



**The Commercial Bank of Qatar (Q.S.C.)**

**Interim condensed consolidated financial statements**

**30 June 2009**

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF THE  
COMMERCIAL BANK OF QATAR (Q.S.C.)**

*Introduction*


We have reviewed the accompanying interim condensed consolidated financial statements of The Commercial Bank of Qatar (Q.S.C.) (the "Bank") and its subsidiaries (the "Group") as at 30 June 2009, comprising of the interim condensed consolidated statement of financial position as at 30 June 2009 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2009, the related interim condensed consolidated statement of changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting* ("IAS 34") and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and the applicable provisions of Qatar Central Bank regulations.



Firas Qoussous

Of Ernst & Young

Auditor's Registration No: 236

Date: 15 July 2009

Doha



**The Commercial Bank of Qatar (Q.S.C.)**

**Interim condensed consolidated statement of financial position as at 30 June 2009**

(All amounts in thousands of Qatar Riyals unless otherwise stated)

|   |              | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed    | 31-Dec-08<br>Audited     |
|---|--------------|------------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>   |              |                              |                          |                          |
|   | <b>Notes</b> |                              |                          |                          |
| Cash and balances with Central Bank                                 |              | 4,202,130                    | 3,215,698                | 3,015,283                |
| Due from banks and financial institutions                           |              | 7,560,903                    | 10,466,555               | 14,315,648               |
| Loans, advances and financing activities for customers              | <b>4</b>     | 32,051,266                   | 29,847,973               | 33,897,513               |
| Financial investments   | <b>5</b>     | 9,650,450                    | 5,356,858                | 4,774,963                |
| Investments in associates   | <b>6</b>     | 3,682,595                    | 3,635,688                | 3,641,486                |
| Property and equipment  | <b>7</b>     | 896,806                      | 807,690                  | 1,136,073                |
| Other assets  |              | 998,903                      | 487,823                  | 520,785                  |
| <b>Total assets</b>   |              | <b><u>59,043,053</u></b>     | <b><u>53,818,285</u></b> | <b><u>61,301,751</u></b> |
| <b>LIABILITIES</b>  |              |                              |                          |                          |
| Due to banks and financial institutions                             | <b>8</b>     | 10,267,566                   | 7,608,670                | 10,922,869               |
| Customer deposits   |              | 27,554,310                   | 27,231,630               | 29,337,943               |
| Borrowing under repurchase agreements                               |              | 778,984                      | 953,817                  | 781,226                  |
| Other borrowed funds  | <b>9</b>     | 5,556,646                    | 7,627,241                | 6,096,091                |
| Other liabilities   |              | 1,893,190                    | 1,287,896                | 1,337,246                |
| Total liabilities excluding unrestricted investment accounts        |              | <b><u>46,050,696</u></b>     | <b><u>44,709,254</u></b> | <b><u>48,475,375</u></b> |
| Unrestricted investment accounts                                    | <b>10</b>    | 2,484,389                    | 1,686,735                | 2,847,931                |
| <b>Total liabilities including unrestricted investment accounts</b> |              | <b><u>48,535,085</u></b>     | <b><u>46,395,989</u></b> | <b><u>51,323,306</u></b> |
| <b>EQUITY</b>   |              |                              |                          |                          |
| Share capital   | <b>11</b>    | 2,165,156                    | 1,868,700                | 2,062,053                |
| Legal reserve   | <b>12</b>    | 6,627,922                    | 3,505,687                | 5,923,731                |
| General reserve   |              | 26,500                       | 26,500                   | 26,500                   |
| Cumulative changes in fair value                                    |              | (220,479)                    | 275,665                  | (442,857)                |
| Risk reserve  |              | 638,300                      | 420,500                  | 638,300                  |
| Other reserves  |              | 338,543                      | 219,440                  | 325,933                  |
| Proposed dividend   | <b>13</b>    | -                            | -                        | 1,443,437                |
| Retained earnings   |              | 932,026                      | 1,105,804                | 1,348                    |
| Total equity  |              | <b><u>10,507,968</u></b>     | <b><u>7,422,296</u></b>  | <b><u>9,978,445</u></b>  |
| <b>Total liabilities and equity</b>                                 |              | <b><u>59,043,053</u></b>     | <b><u>53,818,285</u></b> | <b><u>61,301,751</u></b> |

On behalf of the Board of Directors, the interim condensed consolidated financial statements have been approved and signed on 15 July 2009 by:



**Sh. Abdullah bin Ali Bin Jabor Al Thani**  
**Deputy Chairman**



**Mr. Hussain Ibrahim Alfardan**  
**Managing Director**



**Mr. A C Stevens**  
**Group Chief Executive Officer**

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

**The Commercial Bank of Qatar (Q.S.C.)**

**Interim condensed consolidated statement of income for the six months ended 30 June 2009**

(All amounts in thousands of Qatar Riyals unless otherwise stated)

|   | Three months ended    |                       | Six months ended      |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 30-Jun-09<br>Reviewed | 30-Jun-08<br>Reviewed | 30-Jun-09<br>Reviewed | 30-Jun-08<br>Reviewed |
| Interest income   | 769,665               | 617,607               | 1,504,857             | 1,232,823             |
| Interest expense  | (352,702)             | (322,771)             | (718,056)             | (715,603)             |
| <b>Net interest income</b>  | <b>416,963</b>        | 294,836               | <b>786,801</b>        | 517,220               |
| Income from Islamic financing and investment activities                 | 60,219                | 41,050                | 118,736               | 72,955                |
| Less: unrestricted investment account holders' share of profit          | (40,236)              | (14,550)              | (77,354)              | (26,213)              |
| <b>Net income from Islamic financing and investment activities</b>      | <b>19,983</b>         | 26,500                | <b>41,382</b>         | 46,742                |
| Fee and commission income   | 192,276               | 276,880               | 410,463               | 507,617               |
| Fee and commission expense  | (24,506)              | (23,854)              | (47,362)              | (46,333)              |
| <b>Net fee and commission income</b>                                    | <b>167,770</b>        | 253,026               | <b>363,101</b>        | 461,284               |
| Dividend income   | 14,195                | 1,850                 | 61,184                | 32,761                |
| Net gains from dealing in foreign currencies                            | 32,334                | 34,938                | 60,289                | 63,469                |
| Profit (loss) from financial investments                                | (1,301)               | 163,003               | (1,162)               | 201,807               |
| Other operating income  | 10,240                | 11,726                | 184,230               | 33,915                |
|   | <b>55,468</b>         | 211,517               | <b>304,541</b>        | 331,952               |
| <b>Net operating income</b>   | <b>660,184</b>        | 785,879               | <b>1,495,825</b>      | 1,357,198             |
| General and administrative expenses                                     | (167,336)             | (159,236)             | (323,351)             | (295,431)             |
| Depreciation  | (25,687)              | (22,985)              | (49,685)              | (37,707)              |
| Recoveries of impairment losses on loans to financial institutions, net | -                     | -                     | -                     | 2,466                 |
| Impairment losses on loans and advances to customers, net               | (145,149)             | (12,017)              | (202,360)             | (17,503)              |
| Impairment losses on financial investments                              | (24,279)              | (42,981)              | (52,058)              | (70,975)              |
| Total operating expenses and impairment losses                          | <b>(362,451)</b>      | (237,219)             | <b>(627,454)</b>      | (419,150)             |
| <b>Profit before share of results of associates</b>                     | <b>297,733</b>        | 548,660               | <b>868,371</b>        | 938,048               |
| Share of results of associates  | 35,436                | 54,078                | 74,917                | 101,092               |
| <b>Net profit for the period</b>  | <b>333,169</b>        | 602,738               | <b>943,288</b>        | 1,039,140             |
| - Basic/diluted earnings per share (QAR) (note 14)                      | 1.54                  | 3.30                  | 4.41                  | 5.68                  |

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

**The Commercial Bank of Qatar (Q.S.C.)**

**Interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2009**

(All amounts in thousands of Qatar Riyals unless otherwise stated)

|  | <b>Three months ended</b>    |                       | <b>Six months ended</b>      |                       |
|--|------------------------------|-----------------------|------------------------------|-----------------------|
|  | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed |
| <b>Net profit for the period</b>                             | <b>333,169</b>               | 602,738               | <b>943,288</b>               | 1,039,140             |
| <b>Other comprehensive income</b>                            |                              |                       |                              |                       |
| Share of other comprehensive income of associates            | 26,434                       | 15,302                | 28,016                       | 794                   |
| Net movement in fair value of available for sale investments | 26,348                       | 132,115               | 194,362                      | 86,445                |
| Contribution for social responsibilities                     | -                            | -                     | -                            | (8,000)               |
| <b>Other comprehensive income for the period</b>             | <b>52,782</b>                | 147,417               | <b>222,378</b>               | 79,239                |
| <b>Total comprehensive income for the period</b>             | <b>385,951</b>               | 750,155               | <b>1,165,666</b>             | 1,118,379             |

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

**The Commercial Bank of Qatar (Q.S.C.)**

**Interim condensed consolidated statement of changes in equity for the six months ended 30 June 2009**

(All amounts in thousands of Qatar Riyals unless otherwise stated)

|  | Share Capital    | Legal Reserve    | General Reserve | Cumulative changes in fair value | Risk Reserve   | Other Reserves | Retained Earnings |                       |                  | Total             |
|--|------------------|------------------|-----------------|----------------------------------|----------------|----------------|-------------------|-----------------------|------------------|-------------------|
|  |                  |                  |                 |                                  |                |                | Proposed dividend | Proposed bonus shares | Other            |                   |
| <b>Balance at 1 January 2008</b>                                   | 1,401,579        | 2,915,602        | 26,500          | 188,426                          | 346,300        | 171,903        | 560,632           | 420,474               | 196,401          | 6,227,817         |
| Total comprehensive income for the period                          | -                | -                | -               | 87,239                           | -              | -              | -                 | -                     | 1,031,140        | 1,118,379         |
| Dividend from associates for 2007 transferred to retained earnings | -                | -                | -               | -                                | -              | (53,555)       | -                 | -                     | 53,555           | -                 |
| Share of results of associates                                     | -                | -                | -               | -                                | -              | 101,092        | -                 | -                     | (101,092)        | -                 |
| Risk reserve as per QCB regulation                                 | -                | -                | -               | -                                | 74,200         | -              | -                 | -                     | (74,200)         | -                 |
| Dividends for the year 2007  | -                | -                | -               | -                                | -              | -              | (560,632)         | -                     | -                | (560,632)         |
| Increase in share capital  | 46,647           | -                | -               | -                                | -              | -              | -                 | -                     | -                | 46,647            |
| Increase in share premium through rights issue                     | -                | 590,085          | -               | -                                | -              | -              | -                 | -                     | -                | 590,085           |
| Distribution of bonus shares for the year 2007                     | 420,474          | -                | -               | -                                | -              | -              | -                 | (420,474)             | -                | -                 |
| <b>Balance at 30 June 2008</b>                                     | <b>1,868,700</b> | <b>3,505,687</b> | <b>26,500</b>   | <b>275,665</b>                   | <b>420,500</b> | <b>219,440</b> | <b>-</b>          | <b>-</b>              | <b>1,105,804</b> | <b>7,422,296</b>  |
| <b>Balance at 1 January 2009</b>                                   | <b>2,062,053</b> | <b>5,923,731</b> | <b>26,500</b>   | <b>(442,857)</b>                 | <b>638,300</b> | <b>325,933</b> | <b>1,443,437</b>  | <b>-</b>              | <b>1,348</b>     | <b>9,978,445</b>  |
| Total comprehensive income for the period                          | -                | -                | -               | 222,378                          | -              | -              | -                 | -                     | 943,288          | 1,165,666         |
| Dividend from associates for 2008 transferred to retained earnings | -                | -                | -               | -                                | -              | (62,307)       | -                 | -                     | 62,307           | -                 |
| Share of results of associates                                     | -                | -                | -               | -                                | -              | 74,917         | -                 | -                     | (74,917)         | -                 |
| Risk reserve as per QCB regulation                                 | -                | -                | -               | -                                | -              | -              | -                 | -                     | -                | -                 |
| Dividends for the year 2008  | -                | -                | -               | -                                | -              | -              | (1,443,437)       | -                     | -                | (1,443,437)       |
| Increase in share capital (note 11)                                | 103,103          | -                | -               | -                                | -              | -              | -                 | -                     | -                | 103,103           |
| Increase in legal reserve (note 11 and 12)                         | -                | 704,191          | -               | -                                | -              | -              | -                 | -                     | -                | 704,191           |
| <b>Balance at 30 June 2009</b>                                     | <b>2,165,156</b> | <b>6,627,922</b> | <b>26,500</b>   | <b>(220,479)</b>                 | <b>638,300</b> | <b>338,543</b> | <b>-</b>          | <b>-</b>              | <b>932,026</b>   | <b>10,507,968</b> |

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

**The Commercial Bank of Qatar (Q.S.C.)**

**Interim condensed consolidated statement of cash flows for the six months ended 30 June 2009**

(All amounts in thousands of Qatar Riyals unless otherwise stated)

|  | <b>Six months ended</b> |                  | <b>Year ended</b>  |
|--|-------------------------|------------------|--------------------|
|  | <b>30-Jun-09</b>        | 30-Jun-08        | 31-Dec-08          |
|  | Reviewed                | Reviewed         | Audited            |
| <b>Cash flows from operating activities</b>                          |                         |                  |                    |
| Net profit for the period/year                                       | 943,288                 | 1,039,140        | 1,702,442          |
| <b>Adjustments for:</b>  |                         |                  |                    |
| Depreciation   | 49,685                  | 37,707           | 67,973             |
| Amortization of transaction cost                                     | 6,555                   | 4,136            | 9,048              |
| Impairment losses on loans and advances, net                         | 202,360                 | 15,037           | 58,812             |
| Impairment losses on financial investments                           | 52,058                  | 70,975           | 464,850            |
| Profit from sale of property and equipment                           | (165,000)               | -                | (9,792)            |
| Share of results of associates                                       | (74,917)                | (101,092)        | (207,585)          |
| Loss (Profit) from financial investments                             | 1,162                   | (201,807)        | (276,030)          |
| <b>Profit before changes in operating assets and liabilities</b>     | <u>1,015,191</u>        | <u>864,096</u>   | <u>1,809,718</u>   |
| Net (increase) decrease in operating assets                          |                         |                  |                    |
| Due from banks and financial institutions                            | 330,322                 | (483,671)        | (417,604)          |
| Loans, advances and financing activities for customers               | (749,983)               | (4,841,523)      | (8,947,763)        |
| Other assets   | (478,118)               | (97,837)         | (133,749)          |
| Net increase (decrease) in operating liabilities                     |                         |                  |                    |
| Due to banks and financial institutions                              | (2,242)                 | 1,176,818        | 731,226            |
| Customer deposits  | (2,147,175)             | 3,148,239        | 6,420,160          |
| Other liabilities  | 3,304                   | 411,408          | 457,709            |
| <b>Net cash (used in ) from operating activities</b>                 | <u>(2,028,701)</u>      | <u>177,530</u>   | <u>(80,303)</u>    |
| Cash flows from Investing activities                                 |                         |                  |                    |
| Purchase of financial investments                                    | (2,654,718)             | (1,300,780)      | (1,972,513)        |
| Investment in associates   | -                       | (284,920)        | (284,920)          |
| Dividend received from associates                                    | 62,307                  | 82,646           | 82,646             |
| Proceeds from sale of loans and advances                             | 188,287                 | -                | -                  |
| Proceeds from sale of financial investments                          | 679,279                 | 826,545          | 1,141,472          |
| Purchase of property and equipment                                   | (95,411)                | (123,995)        | (482,893)          |
| Proceeds from sale of property and equipment                         | 450,000                 | -                | 26,960             |
| <b>Net cash used in investing activities</b>                         | <u>(1,370,256)</u>      | <u>(800,504)</u> | <u>(1,489,248)</u> |
| Cash flows from Financing activities                                 |                         |                  |                    |
| Proceeds from other borrowed funds                                   | -                       | -                | 1,375,938          |
| Repayment of other borrowed funds                                    | (546,000)               | -                | (2,912,000)        |
| Net proceeds from issue of shares                                    | 807,294                 | 636,732          | 3,248,101          |
| Dividends paid   | (1,443,437)             | (560,632)        | (560,632)          |
| <b>Net cash (used in) from financing activities</b>                  | <u>(1,182,143)</u>      | <u>76,100</u>    | <u>1,151,407</u>   |
| Net (decrease) in cash and cash equivalents during the period/year   | (4,581,100)             | (546,874)        | (418,144)          |
| Effects of foreign exchange fluctuation                              | -                       | 20               | 40                 |
| Cash and cash equivalents at beginning of the period/year            | 4,269,168               | 4,687,272        | 4,687,272          |
| <b>Cash and cash equivalents at end of the period/year (note 17)</b> | <u><b>(311,932)</b></u> | <u>4,140,418</u> | <u>4,269,168</u>   |

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

**The Commercial Bank of Qatar (Q.S.C.)**  
**Notes to the interim condensed consolidated financial statements**  
**For the six months ended 30 June 2009**

(All amounts in thousands of Qatar Riyals unless otherwise stated)

**1. CORPORATE INFORMATION**

The Commercial Bank of Qatar (Q.S.C.) (“the Bank”) was incorporated in the State of Qatar in 1975 as a public shareholding company under Emiri Decree No.73 of 1974. The Bank and its subsidiaries (together the “Group”) are engaged in conventional banking, Islamic banking services and credit card business and operate through its Head Office and branches established in the State of Qatar. The Bank also acts as a holding company for its subsidiaries engaged in credit card business in the Sultanate of Oman and Egypt.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34 - Interim Financial Reporting and the applicable provisions of Qatar Central Bank regulations.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2008. The results for the six months ended 30 June 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

**ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008, except as noted below:

During the period, the Group has adopted the following standards effective for the annual period beginning on or after 1 January 2009.

IAS 1 ‘Presentation of Financial Statements’ (Revised):

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 ‘Operating segments’:

The new standard which replaced IAS 14 ‘Segment reporting’ requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the Chief Executive Officer for decision making.



**The Commercial Bank of Qatar (Q.S.C.)**  
**Notes to the interim condensed consolidated financial statements**  
**For the six months ended 30 June 2009**  
(All amounts in thousands of Qatar Riyals unless otherwise stated)

### **3. SEGMENT INFORMATION**

For management purposes, the Group is divided into four business segments, which are based on business lines, and associates as follows:

- Conventional Banking:
  - a) Corporate Banking provides an extensive range of conventional (non-Islamic) funded and non-funded credit facilities, demand and time deposit services, investment advisory and brokerage services, currency exchange facilities, interest rate swap and other derivative trading services, loan syndication and structured financing services to Corporate, Commercial and Multinational Customers. Money Markets funds and proprietary investment portfolio are also managed by this business segment.
  - b) Retail Banking provides personal current, savings, time and investment accounts services, credit card and debit card services, consumer loans and residential mortgage services, custodial services to retail and individual customers.
- Al Safa Islamic Banking – provides Islamic principle (Sharia) compliant banking services such as current, savings, time and investment account services, consumer and finance leasing, trade finances to retail, corporate and commercial customers.
- Orient 1 – a subsidiary of the Bank provides credit card services in the Sultanate of Oman and Egypt.

Associated Companies – includes the Group's strategic acquisitions in National Bank of Oman in Oman and United Arab Bank in UAE and Asteco LLC in the State of Qatar, which are accounted for under the equity method.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the business segment, and income or expenses are attributed in line with the assets and liabilities ownership. The following table summarizes performance of the business segment.

**The Commercial Bank of Qatar (Q.S.C.)**  
**Notes to the interim condensed consolidated financial statements**  
**For the six months ended 30 June 2009**  
(All amounts in thousands of Qatar Riyals unless otherwise stated)

**3. SEGMENT INFORMATION - Continued**

**For the six months ended 30 June 2009**

|  | Conventional         |                   |                | Al Safa<br>Islamic<br>Banking | Orient 1     | Unallocated    | Total            |
|--|----------------------|-------------------|----------------|-------------------------------|--------------|----------------|------------------|
|  | Corporate<br>Banking | Retail<br>Banking | Total          |                               |              |                |                  |
| Net interest/similar income                              | 595,550              | 190,840           | 786,390        | 41,382                        | 1,742        | (1,331)        | <b>828,183</b>   |
| Other income   | 366,496              | 88,926            | 455,422        | 25,229                        | 3,965        | 183,026        | <b>667,642</b>   |
| Segmental revenue  | 962,046              | 279,766           | 1,241,812      | 66,611                        | 5,707        | 181,695        | <b>1,495,825</b> |
| Impairment losses on loans and advances, net of recovery | (96,718)             | (102,126)         | (198,844)      | (3,566)                       | 50           | -              | <b>(202,360)</b> |
| Impairment losses on financial investments               | (50,945)             | -                 | (50,945)       | (1,113)                       |              |                | <b>(52,058)</b>  |
| Segmental profit   |                      |                   | <b>695,938</b> | <b>45,058</b>                 | <b>3,700</b> | <b>123,675</b> | <b>868,371</b>   |
| Share of results of associates                           |                      |                   |                |                               |              |                | <b>74,917</b>    |
| <b>Net profit for the period</b>                         |                      |                   |                |                               |              |                | <b>943,288</b>   |

**Other information**

|                           |            |           |            |           |        |           |                   |
|---------------------------|------------|-----------|------------|-----------|--------|-----------|-------------------|
| Assets                    | 43,878,073 | 5,528,471 | 49,406,544 | 4,610,058 | 14,803 | 1,329,053 | <b>55,360,458</b> |
| Investments in associates |            |           |            |           |        |           | <b>3,682,595</b>  |
| Liabilities               | 36,713,056 | 7,238,576 | 43,951,632 | 4,284,816 | 3,232  | 295,405   | <b>48,535,085</b> |
| Contingent items          | 24,702,396 | 917,735   | 25,620,131 |           |        |           | <b>25,620,131</b> |

**The Commercial Bank of Qatar (Q.S.C.)**  
**Notes to the interim condensed consolidated financial statements**  
**For the six months ended 30 June 2009**  
(All amounts in thousands of Qatar Riyals unless otherwise stated)

**3. SEGMENT INFORMATION - Continued**

**For the six months ended 30 June 2008**

|  | Conventional         |                   |            | Al Safa<br>Islamic<br>Banking | Orient 1 | Unallocated | <b>Total</b>     |
|--|----------------------|-------------------|------------|-------------------------------|----------|-------------|------------------|
|  | Corporate<br>Banking | Retail<br>Banking | Total      |                               |          |             |                  |
| Net interest/similar income                              | 388,112              | 166,071           | 554,183    | 46,742                        | 1,721    | (38,684)    | 563,962          |
| Other income   | 622,250              | 147,719           | 769,969    | 15,187                        | 2,551    | 5,529       | 793,236          |
| Segmental revenue  | 1,010,362            | 313,790           | 1,324,152  | 61,929                        | 4,272    | (33,155)    | 1,357,198        |
| Impairment losses on loans and advances, net of recovery | 4,321                | (18,600)          | (14,279)   | (1,013)                       | 255      | -           | (15,037)         |
| Impairment losses on financial investments               | (70,975)             | -                 | (70,975)   | -                             | -        | -           | (70,975)         |
| Segmental profit   |                      |                   | 953,853    | 44,811                        | (1,847)  | (58,769)    | 938,048          |
| Share of results of associates                           |                      |                   |            |                               |          |             | 101,092          |
| <b>Net profit for the period</b>                         |                      |                   |            |                               |          |             | <b>1,039,140</b> |
| <b>Other information</b>                                 |                      |                   |            |                               |          |             |                  |
| Assets   | 40,927,838           | 5,300,976         | 46,228,814 | 2,711,199                     | 38,501   | 1,204,083   | 50,182,597       |
| Investments in associates                                |                      |                   |            |                               |          |             | 3,635,688        |
| Liabilities  | 36,100,364           | 7,218,928         | 43,319,292 | 2,427,923                     | 4,841    | 643,933     | 46,395,989       |
| Contingent items   | 25,829,759           | 1,535,675         | 27,365,434 |                               |          |             | 27,365,434       |

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**4. LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS**

Loans, Advances and Financing activities for customers comprises:

|   | <b>30-Jun-09</b>         | 30-Jun-08         | 31-Dec-08         |
|---|--------------------------|-------------------|-------------------|
|   | Reviewed                 | Reviewed          | Audited           |
| Loans   | 28,087,465               | 26,383,870        | 29,897,295        |
| Overdrafts  | 1,465,058                | 1,874,368         | 1,761,632         |
| Bills discounted                                      | 97,862                   | 307,251           | 101,625           |
| Islamic financing                                     | 2,831,105                | 1,516,039         | 2,423,686         |
| <b>Total loans, advances and financing activities</b> | <u>32,481,490</u>        | <u>30,081,528</u> | <u>34,184,238</u> |
| - Allowance for impairment                            | <u>(430,224)</u>         | <u>(233,555)</u>  | <u>(286,725)</u>  |
| <b>Net</b>  | <u><b>32,051,266</b></u> | <u>29,847,973</u> | <u>33,897,513</u> |

As part of Government of Qatar's programme of initiatives to support the banking sector, Commercialbank has sold loans and advances to customers and other exposures to the Government amounting to QAR 3,043 million. The Government paid QAR 188 million in cash and provided QAR 2,855 million in Government bonds in consideration for the sold assets.

The total non-performing loans, advances and financing activities at 30 June 2009 amounted to QAR 474 million, representing 1.46% of the total loans, advances and financing activities (30 June 2008: QAR 236 million representing 0.79% of the total loans, advances and financing activities; 31 December 2008: QAR 290 million representing 0.85% of the total loans, advances and financing activities).

Interest in suspense of QAR 136 million (30 June 2008: QAR 79 million; 31 December 2008: QAR 94 million) is, for the purpose of the Qatar Central Bank regulatory requirements, effectively included in the above impairment allowance amount.

**5. FINANCIAL INVESTMENTS**

|  | <b>30-Jun-09</b>        | 30-Jun-08        | 31-Dec-08        |
|--|-------------------------|------------------|------------------|
|  | Reviewed                | Reviewed         | Audited          |
| Investments comprise of the following    |                         |                  |                  |
| a) Available-for-sale investments        | 2,248,938               | 2,914,664        | 2,415,340        |
| b) Investments held-to-maturity          | 7,401,512               | 2,433,417        | 2,359,547        |
| c) Investment held-for-trading           | -                       | 8,777            | 76               |
| <b>Balance at end of the period/year</b> | <u><b>9,650,450</b></u> | <u>5,356,858</u> | <u>4,774,963</u> |

During the period, the Bank took up the Government's offer to buy the Qatar DSM equity investment portfolios of local banks, and has sold its entire portfolio of Qatar equities which had a net book value of QAR 937.9 million. The Government paid QAR 417.8 million in cash and provided a five-year bond amounting to QAR 520.1 million that included in available for sale investment portfolio.

Investments held-to-maturity includes the Bonds provided by the Government in settlement of sold loans and advances to customers and other exposures as stated in note 4.

The carrying value of financial investment securities pledged under Repo agreements is QAR 959.6 million (30 June 2008: QAR 992.0 million; 31 December 2008: QAR 990.0 million).

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**6. INVESTMENTS IN ASSOCIATES**

The Group's investments in associates are as follows:

| Associate entity                             | 30-Jun-09<br>Reviewed | Carrying Value        |                      |
|--|-----------------------|-----------------------|----------------------|
|  |                       | 30-Jun-08<br>Reviewed | 31-Dec-08<br>Audited |
| a) National Bank of Oman SAOG                | 1,444,177             | 1,453,997             | 1,455,823            |
| b) United Arab Bank PJSC                     | 2,235,579             | 2,180,191             | 2,182,748            |
| c) Asteco LLC                                | 2,839                 | 1,500                 | 2,915                |
| <b>Balance at the end of the period/year</b> | <b>3,682,595</b>      | <b>3,635,688</b>      | <b>3,641,486</b>     |

- a) The Group holds an interest of 34.85% (30 June 2008: 34.85%; 31 December 2008: 34.85%) in National Bank of Oman SAOG, a bank incorporated in Oman.
- b) The Group holds an interest of 40% (30 June 2008: 40%; 31 December 2008: 40%) in United Arab Bank PJSC, a bank incorporated in United Arab Emirates.
- c) The Group holds an interest of 30% (30 June 2008: 30%; 31 December 2008: 30%) in Asteco LLC, a company incorporated in the State of Qatar.

**7. PROPERTY AND EQUIPMENT**

**Acquisitions and disposals**

During the six months ended 30 June 2009, the Group acquired assets with a cost of QAR 95 million (30 June 2008: QAR 124 million; 31 December 2008: QAR 483 million).

Assets with a net book value of QAR 285 million were disposed by the Group during the six months ended 30 June 2009 (30 June 2008: QAR nil; 31 December 2008: QAR 0.2million) for a consideration of QAR 450 million. The profit on sale of QAR 165 million is included within other operating income.

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**8. DUE TO BANKS AND FINANCIAL INSTITUTIONS**

|  | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed   | 31-Dec-08<br>Audited     |
|--|------------------------------|-------------------------|--------------------------|
| Current accounts                         | 174,396                      | 64,221                  | 1,122,800                |
| Placements                               | 10,093,170                   | 7,544,449               | 9,800,069                |
| <b>Balance at end of the period/year</b> | <b><u>10,267,566</u></b>     | <b><u>7,608,670</u></b> | <b><u>10,922,869</u></b> |

**9. OTHER BORROWED FUNDS**

|  | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed   | 31-Dec-08<br>Audited    |
|--|------------------------------|-------------------------|-------------------------|
| Syndicated loans                         | 3,741,081                    | 5,814,993               | 4,282,209               |
| EMTN (Bonds)                             | 1,815,565                    | 1,812,248               | 1,813,882               |
| <b>Balance at end of the period/year</b> | <b><u>5,556,646</u></b>      | <b><u>7,627,241</u></b> | <b><u>6,096,091</u></b> |

Movements in other borrowed funds are analysed as follows:

|   | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed   | 31-Dec-08<br>Audited    |
|---|------------------------------|-------------------------|-------------------------|
| Balance at beginning of the period/year       | 6,096,091                    | 7,623,105               | 7,623,105               |
| Additions to borrowings                       | -                            | -                       | 1,375,938               |
| Repayments of borrowings                      | (546,000)                    | -                       | (2,912,000)             |
| Amortisation of discount and transaction cost | 6,555                        | 4,136                   | 9,048                   |
| <b>Balance at end of the period/year</b>      | <b><u>5,556,646</u></b>      | <b><u>7,627,241</u></b> | <b><u>6,096,091</u></b> |

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**10. UNRESTRICTED INVESTMENT ACCOUNTS**

|  | <b>30-Jun-09</b>        | 30-Jun-08               | 31-Dec-08               |
|--|-------------------------|-------------------------|-------------------------|
|  | Reviewed                | Reviewed                | Audited                 |
| Savings deposits                         | 156,793                 | 166,334                 | 221,668                 |
| Call deposits                            | 57,819                  | 45,500                  | 45,770                  |
| Investment deposits                      | 2,269,777               | 1,474,901               | 2,580,493               |
| <b>Balance at end of the period/year</b> | <b><u>2,484,389</u></b> | <b><u>1,686,735</u></b> | <b><u>2,847,931</u></b> |

**11. SHARE CAPITAL**

At an Extraordinary General Assembly of the Bank, held on 26 November 2008, the shareholders approved and authorized the Board of Directors to increase the Share Capital of the Bank by a private placement of 41,241,063 ordinary shares to Qatar Investment Authority. On 17 February 2009, the Bank issued 10,310,265 new ordinary shares to the Qatar Investment Authority out of those authorized on 26 November 2008, at a price of QAR 78.3 per share including a premium of QAR 68.3 per share.

**12. LEGAL RESERVE**

The proceeds of the additional 10,310,265 new ordinary shares issued during the period was credited to share capital (nominal value) at QAR 10 per ordinary share and to legal reserve (share premium) at QAR 68.3 per ordinary share, as per Article 154 of Commercial Companies Law no. 5 of 2002. There was no directly attributable cost for this transaction.

**13. PROPOSED DIVIDEND**

A cash dividend of QAR 7.0 per share (2007: QAR 4.0 per share) amounting to QAR 1,443 million was approved and paid (2007: QAR 561 million) during the period.

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**14. EARNINGS PER SHARE**

|  | <b>Three months ended</b>    |                       | <b>Six months ended</b>      |                       |
|--|------------------------------|-----------------------|------------------------------|-----------------------|
|  | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed |
| Net profit for the period in thousand QAR      | 333,169                      | 602,738               | 943,288                      | 1,039,140             |
| Weighted average number of shares in thousands | 216,515                      | 182,875               | 213,838                      | 182,875               |
| <b>Earnings per share (QAR)</b>                | 1.54                         | 3.30                  | 4.41                         | 5.68                  |

The weighted average numbers of shares in thousands have been calculated as follows:

|  | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed | <b>30-Jun-09</b><br>Reviewed | 30-Jun-08<br>Reviewed |
|--|------------------------------|-----------------------|------------------------------|-----------------------|
| Qualifying shares at the beginning of the period | 206,205                      | 140,158               | 206,205                      | 140,158               |
| Effect of bonus shares issue                     | -                            | 42,047                | -                            | 42,047                |
| Effects of rights issue                          | -                            | 670                   | -                            | 670                   |
| Effects of private placement                     | 10,310                       | -                     | 7,633                        | -                     |
| <b>Balance at end of the period</b>              | <b>216,515</b>               | 182,875               | <b>213,838</b>               | 182,875               |



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**15. RELATED PARTIES DISCLOSURES**

The Group carries out various transactions with subsidiaries and associate companies and with members of the Board of Directors, the executive management or companies in which they have significant interest or any other parties of important influence in the Group's financial or operations decisions. The balances at the end of the reporting period were as follows:-

|  | <b>30-Jun-09</b> | 30-Jun-08 | 31-Dec-08 |
|--|------------------|-----------|-----------|
|  | Reviewed         | Reviewed  | Audited   |
| <b>Board members</b>   |                  |           |           |
| - Loans, advances and financing activities (a)                         | 1,477,847        | 807,424   | 968,334   |
| - Deposits   | 462,666          | 378,676   | 383,760   |
| - Contingent liabilities, guarantees and other commitments             | 30,975           | 38,177    | 30,906    |
| - Interest income earned from facilities granted to board members      | 39,306           | 21,615    | 49,165    |
| - Other fee income earned from transactions with board members         | 1,454            | 4,551     | 5,956     |
| - Interest paid on deposits accounts of board members                  | 38,283           | 22,417    | 46,008    |
| - Fixed remuneration and meeting attendance fees paid to board members | 1,484            | 1,062     | 49,800    |
| <b>Parent/Subsidiaries companies</b>                                   |                  |           |           |
| - Balance with bank/Customers' deposits (b)                            | 65,405           | 31,789    | 53,959    |
| <b>Associate company</b>   |                  |           |           |
| - NBO's deposit with the Group   | 934              | 1,921     | 1,344     |
| - Bank's deposit with NBO  | 236              | 81        | 567       |
| - NBO's contingent liabilities to the Group:                           |                  |           |           |
| - Letter of Guarantee  | 6,090            | 623       | 2,540     |
| - Letter of Credit   | 105              | -         | -         |
| - Interest rate swap (notional amount)                                 | 49,636           | 56,727    | 56,727    |
| - Interest rate swap (fair value)                                      | 816              | 809       | 3,393     |
| <b>Senior management compensation</b>                                  |                  |           |           |
| - Fixed remuneration   | 16,317           | 12,590    | 30,216    |
| - Discretionary remuneration   | 8,812            | 7,865     | 15,729    |
| - Fringe benefits  | 4,606            | 3,359     | 7,460     |

**Additional information**

a) A significant portion of the loans, advances and financing activities' balance at 30 June 2009 with the members of the Board and the companies in which they have significant influence are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities' are performing satisfactorily with all obligations honored as arranged. The pricing of any such transactions are primarily based on the banker customer relationship and the prevailing market rates.

b) Balance with bank and Customers' deposits between parent and subsidiaries companies including any income/expenses on those balances have been eliminated on consolidation.

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**16. OFF-BALANCE SHEET ITEMS**

|  | <b>30-Jun-09</b>         | 30-Jun-08         | 31-Dec-08         |
|--|--------------------------|-------------------|-------------------|
|  | Reviewed                 | Reviewed          | Audited           |
| a) Contingent liabilities                                    |                          |                   |                   |
| Acceptance   | 808,074                  | 2,777,132         | 2,388,401         |
| Guarantees   | 13,423,071               | 13,917,716        | 14,488,472        |
| Letter of credit   | 6,736,993                | 5,913,958         | 5,335,915         |
| Un-utilized credit facilities granted to customers           | 4,651,993                | 4,756,628         | 5,653,694         |
|  | <u><b>25,620,131</b></u> | <u>27,365,434</u> | <u>27,866,482</u> |
| b) Other undertakings and commitments                        |                          |                   |                   |
| Foreign exchange contracts and derivatives at notional value | 5,597,919                | 2,638,173         | 6,089,289         |
| Guaranteed investment funds                                  | 1,292                    | 2,111             | 1,310             |
| Portfolios and investments managed for others                | -                        | 58,240            | -                 |
| Capital commitments  | 4,018                    | 71,689            | 6,492             |

**17. CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS**

|   | <b>30-Jun-09</b>        | 30-Jun-08        | 31-Dec-08        |
|---|-------------------------|------------------|------------------|
|   | Reviewed                | Reviewed         | Audited          |
| Cash and balances with Central Bank                     | 2,669,488               | 1,780,326        | 1,463,741        |
| Due from banks and financial institutions up to 90 days | 7,286,146               | 9,695,761        | 13,728,296       |
| Due to banks and financial institutions up to 90 days   | (10,267,566)            | (7,335,669)      | (10,922,869)     |
| <b>Balance at end of the period/year</b>                | <u><b>(311,932)</b></u> | <u>4,140,418</u> | <u>4,269,168</u> |

Cash and balances with Central Bank does not include the mandatory cash reserve.

At 30 June 2009, the Group has investments in short term securities issued by Qatar Central Bank amounting to QAR1.8 billion with an original maturity within 90 days. These investments have not been included in cash and cash equivalents as they are shown as held-to maturity investments.