



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

**Interim condensed consolidated financial statements**

**30 June 2010**



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## 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 2010, comprising of the interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2010, the related interim 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: 27 July 2010

Doha




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

**Interim consolidated statement of financial position as at 30 June 2010**


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

		<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed	31-Dec-09 Audited
<b>ASSETS</b>				
	<b>Notes</b>			
Cash and balances with Central Bank		5,388,698	4,202,130	4,374,423
Due from banks and financial institutions		3,356,592	7,560,903	5,643,561
Loans, advances and financing activities for customers	4	33,347,177	32,051,266	31,929,268
Financial investments	5	9,326,468	9,650,450	9,747,368
Investments in associates	6	3,729,166	3,682,595	3,759,865
Property and equipment	7	1,009,641	896,806	1,029,632
Other assets		1,205,091	998,903	833,242
<b>Total assets</b>		<b>57,362,833</b>	<b>59,043,053</b>	<b>57,317,359</b>
<b>LIABILITIES</b>				
Due to banks and financial institutions	8	4,109,094	10,267,566	7,391,335
Customer deposits		28,097,534	27,554,310	24,021,375
Borrowing under repurchase agreements		-	778,984	367,936
Debt issued and other borrowed funds	9	9,931,550	5,556,646	9,924,358
Other liabilities		1,353,901	1,893,190	1,351,999
<b>Total liabilities excluding unrestricted investment accounts</b>		<b>43,492,079</b>	<b>46,050,696</b>	<b>43,057,003</b>
Unrestricted investment accounts	10	2,316,791	2,484,389	2,250,173
<b>Total liabilities including unrestricted investment accounts</b>		<b>45,808,870</b>	<b>48,535,085</b>	<b>45,307,176</b>
<b>EQUITY</b>				
Share capital	11	2,268,258	2,165,156	2,165,156
Legal reserve	12	7,332,117	6,627,922	6,627,925
Shareholder's advance		-	-	807,294
General reserve		26,500	26,500	26,500
Cumulative changes in fair value		(108,971)	(220,479)	(105,864)
Risk reserve		638,300	638,300	638,300
Other reserves		382,081	338,543	416,565
Proposed dividend	13	-	-	1,299,093
Retained earnings		1,015,678	932,026	135,214
<b>Total equity</b>		<b>11,553,963</b>	<b>10,507,968</b>	<b>12,010,183</b>
<b>Total liabilities and equity</b>		<b>57,362,833</b>	<b>59,043,053</b>	<b>57,317,359</b>

On behalf of the Board of Directors, the interim condensed consolidated financial statements have been approved on 27<sup>th</sup> July 2010 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 18 form part of these interim condensed consolidated financial statements.

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

**Interim consolidated statement of income for the six months ended 30 June 2010**

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

	Three months ended		Six months ended	
	30-Jun-10 Reviewed	30-Jun-09 Reviewed	30-Jun-10 Reviewed	30-Jun-09 Reviewed
Interest income	705,013	769,665	1,387,781	1,504,857
Interest expense	(292,680)	(352,702)	(586,640)	(718,056)
<b>Net interest income</b>	<b>412,333</b>	<b>416,963</b>	<b>801,141</b>	<b>786,801</b>
Income from Islamic financing and investment activities	36,398	60,219	81,504	118,736
Less: unrestricted investment account holders' share of profit	(16,552)	(40,236)	(41,615)	(77,354)
<b>Net income from Islamic financing and investment activities</b>	<b>19,846</b>	<b>19,983</b>	<b>39,889</b>	<b>41,382</b>
Fee and commission income	170,952	192,276	362,195	410,463
Fee and commission expense	(29,036)	(24,506)	(56,801)	(47,362)
<b>Net fee and commission income</b>	<b>141,916</b>	<b>167,770</b>	<b>305,394</b>	<b>363,101</b>
Dividend income	2,506	14,195	6,736	61,184
Net gains from dealing in foreign currencies	31,723	32,334	59,729	60,289
Profit (loss) from financial investments	2,863	(1,301)	2,868	(1,162)
Other operating income	13,593	10,240	27,268	184,230
	<b>50,685</b>	<b>55,468</b>	<b>96,601</b>	<b>304,541</b>
<b>Net operating income</b>	<b>624,780</b>	<b>660,184</b>	<b>1,243,025</b>	<b>1,495,825</b>
General and administrative expenses	(161,825)	(167,336)	(331,485)	(323,351)
Depreciation	(26,292)	(25,687)	(52,287)	(49,685)
Impairment losses on loans and advances to customers, net	(49,040)	(145,149)	(61,027)	(202,360)
Impairment losses on financial investments	(25,862)	(24,279)	(47,474)	(52,058)
Total operating expenses and impairment losses	<b>(263,019)</b>	<b>(362,451)</b>	<b>(492,273)</b>	<b>(627,454)</b>
<b>Profit before share of results of associates</b>	<b>361,761</b>	<b>297,733</b>	<b>750,752</b>	<b>868,371</b>
Share of results of associates	46,403	35,436	67,548	74,917
<b>Net profit for the period</b>	<b>408,164</b>	<b>333,169</b>	<b>818,300</b>	<b>943,288</b>
- Basic/diluted earnings per share (QAR) (note 15)	<b>1.80</b>	1.54	<b>3.64</b>	4.41

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

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

**Interim consolidated statement of comprehensive income for the six months ended 30 June 2010**

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed	<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed
<b>Net profit for the period</b>	<b>408,164</b>	333,169	<b>818,300</b>	943,288
<b>Other comprehensive income</b>				
Share of other comprehensive income of associates	(3,071)	26,434	1,961	28,016
Net movement in fair value of available for sale investments	(45,777)	26,348	(5,068)	194,362
<b>Other comprehensive income for the period</b>	<b>(48,848)</b>	52,782	<b>(3,107)</b>	222,378
<b>Total comprehensive income for the period</b>	<b>359,316</b>	385,951	<b>815,193</b>	1,165,666

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

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

**Interim consolidated statement of changes in equity for the six months ended 30 June 2010**

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

	Share Capital	Legal Reserve	Shareholder's advance	General Reserve	Cumulative Changes in Fair Value	Risk Reserve	Other Reserves	Retained Earnings		Total
								Proposed Dividend	Other	
<b>Balance at 1 January 2009</b>	2,062,053	5,923,731	-	26,500	(442,857)	638,300	325,933	1,443,437	1,348	9,978,445
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	103,103	-	-	-	-	-	-	-	-	103,103
Increase in legal reserve	-	704,191	-	-	-	-	-	-	-	704,191
<b>Balance at 30 June 2009</b>	<b>2,165,156</b>	<b>6,627,922</b>	<b>-</b>	<b>26,500</b>	<b>(220,479)</b>	<b>638,300</b>	<b>338,543</b>	<b>-</b>	<b>932,026</b>	<b>10,507,968</b>
<b>Balance at 1 January 2010</b>	2,165,156	6,627,925	807,294	26,500	(105,864)	638,300	416,565	1,299,093	135,214	12,010,183
Total comprehensive income for the period	-	-	-	-	(3,107)	-	-	-	818,300	815,193
Dividend from associates for 2009 transferred to retained earnings	-	-	-	-	-	-	(102,032)	-	102,032	-
Social and sports fund appropriation (note 14)	-	-	-	-	-	-	-	-	(34,181)	(34,181)
Share of results of associates	-	-	-	-	-	-	67,548	-	(67,548)	-
Risk reserve as per QCB regulation	-	-	-	-	-	-	-	-	-	-
Dividends for the year 2009 (note 13)	-	-	-	-	-	-	-	(1,299,093)	-	(1,299,093)
Dividends waived (note 13)	-	-	-	-	-	-	-	-	61,861	61,861
Increase in share capital (note 11)	103,102	-	(103,102)	-	-	-	-	-	-	-
Increase in legal reserve (notes 11 and 12)	-	704,192	(704,192)	-	-	-	-	-	-	-
<b>Balance at 30 June 2010</b>	<b>2,268,258</b>	<b>7,332,117</b>	<b>-</b>	<b>26,500</b>	<b>(108,971)</b>	<b>638,300</b>	<b>382,081</b>	<b>-</b>	<b>1,015,678</b>	<b>11,553,963</b>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

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

**Interim consolidated statement of cash flows for the six months ended 30 June 2010**

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

	<b>Six months ended</b>		Year ended
	<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed	<b>31-Dec-09 Audited</b>
<b>Cash flows from operating activities</b>			
Net profit for the period/year	818,300	943,288	1,523,594
<b>Adjustments for:</b>			
Depreciation	52,287	49,685	92,742
Amortisation of transaction costs	7,192	6,555	10,013
Impairment losses on loans and advances, net	61,027	202,360	461,050
Impairment losses on financial investments	47,474	52,058	181,943
Impairment losses on other assets	-	-	4,521
Profit from sale of property and equipment	(37)	(165,000)	(170,060)
Profit from sale of other assets	(1,144)	-	-
Share of results of associates	(67,548)	(74,917)	(152,939)
(Profit) loss from financial investments	(2,868)	1,162	(36,644)
<b>Profit before changes in operating assets and liabilities</b>	<b>914,683</b>	<b>1,015,191</b>	<b>1,914,220</b>
Net (increase) decrease in operating assets			
Due from banks and financial institutions	(236,669)	330,322	617,080
Loans, advances and financing activities for customers	(1,478,936)	(561,696)	(1,266,548)
Proceeds from sale of other assets	2,844	-	-
Other assets	(311,688)	(478,118)	(129,537)
Net increase (decrease) in operating liabilities			
Due to banks and financial institutions	(367,936)	(2,242)	(413,290)
Customer deposits	4,142,777	(2,147,175)	(5,914,326)
Other liabilities	1,902	3,304	(168,167)
Social and sports development fund	(34,181)	-	-
<b>Net cash from (used in) operating activities</b>	<b>2,632,796</b>	<b>(1,840,414)</b>	<b>(5,360,568)</b>
Cash flows from Investing activities			
Purchase of financial investments	(1,390,742)	(2,654,718)	(3,115,523)
Investment in associates	(1,517)	-	(1,300)
Dividend received from associates	102,032	62,307	62,307
Proceeds from sale/maturity of financial investments	1,761,799	679,279	1,082,990
Purchase of property and equipment	(32,294)	(95,411)	(271,539)
Proceeds from sale of property and equipment	37	450,000	451,300
<b>Net cash from (used in) investing activities</b>	<b>439,315</b>	<b>(1,558,543)</b>	<b>(1,791,765)</b>
Cash flows from Financing activities			
Proceeds from debt issued other borrowed funds	-	-	5,747,454
Repayment of debt issued other borrowed funds	-	(546,000)	(1,929,200)
Net proceeds from issue of shares and shareholder's advances	-	807,294	1,614,588
Dividends paid	(1,299,093)	(1,443,437)	(1,443,437)
<b>Net cash (used in) from financing activities</b>	<b>(1,299,093)</b>	<b>(1,182,143)</b>	<b>3,989,405</b>
Net increase (decrease) in cash and cash equivalents during the period/year	1,773,018	(4,581,100)	(3,162,928)
Cash and cash equivalents at 1 January	1,106,240	4,269,168	4,269,168
Cash and cash equivalents at end of the period/year (note 18)	<b>2,879,258</b>	<b>(311,932)</b>	<b>1,106,240</b>
<b>Operational cash flows from interest and dividends:</b>			
Interest/profit paid	582,628	901,764	2,722,320
Interest/profit received	1,460,548	1,569,809	5,583,333
Dividends received	6,736	61,184	62,710

The attached notes 1 to 18 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 2010**  
(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.

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

**BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the six months ended 30 June 2010 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 2009. The results for the six months ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

**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 2009, 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 2010.

**IFRS 1 and IAS 27, Cost of an investment in a subsidiary, jointly-controlled entity or associate**

The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor.

**IFRS 3, ‘Business combinations’**

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of income. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

**IAS 27, ‘Consolidated and separate financial statements’**

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the Group.



**The Commercial Bank of Qatar (Q.S.C.)**  
**Notes to the interim condensed consolidated financial statements**  
**For the six months ended 30 June 2010**  
(All amounts in thousands of Qatar Riyals unless otherwise stated)

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**ACCOUNTING POLICIES (continued)**

IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'

The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Group's financial statements.

Improvements to IFRS

'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

The following interpretations became effective in 2010, but were not relevant for the Group's operations:

IFRIC 17	Distribution of non cash assets to owners
IFRIC 18	Transfers of assets from customers

**3. SEGMENT INFORMATION**

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

Conventional Banking:

- 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 swaps and other derivative trading services, loan syndication and structured financing services to Corporate, Commercial and Multinational Customers. Money Market funds and proprietary investment portfolio are also managed by this business segment.
- 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.
- Islamic Banking – provides Islamic principle (Shari'ah) 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.

Unallocated assets, liabilities and revenues are related to certain central functions and non core business operations, eg Group head quarters, staff apartments, common property & equipment, cash functions and development projects and related payables.

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

**The Commercial Bank of Qatar (Q.S.C.)**  
**Notes to the interim condensed consolidated financial statements**  
**For the six months ended 30 June 2010**

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

**3. SEGMENT INFORMATION – Continued**

Management monitors the results of the operating segments separately to make decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2010 or in 2009.

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:

**For the six months ended 30 June 2010**

	Conventional			Islamic Banking	Orient 1	Unallocated	Total
	Corporate Banking	Retail Banking	Total				
Net interest/similar income	670,555	130,475	801,030	39,889	1,722	(1,611)	<b>841,030</b>
Other income	272,636	95,085	367,721	8,836	4,918	20,520	<b>401,995</b>
Segmental revenue	943,191	225,560	1,168,751	48,725	6,640	18,909	<b>1,243,025</b>
Impairment losses on loans and advances, net of recovery	(19,666)	(28,207)	(47,873)	(13,362)	208	-	<b>(61,027)</b>
Impairment losses on financial investments	(40,331)	-	(40,331)	(7,143)	-	-	<b>(47,474)</b>
Segmental profit			<b>733,301</b>	<b>11,997</b>	<b>4,905</b>	<b>549</b>	<b>750,752</b>
Share of results of associates							<b>67,548</b>
<b>Net profit for the period</b>							<b>818,300</b>

**Other information**

Assets	43,397,269	5,149,556	48,546,825	3,357,902	12,516	1,716,424	<b>53,633,667</b>
Investments in associates	-	-	-	-	-	-	<b>3,729,166</b>
Liabilities	34,102,273	8,360,201	42,462,474	3,047,905	2,377	296,114	<b>45,808,870</b>
Contingent items	16,448,665	874,211	17,322,876	240,806	-	-	<b>17,563,682</b>

- Intra-group transactions are eliminated from this segmental information (Assets: QAR 143 million, Liabilities: QAR 70 million)

**The Commercial Bank of Qatar (Q.S.C.)**  
**Notes to the interim condensed consolidated financial statements**  
**For the six months ended 30 June 2010**  
(All amounts in thousands of Qatar Riyals unless otherwise stated)

**3. SEGMENT INFORMATION - Continued**

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

	Conventional			Islamic Banking	Orient 1	Unallocated	<b>Total</b>
	Corporate Banking	Retail Banking	Total				
Net interest/similar income	595,550	190,840	786,390	41,382	1,742	(1,331)	828,183
Other income	366,496	88,926	455,422	25,229	3,965	183,026	667,642
Segmental revenue	962,046	279,766	1,241,812	66,611	5,707	181,695	1,495,825
Impairment losses on loans and advances, net of recovery	(96,718)	(102,126)	(198,844)	(3,566)	50	-	(202,360)
Impairment losses on financial investments	(50,945)	-	(50,945)	(1,113)	-	-	(52,058)
Segmental profit			695,938	45,058	3,700	123,675	868,371
Share of results of associates							74,917
<b>Net profit for the period</b>							<b>943,288</b>
<b>Other information</b>							
Assets	43,878,073	5,528,471	49,406,544	4,610,058	14,803	1,329,053	55,360,458
Investments in associates	-	-	-	-	-	-	3,682,595
Liabilities	36,713,056	7,238,576	43,951,632	4,284,816	3,232	295,405	48,535,085
Contingent items	24,337,570	917,735	25,255,305	364,826	-	-	25,620,131

- Intra-group transactions are eliminated from this segmental information (Assets: QAR 139 million, Liabilities: QAR 65 million)

**The Commercial Bank of Qatar (Q.S.C.)**  
**Notes to the interim condensed consolidated financial statements**  
**For the six months ended 30 June 2010**  
(All amounts in thousands of Qatar Riyals unless otherwise stated)

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

Loans, advances and financing activities for customers comprises:

	<b>30-Jun-10</b>	30-Jun-09	31-Dec-09
	<b>Reviewed</b>	Reviewed	Audited
Loans	28,236,560	28,087,465	27,429,102
Overdrafts	3,282,963	1,465,058	2,813,176
Bills discounted	81,249	97,862	94,026
Islamic financing activities	2,574,169	2,831,105	2,315,406
<b>Total loans, advances and financing activities</b>	<u>34,174,941</u>	<u>32,481,490</u>	<u>32,651,710</u>
- Allowance for impairment	(827,764)	(430,224)	(722,442)
<b>Net</b>	<u><b>33,347,177</b></u>	<u>32,051,266</u>	<u>31,929,268</u>

The total non-performing loans, advances and financing activities at 30 June 2010 amounted to QAR 912 million, representing 2.67% of the total loans, advances and financing activities (30 June 2009: QAR 474 million representing 1.46% of the total loans, advances and financing activities; 31 December 2009: QAR 725 million representing 2.22% of the total loans, advances and financing activities). In 2010 the Bank changed its methodology for recognition of its non-performing loans, advances and financing activities to a basis of above 90 days (previously it was at above 180 days). If the new methodology had been in place at 31 December 2009, total non-performing loans, advances and financing activities would have represented 3.56% of total loans, advances and financing activities.

Interest in suspense of QAR 221 million (30 June 2009: QAR 136 million; 31 December 2009: QAR 173 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-10</b>	30-Jun-09	31-Dec-09
	<b>Reviewed</b>	Reviewed	Audited
Financial investments comprise the following :			
a) Available-for-sale investments	3,813,759	2,248,938	2,502,704
b) Investments held-to-maturity	5,512,709	7,401,512	7,244,664
<b>Balance at end of the period/year</b>	<u><b>9,326,468</b></u>	<u>9,650,450</u>	<u>9,747,368</u>

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**6. INVESTMENTS IN ASSOCIATES**

The Group's investments in associates are as follows:

Associate entity	Country of incorporation	Carrying Value and % of interest held					
		30-Jun-10		30-Jun-09		31-Dec-09	
		Reviewed	%	Reviewed	%	Audited	%
a) National Bank of Oman SAOG	Oman	1,456,725	34.90%	1,444,177	34.85%	1,474,714	34.85%
b) United Arab Bank PJSC	UAE	2,270,309	40.00%	2,235,579	40.00%	2,282,821	40.00%
c) Asteco LLC	Qatar	2,132	30.00%	2,839	30.00%	2,330	30.00%
d) Gekko LLC	Qatar	-	50.00%	-	-	-	50.00%
<b>Balance at the end of the period/year</b>		<b>3,729,166</b>		<b>3,682,595</b>		<b>3,759,865</b>	

**7. PROPERTY AND EQUIPMENT**

**Acquisitions and disposals**

During the six month period ended 30 June 2010, the Group acquired assets with a cost of QAR 32 million (30 June 2009: QAR 95 million; 31 December 2009: QAR 107 million).

Assets with a net book value of nil were disposed of for QAR 37 thousand by the Group during the six month period ended 30 June 2010 ( 30 June 2009: QAR 285 million: 31 December 2009: QAR 285 million).

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

	<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed	31-Dec-09 Audited
Due to Central Bank	15,517	812,480	23,172
Current accounts	188,705	89,916	84,860
Placements	3,904,872	9,365,170	7,283,303
<b>Balance at end of the period/year</b>	<b>4,109,094</b>	<b>10,267,566</b>	<b>7,391,335</b>

**9. DEBT ISSUED AND OTHER BORROWED FUNDS**

	<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed	31-Dec-09 Audited
Syndicated loans	2,362,659	3,741,081	2,361,681
EMTN (Bonds)	1,816,515	1,815,565	1,815,223
Senior notes	3,603,520	-	3,599,858
Subordinated notes	2,148,856	-	2,147,596
<b>Balance at end of the period/year</b>	<b>9,931,550</b>	<b>5,556,646</b>	<b>9,924,358</b>

Movements in other borrowed funds are analysed as follows:

	<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed	31-Dec-09 Audited
Balance at beginning of the period/year	9,924,358	6,096,091	6,096,091
Additions to borrowings	-	-	5,747,454
Repayments of borrowings	-	(546,000)	(1,929,200)
Amortisation of discount and transaction cost	7,192	6,555	10,013
<b>Balance at end of the period/year</b>	<b>9,931,550</b>	<b>5,556,646</b>	<b>9,924,358</b>

Other borrowed funds due for repayment:

	<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed	31-Dec-09 Audited
Up to 1 year	-	1,380,437	-
Between 1 and 3 years	4,179,174	4,176,209	4,176,904
Over 3 years	5,752,376	-	5,747,454
<b>Balance at end of the period/year</b>	<b>9,931,550</b>	<b>5,556,646</b>	<b>9,924,358</b>

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**10. UNRESTRICTED INVESTMENT ACCOUNTS**

	<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed	31-Dec-09 Audited
Savings deposits	188,992	156,793	167,042
Call deposits	497,685	57,819	24,828
Investment deposits	1,630,114	2,269,777	2,058,303
<b>Balance at end of the period/year</b>	<b>2,316,791</b>	<b>2,484,389</b>	<b>2,250,173</b>

**11. SHARE CAPITAL**

On 30 December 2009 the Bank received the second tranche of the private placement proceeds from Qatar Holding LLC, amounting to QAR 807 million being the value of 10,310,265 ordinary shares, with an issue price of QAR 78.30 per share including a premium of QAR 68.30 per share. Further to the approval at the Extraordinary General Assembly of the Bank, held on 9 February 2010, this shareholder's advance has been converted to issued share capital of the Bank.

	<b>30-Jun-10 Reviewed</b>	30-Jun-09 Reviewed	31-Dec-09 Audited
Number of Shares (Nominal value of Ordinary shares QAR 10 each)	226,825,842	216,515,577	216,515,577
Issued and paid up capital (in thousands of Qatar Riyals)	2,268,258	2,165,156	2,165,156

**12. LEGAL RESERVE**

The proceeds of the additional 10,310,265 new ordinary shares issued during the period were credited to share capital (nominal value) at QAR 10 per ordinary share and to legal reserve (share premium) at QAR 68.30 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 60% (or QAR 6.0 per share) relating to the year ended 31 December 2009 (2008: QAR 7.0 per share), amounting to QAR 1,299 million was approved at the Annual General Meeting held on 9 February 2010 (2008: QAR 1,443 million).

Qatar Holding LLC waived its dividend entitlement for 2009 of QAR 62 million.

**14. CONTRIBUTION TO SOCIAL AND SPORTS DEVELOPMENT FUND**

Pursuant to Law No. 13 of 2008 and further clarification of the law issued in 2010, the Bank made an appropriation of QAR 34.2 million to the Social and Sports Development Fund of Qatar. This amount represents 2.5% of the net profit generated from Qatar operations for the year ended 31 December 2009.

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**15. EARNINGS PER SHARE**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30-Jun-10</b>	30-Jun-09	<b>30-Jun-10</b>	30-Jun-09
	<b>Reviewed</b>	Reviewed	<b>Reviewed</b>	Reviewed
<b>Basic and diluted</b>				
Net profit for the period in thousand QAR	408,164	333,169	818,300	943,288
Weighted average number of shares in thousands	226,825	216,515	224,604	213,838
<b>Earnings per share (QAR)</b>	<b>1.80</b>	1.54	<b>3.64</b>	4.41

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30-Jun-10</b>	30-Jun-09	<b>30-Jun-10</b>	30-Jun-09
	<b>Reviewed</b>	Reviewed	<b>Reviewed</b>	Reviewed
Qualifying shares at the beginning of the period	216,515	206,205	216,515	206,205
Private Placement	10,310	10,310	8,089	7,633
<b>Balance at end of the period</b>	<b>226,825</b>	216,515	<b>224,604</b>	213,838



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**16. 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 influence 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-10</b>	30-Jun-09	31-Dec-09
	<b>Reviewed</b>	Reviewed	Audited
<b>Board members</b>			
- Loans, advances and financing activities *	1,862,293	1,477,847	1,633,654
- Deposits	356,759	462,666	281,523
- Contingent liabilities, guarantees and other commitments	25,890	30,975	22,462
- Interest income earned from facilities granted to board members	23,801	39,306	77,165
- Other fee income earned from transactions with board members	504	1,454	2,126
- Interest paid on deposits accounts of board members	12,611	38,283	75,507
- Fixed remuneration and meeting attendance fees paid to board members	1,994	1,484	26,333
<b>Associated companies</b>			
- NBO's deposit with the Group	256,520	934	255,184
- Bank's deposit with NBO	481	236	672
- NBO's contingent liabilities to the Group:			
- Letter of Guarantee	26,035	6,090	8,143
- Letter of Credit	-	105	-
- Un-utilized credit facilities	254,800	-	254,800
- Interest rate swap (notional amount)	35,455	49,636	42,545
- Interest rate swap (fair value)	2,207	816	2,769
- UAB's deposit with the Group	202,838	173,412	249,149
- Bank's deposit with UAB	248	-	182,000
- UAB's contingent liabilities to the Group:			
- Letter of Guarantee	16,228	10,277	16,724
- Letter of Credit	229	96	-
- Asteco's deposit with the Group	5,726	8,182	6,698
- Gekko's deposit with the Group	1,430	2,600	2,202
- Interest income earned from Associates	19	229	237
- Interest expense incurred to Associates	1,633	787	2,752
<b>Senior management compensation</b>			
- Fixed remuneration	15,572	16,317	34,593
- Discretionary remuneration	7,302	8,812	17,624
- Fringe benefits	3,650	4,606	9,322
<b>Additional information</b>			

\*A significant portion of the loans, advances and financing activities' balance at 30 June 2010 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 at the prevailing market rates.

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**17. OFF-BALANCE SHEET ITEMS**

	<b>30-Jun-10</b>	30-Jun-09	31-Dec-09
	<b>Reviewed</b>	Reviewed	Audited
a) Contingent liabilities			
Acceptance	126,337	808,074	135,619
Guarantees	10,424,804	13,423,071	11,220,436
Letter of credit	2,897,681	6,736,993	4,964,947
Un-utilized credit facilities	4,114,860	4,651,993	4,717,558
	<b><u>17,563,682</u></b>	<b><u>25,620,131</u></b>	<b><u>21,038,560</u></b>
b) Other undertakings and commitments			
Foreign exchange contracts and derivatives at notional value	8,858,678	5,597,919	7,105,215
Guaranteed investment funds	-	1,292	1,165
Capital commitments	127,200	4,018	36,100

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

	<b>30-Jun-10</b>	30-Jun-09	31-Dec-09
	<b>Reviewed</b>	Reviewed	Audited
Cash and balances with Central Bank *	3,960,434	2,669,488	3,117,094
Due from banks and financial institutions up to 90 days	3,027,918	7,286,146	5,380,481
Due to banks and financial institutions up to 90 days	(4,109,094)	(10,267,566)	(7,391,335)
<b>Balance at end of the period/year</b>	<b><u>2,879,258</u></b>	<b><u>(311,932)</u></b>	<b><u>1,106,240</u></b>

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