



**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**30 JUNE 2013**

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**Independent auditors' report on review of condensed consolidated interim financial information to the Board of Directors of the Bank.**

**Introduction**

We have reviewed the accompanying 30 June 2013 condensed consolidated interim financial information of Commercial Bank of Qatar Q.S.C. ("the Bank") and its subsidiaries (together "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2013;
- the condensed consolidated income statement for the three and six months ended 30 June 2013;
- the condensed consolidated statement of comprehensive income for the three and six months ended 30 June 2013;
- the condensed consolidated statement of changes in equity for the three and six months ended 30 June 2013;
- the condensed consolidated statement of cash flows for the three and six months ended 30 June 2013; and
- notes to the condensed consolidated interim financial information

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' and applicable provisions of the Qatar Central Bank regulations. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with the 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 and consequently 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 30 June 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' and applicable provisions of the Qatar Central Bank regulations.

**Other matter**

The 30 June 2012 condensed consolidated interim financial information was reviewed, and the consolidated financial statements as at and for the year ended 31 December 2012 were audited, by another auditor whose reports dated 18 July 2012 and 27 January 2013 respectively expressed an unmodified review conclusion and an unmodified audit opinion.

23 July 2013  
Doha  
State of Qatar

  
Gopal Balasubramanian  
KPMG  
Qatar Auditors Registry Number 251

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013

QAR '000s

	Notes	30-Jun-13 Reviewed	30-Jun-12 Reviewed	31-Dec-12 Audited
<b>ASSETS</b>				
Cash and balances with central bank		4,367,262	3,012,818	3,448,128
Due from banks		10,884,975	6,625,933	9,731,562
Loans and advances to customers	5	52,018,168	44,182,521	48,594,475
Investment securities	6	10,847,466	12,803,768	11,162,179
Investment in associates	7	4,016,041	3,919,141	4,054,157
Property and equipment	8	1,189,268	1,088,677	1,197,069
Other assets		2,113,741	1,923,707	1,850,182
<b>TOTAL ASSETS</b>		<b>85,436,921</b>	<b>73,556,565</b>	<b>80,037,752</b>
<b>LIABILITIES</b>				
Due to banks	9	10,357,274	5,340,030	9,855,682
Customers' deposits	10	46,900,526	40,556,025	41,385,546
Debt securities	11	8,676,503	8,675,957	8,705,816
Other borrowings	12	3,473,862	3,469,117	3,471,515
Other liabilities		1,898,493	1,605,121	1,679,815
<b>TOTAL LIABILITIES</b>		<b>71,306,658</b>	<b>59,646,250</b>	<b>65,098,374</b>
<b>EQUITY</b>				
Share capital	13	2,474,464	2,474,464	2,474,464
Legal reserve		8,740,540	8,740,540	8,740,540
General reserve		26,500	26,500	26,500
Risk reserve		1,271,300	830,600	924,600
Fair value reserves	14	(185,112)	79,237	163,225
Other reserves		657,300	539,442	673,604
Proposed dividend	15	-	-	1,484,678
Retained earnings		1,145,271	1,219,532	451,767
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>		<b>14,130,263</b>	<b>13,910,315</b>	<b>14,939,378</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>85,436,921</b>	<b>73,556,565</b>	<b>80,037,752</b>

The condensed consolidated interim financial information was approved by the Board of Directors on 23 July 2013 and was signed on its behalf by:



HE Abdullah bin Khalifa Al Attiyah  
Chairman



Mr. Hussain Ibrahim Alfardan  
Managing Director



Mr. Abdulla S. Al Raisi  
Deputy Chief Executive Officer

The attached notes 1 to 23 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**QAR '000s**

	Notes	Three months ended		Six months ended	
		30-Jun-13 Reviewed	30-Jun-12 Reviewed	30-Jun-13 Reviewed	30-Jun-12 Reviewed
Interest income		719,667	720,014	1,423,663	1,434,842
Interest expense		(259,830)	(256,176)	(510,032)	(493,353)
<b>Net interest income</b>		<b>459,837</b>	463,838	<b>913,631</b>	941,489
Fee and commission income		202,152	192,710	397,863	368,212
Fee and commission expense		(37,117)	(41,408)	(69,831)	(88,262)
<b>Net fee and commission income</b>		<b>165,035</b>	151,302	<b>328,032</b>	279,950
Foreign exchange gain		39,860	38,042	79,177	73,191
Income from investment securities		125,515	58,973	201,049	84,489
Other operating income	16	55,219	13,758	76,088	26,791
<b>Net operating income</b>		<b>845,466</b>	725,913	<b>1,597,977</b>	1,405,910
Staff costs		(134,344)	(129,778)	(264,478)	(247,317)
Depreciation		(32,214)	(30,636)	(65,328)	(58,765)
Impairment loss on investment securities		(10,722)	(20,720)	(20,749)	(26,688)
Net impairment loss on loans and advances to customers		(134,447)	12,788	(193,908)	(31,835)
Other provisions	7	(3,000)	-	(3,000)	-
Other expenses		(92,240)	(83,046)	(173,007)	(148,777)
<b>Profit before share of results of associates</b>		<b>438,499</b>	474,521	<b>877,507</b>	892,528
Share of results of associates		79,720	71,160	146,393	124,384
<b>Profit for the period</b>		<b>518,219</b>	545,681	<b>1,023,900</b>	1,016,912
<b>Profit for the period attributable to:</b>					
Equity holders of the Bank		<b>518,219</b>	545,681	<b>1,023,900</b>	1,016,912
<b>Earnings per share</b>					
Basic earnings per share (QAR per share)	17	<b>2.09</b>	2.21	<b>4.14</b>	4.11

The attached notes 1 to 23 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**QAR '000s**

	Notes	Three months ended		Six months ended	
		30-Jun-13 Reviewed	30-Jun-12 Reviewed	30-Jun-13 Reviewed	30-Jun-12 Reviewed
<b>Profit for the period</b>		<b>518,219</b>	545,681	<b>1,023,900</b>	1,016,912
<b>Other comprehensive income for the period:</b>					
<b>Items that are, or may subsequently be, reclassified to profit or loss:</b>					
Share of other comprehensive income of investment in associates		(20,490)	215	(21,812)	9,863
Cash flow hedges:					
Net change in fair value of cash flow hedge	14	(64,979)	-	(64,979)	-
Net movement in fair value of available-for-sale investments:					
- Change in fair value		(180,323)	62,954	(204,158)	174,427
- Amount transferred to profit and loss		(23,707)	(27,076)	(57,388)	(36,505)
<b>Other comprehensive income for the period</b>		<b>(289,499)</b>	36,093	<b>(348,337)</b>	147,785
<b>Total comprehensive income for the period</b>		<b>228,720</b>	581,774	<b>675,563</b>	1,164,697
<b>Total comprehensive income for the period attributable to:</b>					
Equity holders of the Bank		<b>228,720</b>	581,774	<b>675,563</b>	1,164,697

The attached notes 1 to 23 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**QAR '000s**

	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserves	Other reserves	Retained earnings		Total equity
								Proposed dividend	Others	
<b>Balance as at 1 January 2013</b>		2,474,464	8,740,540	26,500	924,600	163,225	673,604	1,484,678	451,767	14,939,378
<b>Total comprehensive income for the period</b>										
Profit for the period		-	-	-	-	-	-	-	1,023,900	1,023,900
Other comprehensive loss		-	-	-	-	(348,337)	-	-	-	(348,337)
<b>Total comprehensive income for the period</b>		-	-	-	-	(348,337)	-	-	1,023,900	675,563
Transfer to risk reserve		-	-	-	346,700	-	-	-	(346,700)	-
Net movement in other reserves		-	-	-	-	-	(16,304)	-	16,304	-
<b>Transactions with equity holders, recognised directly in equity</b>										
Contributions by and distributions to equity holders:										
Dividends for the year 2012	15	-	-	-	-	-	-	(1,484,678)	-	(1,484,678)
<b>Total contributions by and distributions to equity holders</b>		-	-	-	-	-	-	(1,484,678)	-	(1,484,678)
<b>Balance as at 30 June 2013</b>		<b>2,474,464</b>	<b>8,740,540</b>	<b>26,500</b>	<b>1,271,300</b>	<b>(185,112)</b>	<b>657,300</b>	<b>-</b>	<b>1,145,271</b>	<b>14,130,263</b>

The attached notes 1 to 23 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**QAR '000s**

	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserves	Other reserves	Retained earnings		Total equity
								Proposed dividend	Other	
Balance as at 1 January 2012		2,474,464	8,740,540	26,500	805,600	(68,548)	556,456	1,484,678	210,606	14,230,296
Total comprehensive income for the period										
Profit for the period		-	-	-	-	-	-	-	1,016,912	1,016,912
Other comprehensive income		-	-	-	-	147,785	-	-	-	147,785
Total comprehensive income for the period		-	-	-	-	147,785	-	-	1,016,912	1,164,697
Transfer to risk reserve		-	-	-	25,000	-	-	-	(25,000)	-
Net movement in other reserves		-	-	-	-	-	(17,014)	-	17,014	-
<b>Transactions with equity holders, recognised directly in equity</b>										
Contributions by and distributions to equity holders:										
Dividends for the year 2011	15	-	-	-	-	-	-	(1,484,678)	-	(1,484,678)
Total contributions by and distributions to equity holders		-	-	-	-	-	-	(1,484,678)	-	(1,484,678)
Balance as at 30 June 2012		2,474,464	8,740,540	26,500	830,600	79,237	539,442	-	1,219,532	13,910,315

The attached notes 1 to 23 form an integral part of this condensed consolidated interim financial information.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**QAR '000s**

	<b>Six months ended</b>		Year ended
	<b>30-Jun-13 Reviewed</b>	30-Jun-12 Reviewed	31-Dec-12 Audited
<b>Cash flows from operating activities</b>			
Profit for the period/year	<b>1,023,900</b>	1,016,912	2,012,294
<i>Adjustments for:</i>			
Net impairment loss on loans and advances to customers	193,908	31,835	139,944
Impairment loss on investment securities	20,749	26,688	61,917
Other provisions	3,000	-	
Depreciation	65,328	58,765	121,948
Amortization of transaction costs	10,840	9,546	20,527
Gain on investment securities at fair value through profit or loss	(1,212)	-	(2,664)
Net gain on disposal of available-for-sale securities	(187,754)	(66,752)	(337,161)
Gain on disposal of property and equipment	-	-	(364)
Gain on disposal of other assets	(31,944)	-	-
Share of results of associates	(146,393)	(124,384)	(258,546)
Operating profit before working capital changes	<u>950,422</u>	<u>952,610</u>	<u>1,757,895</u>
Working capital changes			
Change in due from banks	(269,565)	(756,162)	(2,186,297)
Change in loans and advances to customers	(3,617,601)	(2,600,552)	(7,022,636)
Change in other assets	(420,421)	(575,307)	(475,217)
Change in due to banks	(1,118,694)	590,213	597,752
Change in customer deposits	5,514,980	2,567,342	3,396,863
Change in other liabilities	204,006	373,917	300,325
Contribution to social and sports activities support fund	(50,307)	(47,099)	(47,099)
	<u>242,398</u>	<u>(447,648)</u>	<u>(5,436,309)</u>
<b>Net cash from / (used in) operating activities</b>	<b><u>1,192,820</u></b>	<b><u>504,962</u></b>	<b><u>(3,678,414)</u></b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities	(4,303,855)	(2,988,884)	(7,031,632)
Dividend received from associates	162,697	141,398	141,398
Proceeds from sale/maturity of investment securities	4,522,239	2,103,971	8,101,244
Acquisition of property and equipment	(57,527)	(80,114)	(248,690)
Proceeds from the sale of property and equipment	-	-	365
Proceeds from the sale of other assets	151,000	-	-
<b>Net cash from / (used in) investing activities</b>	<b><u>474,554</u></b>	<b><u>(823,629)</u></b>	<b><u>962,685</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of debt securities	-	1,792,195	1,791,934
Repayment of other borrowings	-	(2,366,000)	(2,366,000)
Proceeds from other borrowings	-	1,650,205	1,650,219
Dividends paid	(1,484,678)	(1,484,678)	(1,484,678)
<b>Net cash used in financing activities</b>	<b><u>(1,484,678)</u></b>	<b><u>(408,278)</u></b>	<b><u>(408,525)</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>182,696</b>	<b>(726,945)</b>	<b>(3,124,254)</b>
Cash and cash equivalents as at 1 January	<u>703,465</u>	<u>3,827,719</u>	<u>3,827,719</u>
<b>Cash and cash equivalents at the end of the period/year (note 19)</b>	<b><u>886,161</u></b>	<b><u>3,100,774</u></b>	<b><u>703,465</u></b>
<b>Operational cash flows from interest and dividend:</b>			
Interest paid	507,254	448,009	1,002,400
Interest received	1,361,684	1,391,692	2,872,323
Dividend received	12,083	17,737	26,147

The attached notes 1 to 23 form an integral part of this condensed consolidated interim financial information.

**1. REPORTING ENTITY**

The Commercial Bank of Qatar (Q.S.C.) (“the Bank”) is an entity domiciled in the State of Qatar and was incorporated in 1975 as a public shareholding company under Emiri Decree No.73 of 1974. The commercial registration of the Bank is 150. The address of the Bank’s registered office is PO Box 3232, Doha, State of Qatar. The condensed consolidated interim financial information of the Bank comprises the Bank and its subsidiaries (together referred to as “the Group”). The Group is primarily engaged in conventional banking, brokerage services and the credit card business and operates through its head office and 29 branches established in the State of Qatar.

**2. BASIS OF PREPARATION**

**(a) Statement of Compliance**

The condensed consolidated interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting and the applicable provisions of Qatar Central Bank (“QCB”) regulations.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended 31 December 2012. The results for the six months ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

**(b) Estimates and judgements**

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2012.

**(c) Financial risk management**

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated interim financial information are the same as those followed in the preparation of the Group’s consolidated financial statements as at and for the year ended 31 December 2012, 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 2013. The new standards do not have any material impact to the Group, but they will result in extensive additional disclosures:

- IAS 1 (amendment) - Presentation of items of other comprehensive income
- IAS 28 (2011) – Investment in Associates and Joint ventures
- Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)
- IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)
- IFRS 11 – Joint Arrangements
- IFRS 12 - Disclosures of interests in other entities
- IFRS 13 - Fair value measurement

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**QAR '000s**

**4. SEGMENT INFORMATION**

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses are attributed with the assets and liabilities' ownership. The following table summarizes performance of the operating segments:

**30 June 2013**

	Wholesale Banking	Retail Banking	Total Commercial Banking	Subsidiaries	Unallocated	Total
Net interest income	609,444	304,786	914,230	1,236	(1,835)	<b>913,631</b>
Net fee, commission and other income	516,043	140,834	656,877	4,169	23,300	<b>684,346</b>
Segmental revenue	<u>1,125,487</u>	<u>445,620</u>	<u>1,571,107</u>	<u>5,405</u>	<u>21,465</u>	<b><u>1,597,977</u></b>
Impairment loss on investment securities	(20,749)	-	(20,749)	-	-	<b>(20,749)</b>
Net impairment loss on loans and advances to customers	(179,780)	(12,957)	(192,737)	(1,171)	-	<b>(193,908)</b>
Other Provisions	-	-	-	-	(3,000)	<b>(3,000)</b>
Segmental profit			<b>880,228</b>	<b>(4,601)</b>	<b>1,880</b>	<b>877,507</b>
Share of results of associates						<b>146,393</b>
Net profit for the year						<b><u>1,023,900</u></b>

**Other information**

Assets	65,077,625	13,424,801	78,502,426	390,330	2,528,124	<b>81,420,880</b>
Investments in associates						<b>4,016,041</b>
Liabilities	58,765,241	12,129,592	70,894,833	209,616	202,209	<b>71,306,658</b>
Contingent items	25,616,373	941,449	26,557,822	-	-	<b>26,557,822</b>

Intra-group transactions are eliminated from this segmental information (Assets: QAR 546 million, Liabilities: QAR 374 million)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**QAR '000s**

**4. SEGMENT INFORMATION (Continued)**

30 June 2012

	Wholesale Banking	Retail Banking	Total Commercial Banking	Subsidiaries	Unallocated	Total
Net interest income	699,808	243,527	943,335	1,414	(3,260)	941,489
Net fee, commission and other income	310,645	135,359	446,004	3,080	15,337	464,421
Segmental revenue	1,010,453	378,886	1,389,339	4,494	12,077	1,405,910
Impairment loss on investment securities	(26,688)	-	(26,688)	-	-	(26,688)
Net impairment loss on loans and advances to customers	(24,428)	(7,559)	(31,987)	152	-	(31,835)
Segmental profit			898,290	(2,171)	(3,591)	892,528
Share of results of associates						124,384
Net profit for the period						1,016,912
<b>Other information</b>						
Assets	56,417,911	10,719,691	67,137,602	288,691	2,211,131	69,637,424
Investments in associates						3,919,141
Liabilities	46,894,203	12,603,490	59,497,693	104,429	44,128	59,646,250
Contingent items	18,008,351	1,571,302	19,579,653	-	-	19,579,653

Intra-group transactions are eliminated from this segmental information (Assets: QAR 402 million, Liabilities: QAR 230 million)

**5. LOANS AND ADVANCES TO CUSTOMERS**

Loans and advances to customers comprises:

	<b>30-Jun-13</b>	30-Jun-12	31-Dec-12
	<b>Reviewed</b>	Reviewed	Audited
Loans	50,287,831	43,552,509	46,996,364
Overdrafts	2,060,148	1,294,069	1,861,600
Bills discounted	256,902	114,515	278,533
Bankers acceptances	362,031	255,181	285,442
	<b>52,966,912</b>	45,216,274	49,421,939
Deferred profit	(102,825)	(534,004)	(200,652)
Specific impairment of loans and advances to customers	(517,291)	(312,874)	(359,992)
Collective impairment allowance	(328,628)	(186,875)	(266,820)
<b>Net loans and advances to customers</b>	<b>52,018,168</b>	44,182,521	48,594,475

The aggregate amount of non-performing loans and advances to customers at 30 June 2013 amounted to QAR 1,843 million which represents 3.49% of total loans and advances to customers (30 June 2012: QAR 363 million, 0.81% of total loans and advances to customers; 31 December 2012: QAR 539 million, 1.09% of total loans and advances to customers).

Allowance for impairment includes QAR 124 million of interest in suspense (30 June 2012: QAR 81 million; 31 December 2012: QAR 98 million).

**6. INVESTMENT SECURITIES**

Investment securities comprise the following:

	<b>30-Jun-13</b>	30-Jun-12	31-Dec-12
	<b>Reviewed</b>	Reviewed	Audited
Available-for-sale	10,789,131	8,082,204	7,891,087
Held to maturity	-	4,721,564	3,213,828
Investment securities designated at fair value through income statement	58,335	-	57,264
<b>Total</b>	<b>10,847,466</b>	12,803,768	11,162,179

The carrying value of investment securities pledged under Repurchase agreements (REPO) is QAR 754 million (30 June 2012: QAR 2,126 million; 31 December 2012: QAR 1,968 million).

As result of the sale on 6 June 2013 of one of the securities in the "Held to Maturity" (HTM) investment Portfolio, the remainder of the portfolio has been reclassified to the "Available for Sale" (AFS) category in line with IFRS requirement. At 30 June 2013 the carrying amount of QAR 2,611million, previously held in HTM has been transferred to AFS at fair value of QAR 2,641 million and the resulting gain of QAR 30 million has been transferred to fair value reserve in Equity.

**7. INVESTMENT IN ASSOCIATES**

The Group's investment in associates are as follows:

Associate entity	Country of incorporation	Carrying Value and % of interest held					
		30-Jun-13		30-Jun-12		31-Dec-12	
		Reviewed	%	Reviewed	%	Audited	%
a) National Bank of Oman SAOG	Oman	1,602,513	34.9%	1,541,580	34.9%	1,604,243	34.9%
b) United Arab Bank PJSC	UAE	2,398,522	40.0%	2,364,050	40.0%	2,435,883	40.0%
c) Asteco Qatar L.L.C.	Qatar	1,913	30.0%	1,826	30.0%	1,906	30.0%
d) Gekko L.L.C.	Qatar	-	50.0%	-	50.0%	-	50.0%
e) Massoun Insurance Services L.L.C.	Qatar	13,093	50.0%	11,685	50.0%	12,125	50.0%
<b>Balance at the end of the period/year</b>		<b>4,016,041</b>		<b>3,919,141</b>		<b>4,054,157</b>	

Gekko L.L.C is in the process of being liquidated which is expected to be completed during the third quarter of 2013. The Bank has fully written off its investment and share of losses in the company as at 30 June 2013 and has provided QAR 3 million for the liquidation expenses.

**8. PROPERTY AND EQUIPMENT**

**Acquisitions and disposals**

During the six months ended 30 June 2013, the Group acquired assets with a cost of QAR 58 million (30 June 2012: QAR 80 million; year ended 31 December 2012: QAR 249 million).

There were no disposals made by the Group during the six months ended 30 June 2013 and 30 June 2012 and during year ended 31 December 2012.

**9. DUE TO BANKS**

	30-Jun-13 Reviewed	30-Jun-12 Reviewed	31-Dec-12 Audited
Balances due to central banks	16,380	-	16,380
Current accounts	525,767	523,517	583,485
Placements with banks	9,203,458	3,075,490	7,507,255
Repurchase agreements with banks	611,669	1,741,023	1,748,562
	<b>10,357,274</b>	<b>5,340,030</b>	<b>9,855,682</b>

**10. CUSTOMERS' DEPOSITS**

	30-Jun-13 Reviewed	30-Jun-12 Reviewed	31-Dec-12 Audited
Current and call deposits	15,585,167	14,440,695	14,845,171
Saving deposits	3,741,679	3,226,991	3,692,906
Time deposits	27,573,680	22,888,339	22,847,469
	<b>46,900,526</b>	<b>40,556,025</b>	<b>41,385,546</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**QAR '000s**

**11. DEBT SECURITIES**

	<b>30-Jun-13 Reviewed</b>	30-Jun-12 Reviewed	31-Dec-12 Audited
EMTN Programme – Senior Notes	1,798,492	1,793,544	1,796,024
Senior Notes	3,627,611	3,619,163	3,623,332
Subordinated Notes	2,157,512	2,154,404	2,155,929
CHF Fixed Rate Bonds	1,092,888	1,108,846	1,130,531
<b>Total</b>	<b>8,676,503</b>	<b>8,675,957</b>	<b>8,705,816</b>

The table below shows the maturity profile of debt securities:

	<b>30-Jun-13 Reviewed</b>	30-Jun-12 Reviewed	31-Dec-12 Audited
Up to 1 year	-	-	-
Between 1 and 3 years	4,720,499	3,619,163	4,753,863
Over 3 years	3,956,004	5,056,794	3,951,953
<b>Total</b>	<b>8,676,503</b>	<b>8,675,957</b>	<b>8,705,816</b>

**12. OTHER BORROWINGS**

	<b>30-Jun-13 Reviewed</b>	30-Jun-12 Reviewed	31-Dec-12 Audited
Bilateral loans	1,819,322	1,817,395	1,818,345
Club loan	1,654,540	1,651,722	1,653,170
<b>Total</b>	<b>3,473,862</b>	<b>3,469,117</b>	<b>3,471,515</b>

The table below shows the maturity profile of other borrowings:

	<b>30-Jun-13 Reviewed</b>	30-Jun-12 Reviewed	31-Dec-12 Audited
Up to 1 year	3,473,862	182,000	1,818,345
Between 1 and 3 years	-	3,287,117	1,653,170
Over 3 years	-	-	-
<b>Total</b>	<b>3,473,862</b>	<b>3,469,117</b>	<b>3,471,515</b>

**13. SHARE CAPITAL**

	<b>30-Jun-13</b>	30-Jun-12	31-Dec-12
	<b>Reviewed</b>	Reviewed	Audited
Number of shares (Nominal value of ordinary shares QAR 10 each)	<b>247,446,372</b>	247,446,372	247,446,372
Issued and paid up capital (in thousands of Qatar Riyals)	<b>2,474,464</b>	2,474,464	2,474,464

**14. FAIR VALUE RESERVES**

	<b>30-Jun-13</b>	30-Jun-12	31-Dec-12
	<b>Reviewed</b>	Reviewed	Audited
Cash flow- hedges*	(64,979)	-	-
Available-for-sale investment	(103,877)	74,534	157,669
Investment in associates	(16,256)	4,703	5,556
	<u><b>(185,112)</b></u>	<u>79,237</u>	<u>163,225</u>

\*During the period the Bank entered into foreign currency forward hedges to hedge the cash flow variability arising from currency movements for the acquisition cost of Alternatifbank in Turkey

**15. PROPOSED DIVIDEND**

A cash dividend of 60% (or QAR 6 per share) relating to the year ended 31 December 2012 (2011: QAR 6 per share), amounting to QAR 1,485 million (2011: QAR 1,485 million), was approved for distribution to shareholders at the Annual General Assembly held on 26 February 2013.

**16. OTHER OPERATING INCOME**

Land acquired as repossessed collateral with a carrying amount of QAR 119 million was sold during the second quarter of 2013 resulting in a net gain of QAR 32 million; this gain has been included in other operating income. Other operating income also includes a recovery of QAR 9.9 million against previously written off loans.



17. EARNINGS PER SHARE

	Three months ended		Six months ended	
	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
	Reviewed	Reviewed	Reviewed	Reviewed
<b>Basic and diluted</b>				
Net profit for the period in thousand QAR	518,219	545,681	1,023,900	1,016,912
Weighted average number of outstanding shares in thousands	247,446	247,446	247,446	247,446
<b>Earnings per share (QAR)</b>	<b>2.09</b>	2.21	<b>4.14</b>	4.11

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

	Three months ended		Six months ended	
	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
	Reviewed	Reviewed	Reviewed	Reviewed
Qualifying shares at the beginning of the period	247,446	247,446	247,446	247,446
Weighted average number of shares for the period	<b>247,446</b>	247,446	<b>247,446</b>	247,446

18. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	30-Jun-13	30-Jun-12	31-Dec-12
	Reviewed	Reviewed	Audited
<b>a) Contingent liabilities</b>			
Unused facilities	6,958,106	5,886,643	5,326,125
Guarantees	14,954,411	10,324,558	12,048,098
Letters of credit	4,645,305	3,368,452	7,541,840
<b>Total</b>	<b>26,557,822</b>	19,579,653	24,916,063
<b>b) Other commitments</b>			
Forward foreign exchange contracts and derivatives at notional value	8,718,439	8,004,080	8,266,187
Capital commitments	568,224	407,802	393,822
<b>Total</b>	<b>9,286,663</b>	8,411,882	8,660,009

19. CASH AND CASH EQUIVALENTS

	30-Jun-13	30-Jun-12	31-Dec-12
	Reviewed	Reviewed	Audited
Cash and balances with Central Bank *	1,964,222	1,246,626	1,457,495
Due from banks up to 90 days	8,649,345	5,453,155	7,353,090
Due to banks up to 90 days	(9,727,406)	(3,599,007)	(8,107,120)
	<b>886,161</b>	3,100,774	703,465

\*Cash and balances with Central Bank do not include the mandatory cash reserve.

**20. VALUATION OF FINANCIAL INSTRUMENTS**

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	<u>Level 1</u>	<u>Level 2</u>	<u>Carrying amount</u>
<b>30 June 2013</b>			
Derivative assets	-	317,128	317,128
Investment securities	303,305	10,184,664	10,847,466
	<b>303,305</b>	<b>10,501,792</b>	<b>11,164,594</b>
Derivative liabilities	-	315,636	315,636
	<b>-</b>	<b>315,636</b>	<b>315,636</b>
<b>31 Dec 2012</b>			
Derivative assets	-	431,202	431,202
Investment securities	431,268	7,064,489	7,948,351
	431,268	7,495,691	8,379,553
Derivative liabilities	-	349,958	349,958
	<b>-</b>	<b>349,958</b>	<b>349,958</b>

All unquoted available for sale equities and investment funds are recorded at fair value except for investments with a carrying value of QAR 359 million (31 December 2012: QAR 453 million), which are recorded at cost since their fair value cannot be reliably estimated.

**21. RELATED PARTY DISCLOSURE**

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 reporting date with these accounts were as follows:

	<b>30-Jun-13</b>	30-Jun-12	31-Dec-12
	<b>Reviewed</b>	Reviewed	Audited
<b>Board members</b>			
- Loans, advances and financing activities (a)	2,134,409	2,602,966	2,604,579
- Deposits	443,378	291,980	331,283
- Contingent liabilities and other commitments	40,585	14,761	29,507
- Interest and fee income	9,488	14,338	28,126
- Interest paid on deposits accounts of board members	4,760	5,669	10,788
- Remuneration, meeting attendance fees and salaries paid to board members	3,100	2,760	46,080
<b>Associated companies</b>			
- Associates' deposits with the Group	186,890	202,170	455,435
- Bank's deposits with the associates	202,096	183,574	456,520
- Associates contingent liabilities to the Group	309,363	305,289	298,695
<b>Senior management compensation/Transaction</b>			
- Fixed remuneration and other benefits	37,240	33,448	70,279
- Loans and advances (b)	23,188	24,472	24,004

- (a) A significant portion of the loans, advances and financing activities' balance at 30 June 2013 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 honoured as arranged.
- (b) No impairment losses have been recorded against balances outstanding during the period with senior management, and no specific allowance has been made for impairment losses on balances with senior management at the period end.

**22. COMPARATIVES**

Certain amounts in the prior period condensed consolidated interim financial information and supporting note disclosures have been reclassified to conform to the current period condensed consolidated interim financial information format and minimum disclosures in line with 2012 year-end consolidated financial statements as prescribed by the Qatar Central Bank (QCB). However, such reclassifications were not material and did not have an impact on the previously reported consolidated net profit, other comprehensive income or the equity for the comparative period.

For the 2012 year-end consolidated financial statements, the QCB required all banks to bring acceptances onto the consolidated statement of financial position. The Group concluded that it was also appropriate to make the change for the prior period reported numbers. As a result, the comparatives in the condensed consolidated statement of financial position have been restated to include bankers acceptances. The Group has also revised the condensed consolidated statement of financial position for the six months ended 30 June 2012.

The table below details the effect of the adjustments to the condensed consolidated statement of financial position:

	<i>As previously reported</i>	<i>Effect of adjustments</i>	<i>After adjustments</i>
		30 June 2012	
Gross loans and advances to customers	43,927,340	255,181	<b>44,182,521</b>
Other liabilities	1,349,940	255,181	<b>1,605,121</b>
Total assets	73,301,384	255,181	<b>73,556,565</b>
Total liabilities	59,391,069	255,181	<b>59,646,250</b>

**23. SUBSEQUENT EVENT**

On 18 July 2013, the Bank announced the completion of its acquisition of a 70.84% shareholding in Alternatifbank A.S. ("ABank") in Turkey from Anadolu Endustri Holding A.S. ("Anadolu"). The completion follows regulatory approval from the regulators in Qatar and Turkey. The Bank announced its intention to acquire a majority stake in ABank in March 2013. As part of the transaction, the Bank will launch a mandatory tender offer to acquire the 4.16% of ABank's shares that remain in the public domain.

The transaction is based on two times book value at 30 June 2013, and expands Commercial Bank's international footprint to four regional markets: Qatar, UAE, Oman and Turkey. Anadolu will retain a 25% stake in ABank, in addition to board representation.