9
NPL Ratio	4.2%	4.1%	4.0%	4.7%	4.6%	0.1%	0.4%	4.6%	4.2%	-0.4%
Coverage Ratio*	105.9%	112.1%	115.9%	97.4%	100.2%	2.8%	-5.7%	100.2%	105.9%	5.7%
CET 1	12.0%	12.0%	11.9%	11.7%	12.2%	0.5%	0.2%	12.2%	12.0%	0.2%
Tier 1	16.3%	16.3%	16.2%	16.0%	16.4%	0.4%	0.1%	16.4%	16.3%	0.1%
CAR	18.3%	18.4%	18.3%	18.1%	18.1%	0.0%	-0.2%	18.1%	18.3%	-0.2%

\*includes ECL

Normalised is after removing the impact of IFRS 2 from costs and derivative income from operating income to show underlying business trend (see slide 11)

## Group Financial Performance – Quarter ended 31 March 2022

### Group Profitability

QAR Million	Q1 2022	Q1 2021	%
Net interest income	954	856	11.4%
Non-interest income	373	305	22.5%
Total costs	(385)	(366)	5.1%
Net provisions	(276)	(224)	23.0%
Associates income	47	27	70.6%
Net profit	702	603	16.5%

### Performance Ratios

	Q1 2022	Q1 2021
RoAE	11.6%	10.6%
RoAA	1.6%	1.5%
NIM	2.8%	2.6%

### Consolidated Balance Sheet

QAR Million	Mar 2022	Mar 2021	%
Total assets	171,467	163,080	5.1%
Loans & advances	98,366	99,387	-1.0%
Investment Securities	28,270	25,452	11.1%
Customer Deposits	84,547	81,839	3.3%
Total equity	23,737	23,415	1.4%

### Capital

	Mar 2022	Mar 2021
RWA (QAR million)	120,241	116,804
Tier 1 ratio (Basel III)	16.4%	16.3%
Total Capital ratio (Basel III)	18.1%	18.3%

# 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 – 2022) from Global Finance
- Best Mobile Banking App (2021) from Global Finance

## Retail

- The “Serving Business Owners” in Private Banking and Wealth Management in Qatar (2021-2022) from Euromoney
- The “Data Management and Security” in Private Banking and Wealth Management in Qatar (2021) from Euromoney
- Visa Global Service Quality Award 2020
- 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 Information Security and Fraud Management from Global Finance (2021)
- Best in Social Media Marketing and Services from Global Finance (2021)

## Innovation Awards

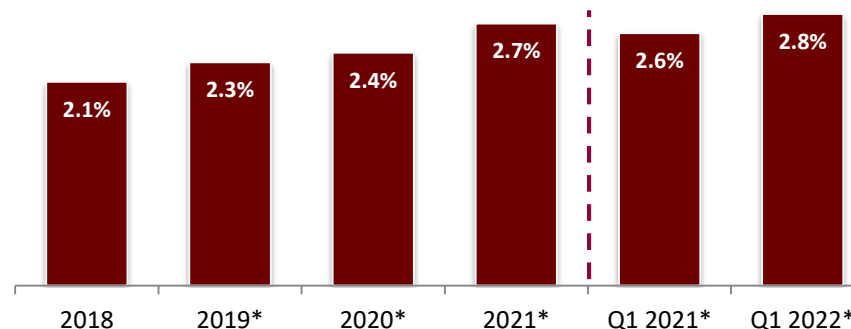
- Most Innovative Customer Service Bank from International Finance Magazine (2021)
- Best Bank in Qatar from Global Finance (2021 – 2022)
- Best Bank in Qatar from Euromoney (2021)
- Best in Social Media Engagement in the Middle East from The Asian Banker (2021)
- Best Performing Bank from The Banker (2020)
- Best Digital Bank from AsiaMoney (2020-2021)
- Most Innovative Digital Bank from International Finance (2020)
- Most Innovative Digital Bank from Global Finance (2020)

# Earnings Performance – For the year quarter ended 31 March 2022

## Profitability

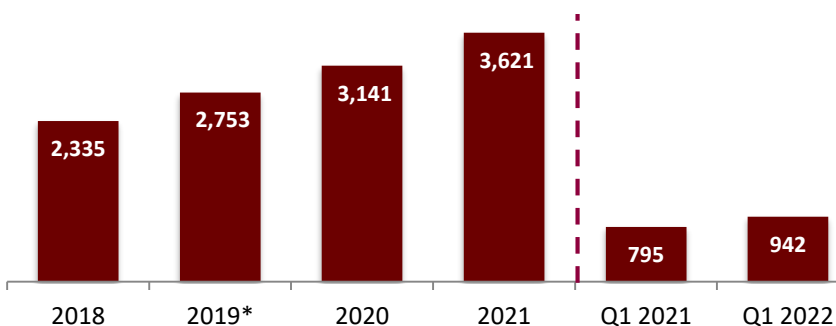
- ◆ Net interest income up by 11.4% to QAR 953.8 m in Q1 2022 v Q1 2021.
  - ◆ NIM increased to 2.8% in Q1 2022 vs 2.6% in Q1 2021.
  - ◆ Increase in margins mainly resulted from effective management of the cost of funding.
  
- ◆ Normalized non-interest income up 13.8% to QAR 262.4m (+22.5% to QAR 373.4m on reported basis) in Q1 2022 v Q1 2021.
  - ◆ Normalized Net fee income and other income increased by QAR 91.7 million mainly due to higher FX and trading income.
  - ◆ Net income from investment activities decreased by QAR 59.8m due to unrealized mark to market movement in investments.

## 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 and cost efficiency further improves cost income ratio with a best in class employee share option scheme

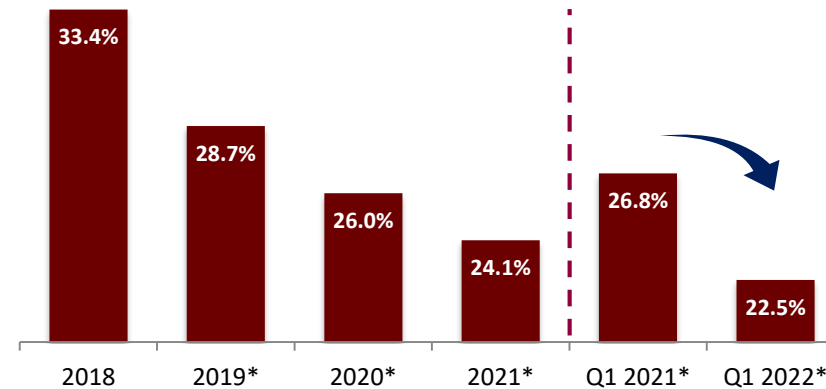
## Operating Expenses

- ◆ Normalised cost to income ratio improved to 22.5% (actual reported 29.0%) in Q1 2022 from 26.8% (actual reported 31.5%) in Q1 2021 mainly on account of growth in operating income by QAR 97.7m on normalized basis.
- ◆ Continued focus on digital processes and tight expense management.
- ◆ In Qatar, normalised Cost to Income Ratio improved to 20.4% (actual reported 27.6%) in Q1 2022 from 22.2% (actual reported 27.5%) in Q1 2021.

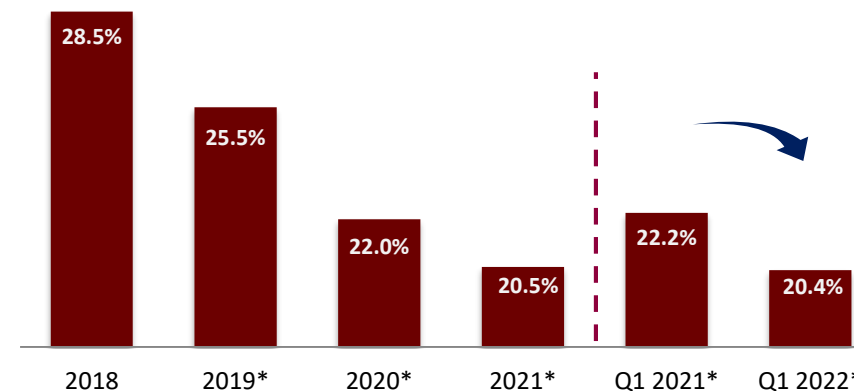
## Employee Share option scheme

- ◆ 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.
- ◆ As at 31 Mar 2022, staff costs include a cost of QAR 111.0m (31 Mar 2021 : QAR 74.3m) with respect to performance rights. This is hedged and hence no impact to P&L.
- ◆ CB share price was QAR 7.47 as at 31 Mar 2022 and has moved from QAR 6.75 as at 31 Dec 2021.

## Cost to Income Ratio Consolidated



## Cost to Income Ratio Domestic



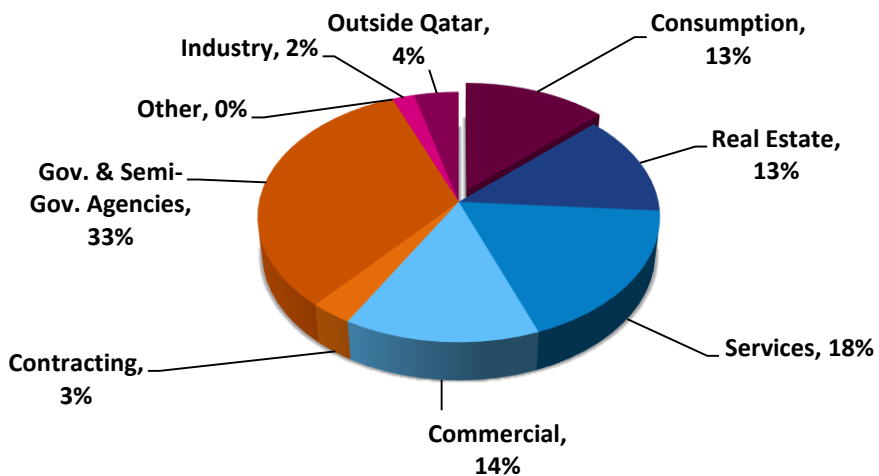
\*Represents Normalized C/I ratio

# Improved loan book structure

## Summary

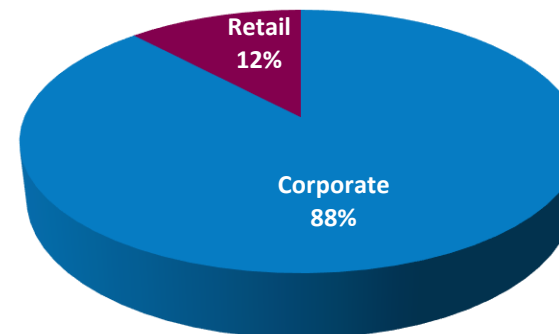
- ◆ Loans to customers at QAR 98.4 bn, down 1.0% v Mar 2021.
- ◆ Reduction mainly in government and public sector due to payout of the temporary overdraft by the Government.
- ◆ Additionally, loan book was impacted by the depreciation of Turkish Lira.
- ◆ Excluding the government repayment, year-on-year loan growth is 4.4% and without the Turkish Lira impact, year-on-year loan growth is 6.9%.
- ◆ Reduction in Government overdraft by QAR 5.4 billion from March 2021, but other sectors increased by QAR 4.7 billion from March 2021.
- ◆ Growth in commercial and services sectors.
- ◆ Focus continues on diversifying loans and improving market share in Government and Public sector.

## Qatari banks credit facilities breakdown by sector – Feb 2022



Source: QCB

## Loan book breakdown by division – Mar 2022



## Loan book breakdown by sector – Mar 2022

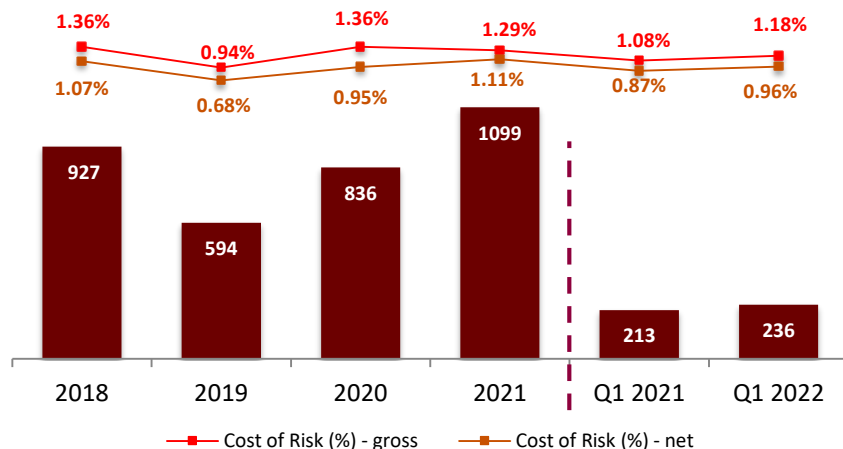
Sector	Mar-22	Mar-21
Govt and Public Sector	16%	19%
Industry	8%	8%
Commercial	19%	13%
Services	29%	25%
Contracting	4%	4%
Real Estate	18%	19%
Consumption	5%	9%
Other	1%	3%
	<b>100%</b>	<b>100%</b>

# Asset Quality – 31 March 2022: Prudent Approach on Provisioning

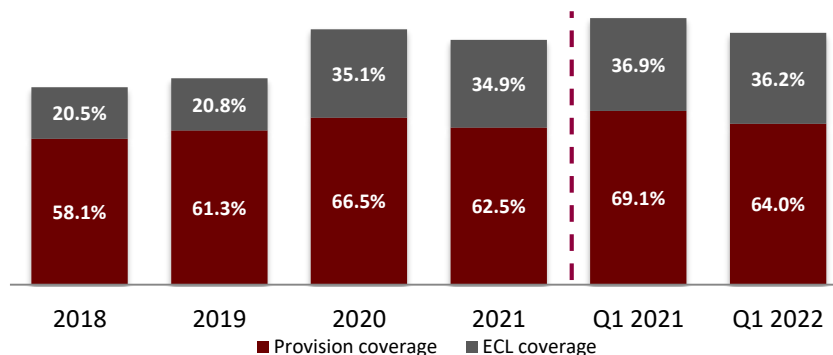
## Summary

- ◆ Net impairment for loan loss of QAR 236.2m v QAR 212.5m in Q1 2021.
  - ◆ QAR 151.4m for Corporate
  - ◆ QAR 43.4m for Retail
  - ◆ QAR 41.4m for Alternatifbank
- ◆ NPL ratio increased to 4.6% as at 31 Mar 2022 from 4.2% as at 31 Mar 2021, but down from 4.7% as at Dec 2021.
- ◆ Cost of Risk – net increased to 96 bps in Q1 2022 Vs 87 bps in Q1 2021.
- ◆ Loan coverage decreased to 100.2% v 105.9% in Mar 2021, but up from 97.4% in Dec 2021.
- ◆ 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 2.1 billion in Mar 2022.

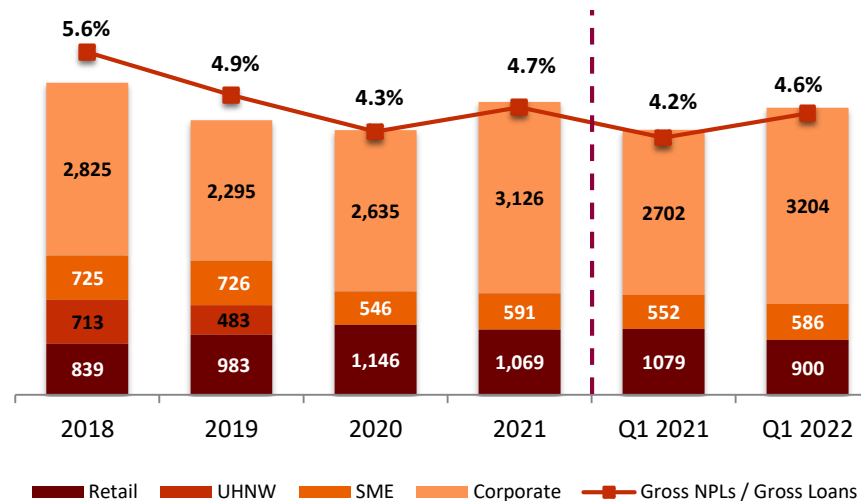
## Net Provision for loan loss (QAR million)



## Loan coverage ratio



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



## Funding : Continue to build up diverse sources of funding

### Summary

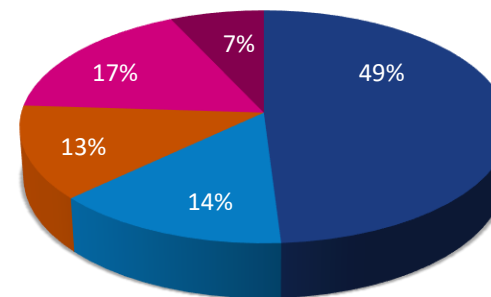
- ◆ Customers' deposits at QAR 84.5 bn, up by 3.3% vs Mar 2021 representing 49.3% of the total balance sheet.
- ◆ Well diversified funding mix
- ◆ Total equity represents 13.8% of funding mix.
- ◆ The average remaining tenor of bond issuances and syndicated loans/borrowings is over 2.5 years. Out of this, 66% is fixed rate and hence will have a positive impact on NIMs as interest rates increase.

### Debt issued and other borrowed funds

Issuance Type (QARm)	Mar-22	Mar-21
Subordinated Notes	731	1,823
EMTN	10,528	9,114
Senior Notes	183	210
Other loans (including CPs)	17,810	14,936
<b>Total</b>	<b>29,251</b>	<b>26,082</b>

### Total funding mix – 31 March 2022

- 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+	Stable	Apr 22
S&P	BBB+	A-2	bb+	Stable	Jan 22
Moody's	A3	Prime 2	ba1	Stable	Dec 21

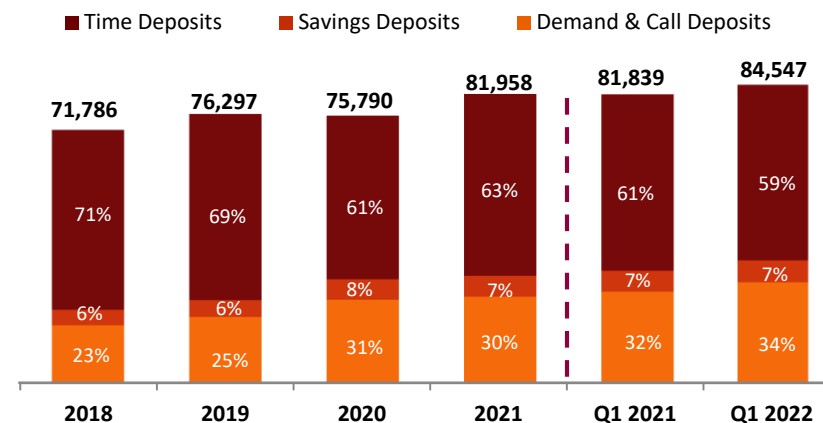


# Well diversified deposit portfolio

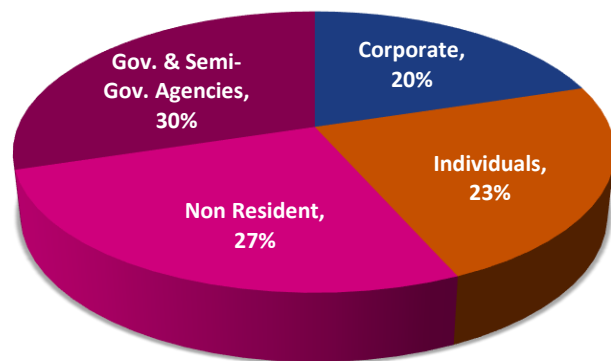
## Summary

- ◆ Diversified deposit mix with Government and Semi-Government at 22.7% , corporate at 29.4% and individuals at 29.6%
- ◆ Current and Savings accounts deposit composition at 41.1% of the deposit base.
- ◆ The mix of Qatar non resident deposit is 18.3%.

## Customer deposits (QAR million)

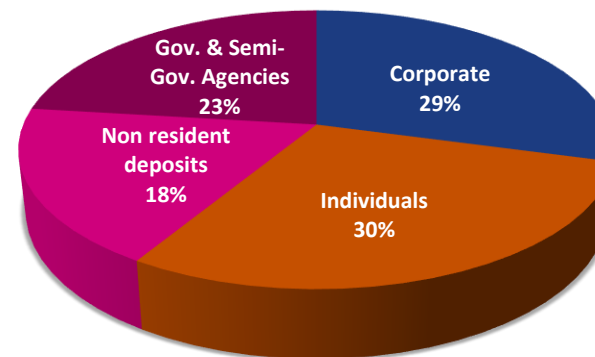


## Qatari banks deposits breakdown by sector – Feb 2022



Source: QCB

## Deposits by customer type – Mar 2022

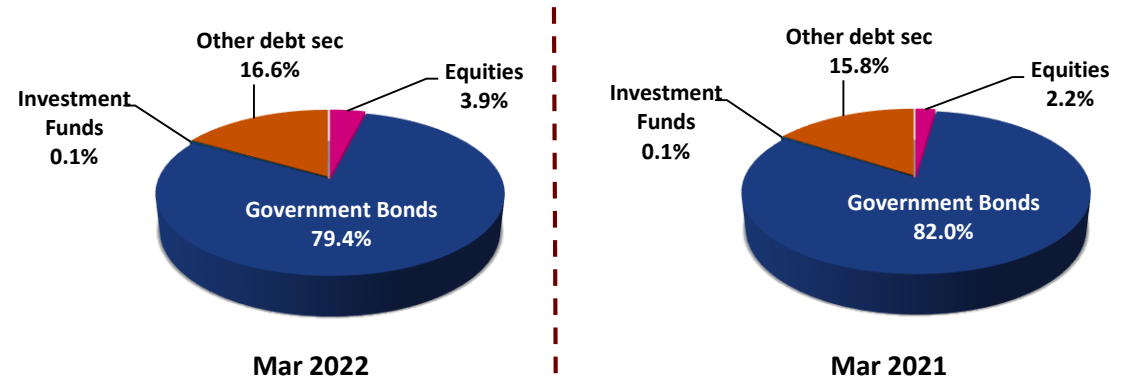


# Investment Portfolio – 31 March 2022: High asset quality with 79.4% of the portfolio invested in HQLA Government Bonds

## Summary

- ◆ Investment portfolio up 11.1% to QAR 28.3bn vs Mar 2021
  - ◆ Investments in highly rated Sovereign Bonds provides stability to the portfolio and makes it less volatile.
- ◆ 79.4% Government Bonds
- ◆ 82.0% AAA+ to A- rated securities.

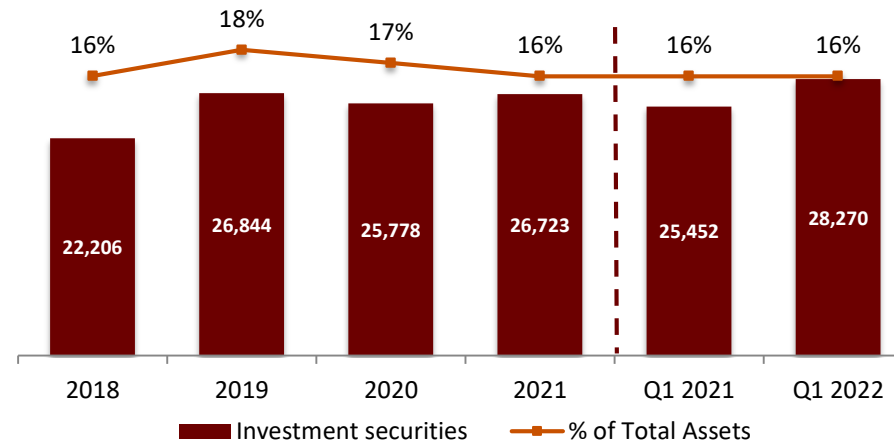
## Investment portfolio – 31 Mar 2022 vs 31 Mar 2021



## Investment portfolio by credit rating

Credit Rating	Portfolio Weight
AAA+ to A-	82%
BBB+ to BB-	6%
B+ to B-	6%
Unrated	6%

## Investment portfolio evolution (QAR million)



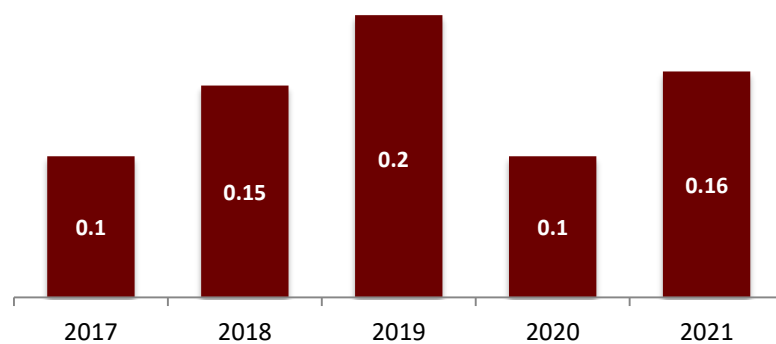
# Capitalization Levels – 31 March 2022

## Summary

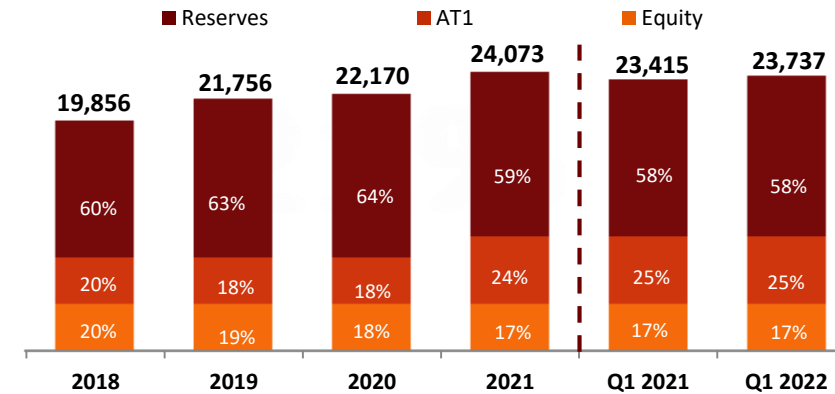
Total equity at QAR 23.7bn down by QAR 336.2mn from Dec 2021 due to:

- ◆ Decrease in retained earnings by QAR 32.9mn on account of profits in Q1 2022 adjusted by the dividends payment of 2021 and transfer to other reserve of QAR 45.2mn.
- ◆ Decrease in fair value reserve by QAR 300.0mn
- ◆ Increase in negative foreign currency translation reserve by QAR 76.5mn.
- ◆ Capital Adequacy Ratio at 18.1% (Basel III)

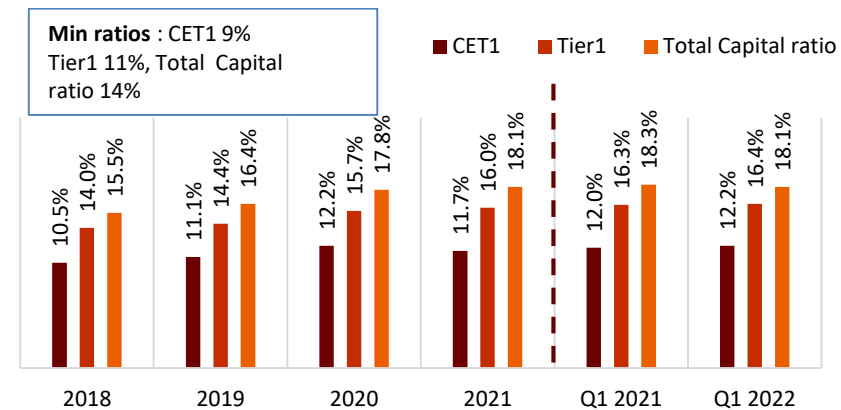
## Dividend distribution per share (QAR)



## Total equity (QAR million)



## Capital Adequacy Ratio (Basel III)



## Commercial Bank Financial Performance – For the quarter ended 31 March 2022 (CB Domestic)

### Profitability

QAR Million	Q1 2022	Q1 2021	%
Net interest income	863	797	8.4%
Non-interest income	354	302	17.4%
Total costs	(336)	(302)	11.5%
Net provisions	(248)	(189)	31.2%
Net profit	633	608	4.1%

### Performance Ratios

	Q1 2022	Q1 2021
ROAA	1.6%	1.7%
NIM	2.8%	2.7%
Cost income ratio	27.6%	27.5%

### Balance Sheet

QAR Million	Mar 2022	Mar 2021	%
Total assets	158,860	147,615	7.6%
Loans & advances	90,264	89,298	1.1%
Investment Securities	26,123	23,839	9.6%
Customer Deposits	77,777	73,648	5.6%
Total equity	23,170	23,104	0.3%

### Capital

	Mar 2022	Mar 2021
RWA (QAR million)	104,434	99,768
Tier 1 ratio	16.7%	17.0%
Total Capital ratio	17.8%	18.1%

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

- Formalised Sustainability Governance: Management-level Sustainability Committee established in 2021 with Board level oversight
- Performance linked remuneration
- 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
- New responsible customer communication and marketing policy and new anti-bribery and corruption policy in 2021
- Strong customer fraud and data security controls as attested by multiple independent review organizations
- One of the largest providers of loans to SMEs and sectors particularly affected by COVID-19 under National Response Guarantee Programme, with a significant share of the Government's allocation of QAR 5 billion towards the Programme



- Participant in QSE's voluntary ESG disclosure initiative

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

## Associates' Performance - 31 March 2022

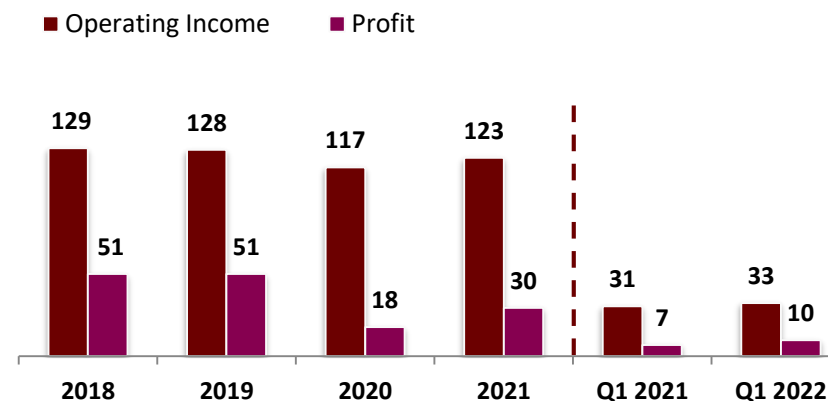
### National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 10.2m, up 48.6% as compared to Q1 2021.
- ◆ Net operating income at OMR 33.2m, up 6.7% from Q1 2021.
  - ◆ Net interest income decreased by 3.1% to OMR 21.4m.
  - ◆ Non-interest income up 30.6% to OMR 11.8m.
- ◆ Net provisions decreased by 5.8% to OMR 6.5m from OMR 6.9m in Q1 2021.

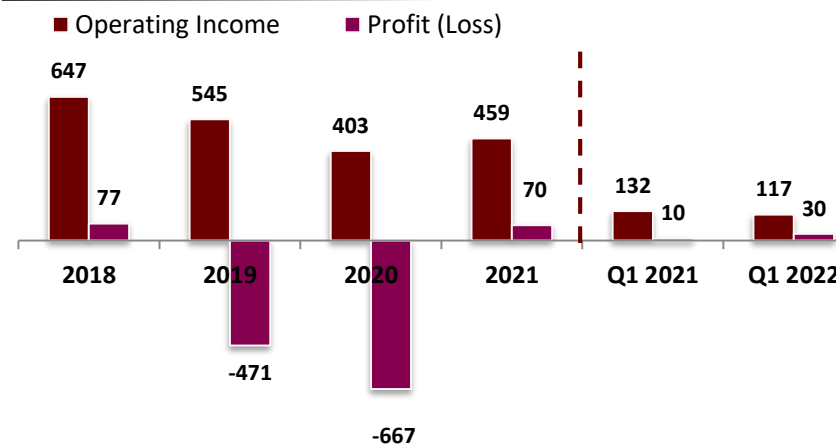
### United Arab Bank (UAB)

- ◆ Net profit of AED 30.4m in Q1 2022, up from AED 10.2m in Q1 2021.
- ◆ Net operating income decreased by 11.8% to AED 116.9m v AED 132.3m in Q1 2021.
  - ◆ Net interest income up 4.3% to AED 66.9m.
  - ◆ Non-interest income down 26.7% to AED 50.0m.
- ◆ Provisions decreased to AED 28.0m vs AED 62.5m in Q1 2021.

### NBO Performance (OMR million)



### UAB Performance (AED million)

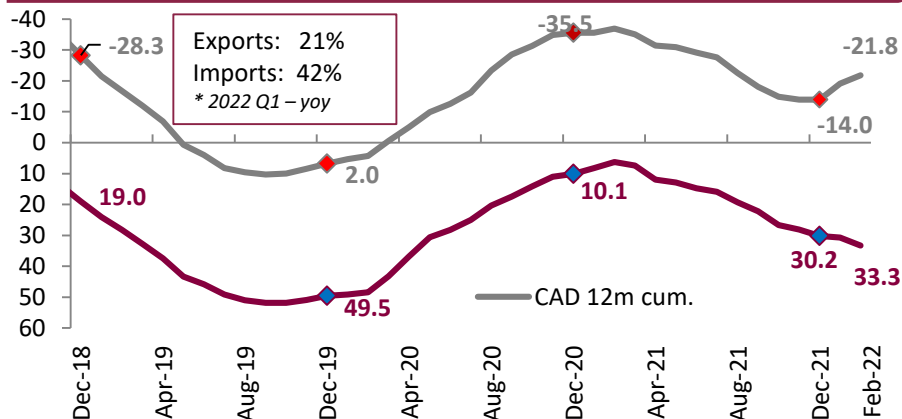


# Turkey Macroeconomics

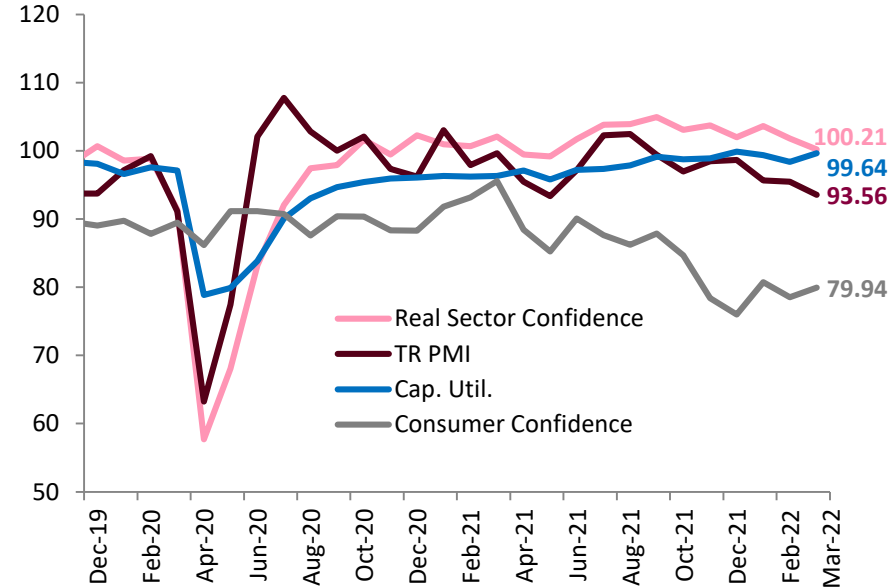
## Elevated Inflation / Economic Policy Crucial

- Following a GDP growth of 11% YoY in 2021, **Turkey is considerably strong on the real sector, while the consumer side is lagging. GDP growth is expected to moderate to potential levels in 2022.**
- **CAD to GDP declined to 1.7% in 2021.** Base effects may result in a rise in CAD, while tourism revenues will be highly crucial in 2022.
- TRY depreciation, deterioration in pricing and high commodity prices are putting additional pressure on inflation. **Disinflationary factors will start to be effective in late 2022 to below 50% level.**
- **CBRT's unorthodox policy actions were effective to stabilize the volatilities in FX market.** Market expects CBRT to keep rates stable.
- As long as the macro prudential measures are effective, market sentiment would be under control. However, **changing global monetary policies may put pressure on market sentiment.**

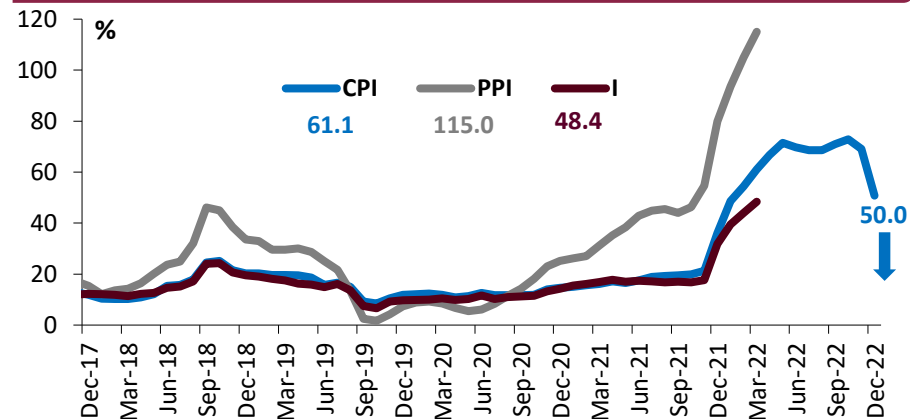
## CAD (USD billion)



## Leading Indicators



## Inflation





# Turkish Banking Sector

Turkish Banking sector is gradually improving bottom line performance on quarterly basis in 2022. YoY net profit as of Feb 22 increased significantly thanks to improvement in NII (mainly CPI linkers and improving TL spread) and commission income.

## Q1 2022 Sector Highlights

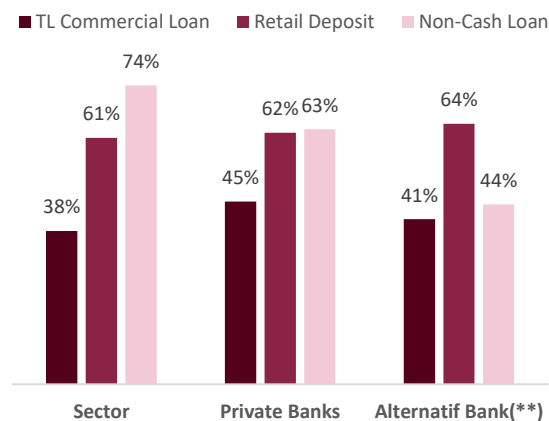
- **TL deposit YtD growth of 31%** and 8% shrink in FC deposits observed due to FX protected TL time deposit
- **Broadly asset size** growing mainly through higher USD/TL parity and TL loan increase (corporate & commercial loan utilization contribution is essential factor, while limited growth in retail loans)
- **Improving asset quality** thanks to slightly increase in NPL volume (1%) through limited NPL inflow and collections
- **Prudent solvency ratios** well above regulatory minimum requirement
- **ROE** gradually increased through 4Q 21 and 1Q 22

### Turkish Banking Sector Key Figures

(TRY bn)	As of Mar 31, 2022
# of banks	54
Total Asset Size *	8,104
Loan Volume	4,649
Deposit Volume	5,324

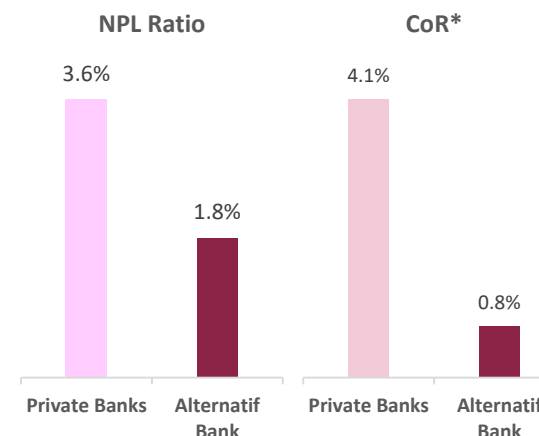
Source: BRSA Weekly Data and Alternatif bank-only data  
(\* ) as of Feb 22

### YoY Growth in Essential Products



(\*\*) Alternatif Bank figures are based on MIS data by Mar-22

### NPL Ratio & CoR



# Alternatif Bank – Q1 22 Financials

## Balance Sheet

(TRY m)	Mar/21	Dec/21	Mar/22	YtD	YoY
Total Assets	40,066	50,989	54,612	7%	36%
Total Loans	23,117	28,411	32,680	15%	41%
<i>TL Loans</i>	12,483	13,353	17,647	32%	41%
<i>FC Loans (in USD)</i>	1,277	1,130	1,027	-9%	-20%
Investments	5,718	8,715	9,416	8%	65%
Total Deposits	18,725	26,070	27,304	5%	46%
<i>TL Deposits</i>	8,614	8,603	11,468	33%	33%
<i>FC Deposits</i>	1,214	1,310	1,082	-17%	-11%
Shareholders Equity	2,526	2,625	2,951	12%	17%

- 7% YTD growth in asset (including currency impact) with **cautious and selective lending approach**
- **Optimizing loan book** through increasing share of TRY (TRY loan share Mar 22: 54% Dec 21: 47%)
- **Fully hedged balance sheet** structure against depreciation of TRY
- Focus on decreasing **TL funding cost**, increasing share of TL deposits and optimizing funding mix (increasing share of low ticket deposit and FX protected TL time deposit for pro-active management of TL spread)
- **Improved asset quality** thanks to limited NPL inflow and strong collection performance, consolidated NPL ratio is 2.4% as of 1Q 22

## Profitability

(TRY m)	1Q21	4Q21	1Q22	QoQ	YoY
Net Interest Income	120	212	346	63%	187%
Net Fee&Comm. Income	43	52	41	-22%	-5%
Trading & Other Income	-35	185	35	-81%	-
<b>Operating Income</b>	<b>129</b>	<b>449</b>	<b>422</b>	<b>-6%</b>	<b>228%</b>
Operating Expense	-108	-132	-140	6%	30%
Provisions	-71	-231	-108	-53%	52%
Income Tax Expense	10	-22	-41	84%	-
<b>Net Profit</b>	<b>-41</b>	<b>64</b>	<b>132</b>	<b>107%</b>	<b>-</b>

- **107% QoQ increase at net profit** with positive effect of NII (RR cost and decreasing FC spread offset by CPI linkers gain and increasing TL spread)
- **Operating income YoY** increase amounts to **TL 293m** with contribution of both NII (**TL 226m**) and non-interest income (**TL 68m**)
- Increase in opex is maintained **significantly below YoY inflation (Mar 22 inflation: 61.1%)**
- **Gradual improvement in bottom line** starting with 4Q 21 continued in 1Q 22. Net profit realised as **TL 132m** (up by **107%** compared to 4Q 22)

# Q&A