

Commercial Bank

announces a net profit of QAR 274 million for Q1 2016

25 April 2015, Doha, Qatar: The Commercial Bank (Q.S.C.) (“Commercial Bank” or “the Bank”) and its subsidiaries and associates announced today its financial results for the Quarter ended 31 March 2016. The Bank delivered a net profit of QAR 274 million for Q1 2016 compared to QAR 462m in Q1 2015 last year. Net profit has increased by 177% compared to the fourth quarter 2015 profit of 93 QAR million.

Key financial highlights

- **Net operating income of QAR 929 million**
- **Net profit up 177% to QAR 274 million as compared to previous quarter**
- **Total assets up 6.2% to QAR 123.3 billion as compared to Q1 2015**
- **Customer loans and advances up by 5% to QAR 75.5 billion as compared to Q1 2015**
- **Customers’ deposits up 16.8% to QAR 72.1 billion as compared to Q1 2015**
- **Earnings per share of QAR 0.76**
- **Additional Tier 1 issuance of QAR 2 billion in Q1 2016**

His Excellency Sheikh Abdullah bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said, “Despite the current economic conditions, Commercial Bank continues to benefit and support sustainable growth of the economy of Qatar as it diversifies under the guidance of our wise leader, HH Sheikh Tamim bin Hamad Al Thani. Growth prospects for the economy remain strong, as the government maintains its public infrastructure investment, supported by government borrowing and significant fiscal reserves.”

Summarising Commercial Bank’s key achievements for the first quarter of 2016, the Bank completed in February a QAR 2 billion transaction in Additional Tier 1 Perpetual Capital Notes to strengthen capital adequacy ratios and support funding future growth across its domestic bank, subsidiaries and associates. Commercial Bank also added to its nationwide network by opening a new branch in the strategic location of Al Wakrah, a location connecting the city of Doha and Messaied – one of the oldest oil and gas centres in Qatar. The newly revamped building is located on Al Wakrah’s main street and has been rebuilt to create a modern, state-of-the-art banking centre for the people of Al Wakrah,

offering customers Retail, Corporate and, Sadara Privileged Banking services at the branch. The Bank continued its strategy to adopt innovative technologies to continually improve business capabilities that benefit customers by installing a new, state of the art banknote processing machine – another ‘first of its kind’ for any bank in Qatar.

During the quarter, Commercial Bank signed an MoU with a Mexican development bank providing a framework for future collaboration for projects in Qatar involving Mexican enterprises, or for projects in Mexico involving Qatari enterprises. Commercial Bank was the official bank sponsor of the Qatar Motor Show again this year and launched a highly competitive Vehicle Loan campaign coinciding with the exhibition for visitors and Bank customers to enjoy. The Bank also supported entrepreneurship in Qatar through its platinum sponsorship of the third Entrepreneurship in Economic Development Forum. Commercial Bank started awarding its first set of “I am a Regular Saver” customers – an awareness campaign that encourages a smart savings culture by giving customers exceptional products that automatically save for them each month.

Commercial Bank continued actively supporting the Qatar National Vision 2030 agenda during the first quarter of the year. Qatari nationals aged 16 to 19 completed the Bank’s annual Youth Leadership Acceleration Programme in partnership with HEC Paris, a programme designed to develop human capital in line with the National Vision 2030. Commercial Bank continued to promote Qatar’s international sporting reputation as title sponsor of the Qatar Masters, and the Qatar MotoGP for the eleventh consecutive year. The Bank’s commitment to the wider community through a range of Corporate Social Responsibility (CSR) activities over the past few years was recognised by an excellence award at the Qatar CSR Conference hosted by Qatar University in the first quarter.

Financial Performance

Commenting on the Bank’s financial performance during the first quarter of the year, Mr. Hussain Alfardan, Commercial Bank’s Vice Chairman and Managing Director, said, “Commercial Bank reported a net profit of QAR 326 million for the first quarter of 2016. Our business in Qatar has shown improvement compared to the previous quarter, as we target the opportunities of an increasingly diversified economy. Although economic conditions remain challenging, we continue to see opportunity in the short and long-term for Commercial Bank.”

Net operating income was lower by 2.5% at QAR 929 million for the Quarter ended 31 March 2016 as compared to the achieved in same period in 2015. ABank delivered net operating income of QAR 98

million for the Quarter ended 31 March 2016 which represents 10.5% of the total net operating income as compared to QAR 192 million & representing 20% in the same period in 2015.

Net interest income was QAR 624.3 million for the quarter ended 31 March 2016, 0.2% lower than the same period of 2015. ABank contributed QAR 104 million, 17% of the total net interest income. Net interest margin decreased to 2.3% as compared to the first quarter of 2015 at 2.6%.

Non-interest income was down by 6.6% to QAR 304.9 million for the quarter ended 31 March 2016 compared with QAR 326.6 million in same period in 2015. The overall decrease in non-interest income was due to a lower income from fee and commission and foreign exchange partially offset by higher income from investment securities.

Total operating expenses were up by 5% to QAR 421 million for the quarter ended 31 March 2016 compared with QAR 400.5 million in Q1 2015.

The Bank's **net provisions for loans and advances** were QAR 259.1 million for the quarter ended 31 March 2016, up 52% from QAR 170 million provided in 2015. The non-performing loan ratio has increased to 4.50% at 31 March 2016 compared with 3.89% at the end of March 2015 and the coverage ratio has increased to 76.07% as at 31 March 2016 compared to 70.8% in December 2015.

Impairment provisions on the Bank's investment portfolio increased to QAR 20.2 million for the quarter ended 31 March 2016 compared with QAR 6.1 million in 2015.

Commercial Bank delivered balance sheet growth of 6.2% at the end March 2016 with total assets at QAR 123.3 billion, compared to QAR 116.1 billion at the end of March 2015. ABank contributed QAR 16.3 billion of assets for the period. Balance sheet growth was driven mainly by an increase of QAR 3.6 billion in lending to customers and a QAR 2.1 billion in due from banks and financial institutions.

Loans and advances to customers were up by 5% to QAR 75.5 billion at 31 March 2016 compared with QAR 72 billion at the end of March 2015. The growth in lending has been generated, mainly, in the Services, Consumption, Real estate and Contracting Sectors. Loans and advances to customers of QAR 11.8 billion at ABank were included at 31 March 2016.

Investment securities were up by 8% to QAR 13.5 billion at 31 March 2016 compared with QAR 12.5 billion at the end of March 2015. The increases in investment securities is mainly due to a purchase of Government bonds. Investment securities of QAR 1 billion at ABank were included at 31 March 2015.

Customers' deposits increased by 16.8% to QAR 72.1 billion at 31 March 2016, compared with QAR 61.7 billion as at 31 March 2015. The increase in deposits was due mainly to an increase in time deposits.

An Additional Tier 1 issuance of QAR 2 billion was completed during the quarter with a government entity and the total capital adequacy ratio as at 31 March 2016 was 15% as compared to 13.5% in end December.

Mr. Abdulla Saleh Al Raisi, Commercial Bank's Chief Executive Officer, said, "Commercial Bank's operations in Qatar improved against the last quarter, as the business successfully targeted the right opportunities. The Qatari economy is growing at a robust rate, and Commercial Bank continues to generate growth from our market-leading products and services. During this first quarter we launched the Enterprise Mobile Banking app for SMEs – the latest in a long line of digital achievements from Commercial Bank and another 'first of its kind' in the region specifically designed with the business customer in mind. Commercial Bank was awarded the "SME Bank of the Year" and won "Deposit Product of the Year" for the region by *The Asian Banker*, and was also named "Best Contact Centre" at the Gulf Customer Experience Awards recognising our understanding of customer demands and expectations to continuously deliver outstanding customer service."

Commenting on the Bank's subsidiaries and associates Q1 performance, he added, "While our Turkish subsidiary has faced some challenges, reflecting the downturn in the Turkish economy. Turkey is a long-term growth opportunity for Commercial Bank, and they are currently raising new debt to fund ABank's future growth. Our UAE associate has started to recover from the previous two quarters. 2016 will most likely be a challenging year for the financial services sector; however, we believe our regional investment strategy will continue to deliver value to our shareholders."

Subsidiary in Turkey

Alternatifbank ("ABank") delivered a net loss of TL 45 million for the quarter ended 31 March 2015, a 266% decrease compared to the same period in 2014 (TL 27 million for 2014).

Net operating income decline by TL 24 million to TL 92 million for the year ended 31 March 2016, from TL 116 million in 2015, due mainly to a decrease in fees and commission income. As at 31 March 2016, ABank had grown its customer lending by 5% to TL 8.9 billion and customers' deposits increased by 9% to TL 6.3 billion compared with 31 March 2015.

Associates in the UAE and Oman

National Bank of Oman and United Arab Bank have achieved a profitability for the quarter ended 31 March 2016 of QAR 30 million as compared to a profit of QAR 99 million for the same period in 2015.

National Bank of Oman

National Bank of Oman's ("NBO") net operating income grew by OMR 1.5 million to OMR 33 million, from OMR 31.5 million in 2015, mainly due to an increase in net interest income which was up 10% to OMR 23.8 million. As at 31 March 2016, NBO grew its customer lending by 10% to OMR 2.6 billion and customers' deposits reduced marginally to OMR 2.4 billion compared to 2015.

United Arab Bank

United Arab Bank ("UAB") delivered a net profit of AED 45 million for the three months ended 31 March 2016 which represents a decrease of 72% over 2015. The net operating income for the year ended 31 March 2016 decreased by 30% to AED 249 million, from AED 352 million in 2015, both Net Interest Income and Non-Interest Income were down 29% and 31% respectively, as compared to 2015. UAB's loans and advances decreased by 2.6% to AED 15.3 billion as at 31 March 2016, with customers' deposits at AED 15 billion, down 18% compared to 2015.

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For more information please contact:

Ibrahim Al Emadi
Head of Corporate Communications
Commercial Bank
Tel: +974 4449 4748
Email: Ibrahim.alemadi@cbq.qa

Jon Earl
Managing Director
F T I Consulting
Tel: +971 (0) 50 494 1178
Email: jon.earl@fticonsulting.com

Notes to Editors

About Commercial Bank

Commercial Bank has total assets of QAR 123.3 billion as at 31 March 2016. As a full service commercial bank, the Bank offers a full range of corporate, retail and investment banking services as well as owning and operating exclusive Diners Club franchises in Qatar and Oman. The Bank's countrywide network includes 31 full service branches and 157 ATMs.

Profitable every year since incorporation in 1974, continual investment in technology and human capital, together with a strong capital base, provides a solid foundation for continued growth. A successful diversification strategy has expanded Commercial Bank's GCC footprint through strategic partnerships with associated banks, the National Bank of Oman (NBO) in Oman and United Arab Bank (UAB) in the UAE. NBO, the second largest bank in Oman with total assets of OMR 3.4 billion as at 31 March 2016, has 61 conventional branches and 6 Islamic branches in Oman and 1 branch each in Egypt, Abu Dhabi and Dubai. UAB is headquartered in Sharjah, with total assets of AED 22.7 billion as at 31 March 2016, and operates 30 branches and 68 ATMs across the emirates in the UAE. Building on the successful execution of the Bank's expansion strategy to date, Commercial Bank completed the acquisition of a majority stake in Alternatifbank in Turkey in July 2013.

Commercial Bank was awarded "Best retail bank in Qatar" for 2015 by *The Asian Banker* based on its wide-ranging achievements over the past three years and ambitious future plans. In recognition of the Bank's innovative customer focused products and services provided to SMEs, Commercial Bank also won the prestigious "Best Commercial (SME) Bank of the Year, Qatar" award from *The International Banker* for the year 2015. In recognition of its CSR activities benefitting the Qatari community, Commercial Bank was awarded the "Best CSR Report", at the Corporate Social Responsibility awards ceremony for organisations in Qatar.

Commercial Bank enjoys strong credit ratings of (A+) from Fitch, (A1) from Moody's and (A-) from Standard & Poor's. The Bank is listed on the Qatar Exchange and was the first Qatari bank to list its Global Depository Receipts (GDRs) as well as bonds on the London Stock Exchange. Commercial Bank's Swiss Franc bond issuance in December 2010, was the first public bond issuance by a Qatari bank in Switzerland. Commercial Bank's latest bond issuance in June 2014 is listed on the Irish stock exchange.

The Bank is dedicated to supporting Qatar's community and social infrastructure through Corporate Social Responsibility programmes and sponsorship of various events. Title sponsorship of the

Commercial Bank Qatar Masters and the Grand Prix of Qatar Moto GP reflects the Bank's promotion of excellence in sports and its keen interest in enhancing Qatar's international sporting reputation. To reinforce Qatar's flourishing cultural environment, Commercial Bank is the strategic partner of the Katara Cultural Village. This collaboration symbolises the Bank's commitment to supporting cultural activities in Qatar and making the country a regional arts and cultural hub.

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About Alternatifbank (ABank)

ABank was established in 1991. Commercial Bank became the majority shareholder in ABank in 2013 holding a 74.24% stake, following the acquisition of ABank shares of 70.84% from the Anadolu Group and 3.40% through a public tender offer. Anadolu Group remains a significant shareholder retaining 25% of shares in ABank. The bank completed a squeeze out process and its current shareholding in ABank is 75%.

ABank is a mid-size Turkish bank that predominately serves medium-sized companies through a country-wide network of 57 branches in 21 cities. ABank provides commercial/corporate banking services and products, with a special focus on the growing segment of Small and Medium-Sized Enterprises. The Bank's main product ranges cover trade finance instruments, working capital finance, cash management, and portfolio management. The Bank has also recently made a strategic decision to re-enter Retail Banking, targeting the "mass affluent segment" in terms of customer profile with tailor made products.

At 31 March 2016, ABank had total assets of TL 13.5 billion, total loans stood at TL 8.9 billion, customer deposits of TL 6.4 billion and shareholders' equity of TL 1 billion.

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