



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

Interim condensed consolidated financial statements

31 March 2010

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 31 March 2010, comprising of the interim consolidated statement of financial position as at 31 March 2010 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and 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: 19 April 2010
Doha

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

Interim consolidated statement of financial position as at 31 March 2010

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

		31-Mar-10 Reviewed	31-Mar-09 Reviewed	31-Dec-09 Audited
ASSETS				
	Notes			
Cash and balances with Central Bank		4,242,101	5,766,337	4,374,423
Due from banks and financial institutions		4,015,768	11,452,281	5,643,561
Loans, advances and financing activities for customers	4	31,623,039	34,841,496	31,929,268
Financial investments	5	9,811,323	5,762,307	9,747,368
Investments in associates	6	3,728,439	3,620,739	3,759,865
Property and equipment	7	1,024,659	878,677	1,029,632
Other assets		1,006,038	1,174,549	833,242
Total assets		55,451,367	63,496,386	57,317,359
LIABILITIES				
Due to banks and financial institutions	8	4,020,693	13,299,103	7,391,335
Customer deposits		26,621,116	27,764,463	24,021,375
Borrowing under repurchase agreements		-	1,781,226	367,936
Debt issued and other borrowed funds	9	9,927,896	6,099,363	9,924,358
Other liabilities		1,500,160	1,532,401	1,351,999
Total liabilities excluding unrestricted investment accounts		42,069,865	50,476,556	43,057,003
Unrestricted investment accounts	10	2,186,854	2,897,813	2,250,173
Total liabilities including unrestricted investment accounts		44,256,719	53,374,369	45,307,176
EQUITY				
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		(60,123)	(273,261)	(105,864)
Risk reserve		638,300	664,300	638,300
Other reserves		378,470	303,107	416,565
Proposed dividend	13	-	-	1,299,093
Retained earnings		611,126	608,293	135,214
Total equity		11,194,648	10,122,017	12,010,183
Total liabilities and equity		55,451,367	63,496,386	57,317,359


On behalf of the Board of Directors, the interim condensed consolidated financial statements have been approved on 19th April 2010 by:



HE Abdullah bin Khalifa Al Attiyah
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 three months ended 31 March 2010**

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

	Three months ended	
	31-Mar-10 Reviewed	31-Mar-09 Reviewed
Interest income	682,768	735,192
Interest expense	(293,960)	(365,354)
Net interest income	388,808	369,838
Income from Islamic financing and investment activities	45,106	58,517
Less: unrestricted investment account holders' share of profit	(25,063)	(37,118)
Net income from Islamic financing and investment activities	20,043	21,399
Fee and commission income	191,243	218,187
Fee and commission expense	(27,765)	(22,856)
Net fee and commission income	163,478	195,331
Dividend income	4,230	46,989
Net gains from dealing in foreign currencies	28,006	27,955
Profit from financial investments	5	139
Other operating income	13,675	173,990
	45,916	249,073
Net operating income	618,245	835,641
General and administrative expenses	(169,660)	(156,015)
Depreciation	(25,995)	(23,998)
Impairment losses on loans and advances to customers, net	(11,987)	(57,211)
Impairment losses on financial investments	(21,612)	(27,779)
Total operating expenses and impairment losses	(229,254)	(265,003)
Profit before share of results of associates	388,991	570,638
Share of results of associates	21,145	39,481
Net profit for the period	410,136	610,119
- Basic/diluted earnings per share (QAR) (note 15)	1.84	2.89

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 three months ended 31 March 2010

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

	Three months ended	
	31-Mar-10 Reviewed	31-Mar-09 Reviewed
Net profit for the period	<u>410,136</u>	<u>610,119</u>
Other comprehensive income		
Share of other comprehensive income of associates	5,032	1,582
Net movement in fair value of available for sale investments	<u>40,709</u>	<u>168,014</u>
Other comprehensive income for the period	45,741	169,596
Total comprehensive income for the period	<u>455,877</u>	<u>779,715</u>

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 three months ended 31 March 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	
Balance at 1 January 2009	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	-	-	-	-	169,596	-	-	-	610,119	779,715
Dividend from associates for 2008 transferred to retained earnings	-	-	-	-	-	-	(62,307)	-	62,307	-
Share of results of associates	-	-	-	-	-	-	39,481	-	(39,481)	-
Risk reserve as per QCB regulation	-	-	-	-	-	26,000	-	-	(26,000)	-
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
Balance at 31 March 2009	2,165,156	6,627,922	-	26,500	(273,261)	664,300	303,107	-	608,293	10,122,017
Balance at 1 January 2010	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	-	-	-	-	45,741	-	-	-	410,136	455,877
Dividend from associates for 2009 transferred to retained earnings	-	-	-	-	-	-	(59,240)	-	59,240	-
Social and sports fund appropriation (note 14)	-	-	-	-	-	-	-	-	(34,181)	(34,181)
Share of results of associates	-	-	-	-	-	-	21,145	-	(21,145)	-
Risk reserve as per QCB regulation	-	-	-	-	-	-	-	-	-	-
Dividends for the year 2009 (note 13)	-	-	-	-	-	-	-	(1,299,093)	-	(1,299,093)
Dividend waived (note 13)	-	-	-	-	-	-	-	-	61,862	61,862
Increase in share capital (note 11)	103,102	-	(103,102)	-	-	-	-	-	-	-
Increase in legal reserve (notes 11 and 12)	-	704,192	(704,192)	-	-	-	-	-	-	-
Balance at 31 March 2010	2,268,258	7,332,117	-	26,500	(60,123)	638,300	378,470	-	611,126	11,194,648

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 three months ended 31 March 2010

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

	Three months ended		Year ended
	31-Mar-10 Reviewed	31-Mar-09 Reviewed	31-Dec-09 Audited
Cash flows from operating activities			
Net profit for the period/year	410,136	610,119	1,523,594
Adjustments for:			
Depreciation	25,995	23,998	92,742
Amortisation of transaction cost	3,538	3,272	10,013
Impairment losses on loans and advances, net	11,987	57,211	461,050
Impairment losses on financial investments	21,612	27,779	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	(21,145)	(39,481)	(152,939)
Profit from financial investments	(5)	(139)	(36,644)
Profit before changes in operating assets and liabilities	450,937	517,759	1,914,220
Net (increase) decrease in operating assets			
Due from banks and financial institutions	(171,383)	3,969,552	617,080
Loans, advances and financing activities for customers	294,242	(1,001,194)	(1,266,548)
Proceeds from sale of other assets	2,844	-	-
Other assets	(110,934)	(653,764)	(129,537)
Net increase (decrease) in operating liabilities			
Due to banks and financial institutions	(295,136)	137,147	(413,290)
Customer deposits	2,536,422	(1,523,598)	(5,914,326)
Other liabilities	148,161	195,155	(168,167)
Social and sports development fund	(34,181)	-	-
Net cash from (used in) operating activities	2,820,972	1,641,057	(5,360,568)
Cash flows from Investing activities			
Purchase of financial investments	(318,242)	(1,825,823)	(3,115,523)
Investment in associates	(1,517)	-	(1,300)
Dividend received from associates	59,240	62,307	62,307
Proceeds from sale/maturity of financial investments	271,673	980,378	1,082,990
Purchase of property and equipment	(21,020)	(51,605)	(271,539)
Proceeds from sale of property and equipment	37	450,000	451,300
Net cash used in investing activities	(9,829)	(384,743)	(1,791,765)
Cash flows from Financing activities			
Proceeds from debt issued other borrowed funds	-	-	5,747,454
Repayment of debt issued other borrowed funds	-	-	(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)
Net cash (used in) from financing activities	(1,299,093)	(636,143)	3,989,405
Net increase (decrease) in cash and cash equivalents during the period/year	1,512,050	620,171	(3,162,928)
Cash and cash equivalents at 1 January	1,106,240	4,269,168	4,269,168
Cash and cash equivalents at beginning of the period/year (note 18)	2,618,290	4,889,339	1,106,240
Operational cash flows from interest and dividends:			
Interest/profit paid	223,604	526,822	2,722,320
Interest/profit received	681,574	735,462	5,583,333
Dividends received	4,230	46,989	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 three months ended 31 March 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 and Egypt.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months ended 31 March 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 three months ended 31 March 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.)
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(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 and Egypt.

Unallocated assets, liabilities and revenues are related to some central functions and non core business operations, like Group head quarters, staff apartments, Common property & equipments, Cash Functions, Development projects related payables etc.

Associated Companies – includes the Group's strategic acquisitions in National Bank of Oman in Oman and United Arab Bank UAE, 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 three months ended 31 March 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 in line with the assets and liabilities ownership. The following table summarizes performance of the operating segments:

For the three months ended 31 March 2010

	Conventional			Islamic Banking	Orient 1	Unallocated	Total
	Corporate Banking	Retail Banking	Total				
Net interest/similar income	323,559	65,132	388,691	20,043	895	(778)	408,851
Other income	143,905	49,957	193,862	3,659	1,295	10,578	209,394
Segmental revenue	<u>467,464</u>	<u>115,089</u>	<u>582,553</u>	<u>23,702</u>	<u>2,190</u>	<u>9,800</u>	<u>618,245</u>
Impairment losses on loans and advances, net of recovery	-	(11,282)	(11,282)	(786)	81	-	(11,987)
Impairment losses on financial investments	<u>(15,704)</u>	<u>-</u>	<u>(15,704)</u>	<u>(5,908)</u>	<u>-</u>	<u>-</u>	<u>(21,612)</u>
Segmental profit			<u>378,370</u>	<u>8,767</u>	<u>1,400</u>	<u>454</u>	<u>388,991</u>
Share of results of associates							<u>21,145</u>
Net profit for the period							<u>410,136</u>

Other information

Assets	42,077,310	5,002,337	47,079,647	3,478,585	10,405	1,154,291	51,722,928
Investments in associates							3,728,439
Liabilities	32,617,463	8,021,637	40,639,100	3,172,148	3,098	442,373	44,256,719
Contingent items	19,053,441	1,023,147	20,076,588	-	-	-	20,076,588

- Intra-group transactions are eliminated from this segmental information (Assets: QAR 142 million, Liabilities: QAR 69 million)

The Commercial Bank of Qatar (Q.S.C.)
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(All amounts in thousands of Qatar Riyals unless otherwise stated)

3. SEGMENT INFORMATION - Continued

For the three months ended 31 March 2009

	Conventional			Islamic Banking	Orient 1	Unallocated	Total
	Corporate Banking	Retail Banking	Total				
Net interest/similar income	271,023	97,950	368,973	21,399	865	-	391,237
Other income	204,533	48,178	252,711	15,909	2,150	173,634	444,404
Segmental revenue	475,556	146,128	621,684	37,308	3,015	173,634	835,641
Impairment losses on loans and advances, net of recovery	190	(56,119)	(55,929)	(1,314)	32	-	(57,211)
Impairment losses on financial investments	(27,779)	-	(27,779)	-	-	-	(27,779)
Segmental profit			393,895	27,695	1,304	147,744	570,638
Share of results of associates							39,481
Net profit for the period							610,119
Other information							
Assets	46,632,594	5,653,885	52,286,479	4,635,463	15,232	2,938,473	59,875,647
Investments in associates							3,620,739
Liabilities	40,114,504	7,269,817	47,384,321	4,385,463	3,655	1,600,930	53,374,369
Contingent items	25,280,747	879,592	26,160,339	-	-	-	26,160,339

- Intra-group transactions are eliminated from this segmental information (Assets: QAR 136 million, Liabilities: QAR 63 million)

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

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	Audited
Loans	27,544,485	30,694,915	27,429,102
Overdrafts	2,226,790	1,697,058	2,813,176
Bills discounted	87,075	96,120	94,026
Islamic financing activities	2,519,563	2,715,033	2,315,406
Total loans, advances and financing activities	<u>32,377,913</u>	<u>35,203,126</u>	<u>32,651,710</u>
- Allowance for impairment	(754,874)	(361,630)	(722,442)
Net	<u>31,623,039</u>	<u>34,841,496</u>	<u>31,929,268</u>

The total non-performing loans, advances and financing activities at 31 March 2010 amounted to QAR 788 million, representing 2.4% of the total loans, advances and financing activities (31 March 2009: QAR 365 million representing 1.04% of the total loans, advances and financing activities; 31 December 2009: QAR 725 million representing 2.2% of the total loans, advances and financing activities).

Interest in suspense of QAR 194 million (31 March 2009: QAR 112 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

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	Audited
Financial investments comprise of the following :			
a) Available-for-sale investments	2,832,846	2,110,846	2,502,704
b) Investments held-to-maturity	6,978,477	3,651,461	7,244,664
Balance at end of the period/year	<u>9,811,323</u>	<u>5,762,307</u>	<u>9,747,368</u>

The Commercial Bank of Qatar (Q.S.C.)
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(All amounts in thousands of Qatar Riyals unless otherwise stated)

6. INVESTMENTS IN ASSOCIATES

The Group's investments in associates are as follows:

Associate entity	Country of incorporation	Carrying Value and % of interest held					
		31-Mar-10		31-Mar-09		31-Dec-09	
		Reviewed	%	Reviewed	%	Audited	%
a) National Bank of Oman SAOG	Oman	1,478,823	34.90%	1,417,659	34.85%	1,474,714	34.85%
b) United Arab Bank PJSC	UAE	2,247,406	40.00%	2,200,313	40.00%	2,282,821	40.00%
c) Asteco LLC	Qatar	2,210	30.00%	2,767	30.00%	2,330	30.00%
d) Gekko LLC	Qatar	-	50.00%	-	50.00%	-	50.00%
Balance at the end of the period/year		3,728,439		3,620,739		3,759,865	

7. PROPERTY AND EQUIPMENT

Acquisitions and disposals

During the three month period ended 31 March 2010, the Group acquired assets with a cost of QAR 21 million (31 March 2009: QAR 52 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 three month period ended 31 March 2010 (31 March 2009: QAR 285 million: 31 December 2009: QAR 285 million).

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

Notes to the interim condensed consolidated financial statements

For the three months ended 31 March 2010

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

8. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	Audited
Due to Central Bank	-	3,181,732	23,172
Current accounts	76,072	117,615	84,860
Placements	3,944,621	9,999,756	7,283,303
Balance at end of the period/year	<u>4,020,693</u>	<u>13,299,103</u>	<u>7,391,335</u>

9. DEBT ISSUED AND OTHER BORROWED FUNDS

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	Audited
Syndicated loans	2,362,130	4,284,646	2,361,681
EMTN (Bonds)	1,815,869	1,814,717	1,815,223
Senior notes	3,601,677	-	3,599,858
Subordinated notes	2,148,220	-	2,147,596
Balance at end of the period/year	<u>9,927,896</u>	<u>6,099,363</u>	<u>9,924,358</u>

Movements in other borrowed funds are analysed as follows:

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	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	-	-	(1,929,200)
Amortisation of discount and transaction cost	3,538	3,272	10,013
Balance at end of the period/year	<u>9,927,896</u>	<u>6,099,363</u>	<u>9,924,358</u>

Other borrowed funds due for repayment:

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	Audited
Up to 1 year	-	1,924,520	-
Between 1 and 3 years	4,177,999	4,174,843	4,176,904
Over 3 years	5,749,897	-	5,747,454
Balance at end of the period/year	<u>9,927,896</u>	<u>6,099,363</u>	<u>9,924,358</u>

The Commercial Bank of Qatar (Q.S.C.)**Notes to the interim condensed consolidated financial statements****For the three months ended 31 March 2010**

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

10. UNRESTRICTED INVESTMENT ACCOUNTS

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	Audited
Savings deposits	180,530	202,952	167,042
Call deposits	124,712	45,500	24,828
Investment deposits	1,881,612	2,649,361	2,058,303
Balance at end of the period/year	<u>2,186,854</u>	<u>2,897,813</u>	<u>2,250,173</u>

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.

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	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 was 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. DIVIDENDS PAID

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 (QH) 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.

The Commercial Bank of Qatar (Q.S.C.)
Notes to the interim condensed consolidated financial statements
For the three months ended 31 March 2010
(All amounts in thousands of Qatar Riyals unless otherwise stated)

15. EARNINGS PER SHARE

	Three months ended	
	31-Mar-10	31-Mar-09
	Reviewed	Reviewed
Basic and diluted		
Net profit for the period in thousand QAR	410,136	610,119
Weighted average number of shares in thousands	222,357	211,131
Earnings per share (QAR)	1.84	2.89

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

	31-Mar-10	31-Mar-09
	Reviewed	Reviewed
Qualifying shares at the beginning of the period	216,515	206,205
Private Placement	5,842	4,926
Balance at end of the period	222,357	211,131

The Commercial Bank of Qatar (Q.S.C.)**Notes to the interim condensed consolidated financial statements****For the three months ended 31 March 2010**

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

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 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:-

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	Audited
Board members			
- Loans, advances and financing activities (a)	1,812,603	1,391,308	1,633,654
- Deposits	316,256	485,960	281,523
- Contingent liabilities, guarantees and other commitments	23,819	29,960	22,462
- Interest income earned from facilities granted to board members	12,017	17,584	77,165
- Other fee income earned from transactions with board members	390	881	2,126
- Interest paid on deposits accounts of board members	5,690	21,273	75,507
- Fixed remuneration and meeting attendance fees paid to board members	852	702	26,333
Associated companies			
- NBO's deposit with the Group	91,344	265	255,184
- Bank's deposit with NBO	755	72	672
- NBO's contingent liabilities to the Group:			
- Letter of Guarantee	8,443	6,090	8,143
- Interest rate swap (notional amount)	35,455	49,636	42,545
- Interest rate swap (fair value)	2,076	1,148	2,769
- UAB's deposit with the Group	175,167	182,000	249,149
- Bank's deposit with UAB	145,600	182,110	182,000
- UAB's contingent liabilities to the Group:			
- Letter of Guarantee	22,840	6,781	16,724
- Letter of Credit	479	82	-
- Asteco's deposit with the Group	7,054	9,976	6,698
- Gekko's deposit with the Group	1,933	-	2,202
- Interest income earned from Associates	6	185	237
- Interest paid to Associates	704	224	2,752
Senior management compensation			
- Fixed remuneration	8,090	8,275	34,593
- Discretionary remuneration	3,651	4,406	17,624
- Fringe benefits	1,831	2,281	9,322
Additional information			
a) A significant portion of the loans, advances and financing activities' balance at 31 March 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.			
b) Balance with bank and Customers' deposits between parent and subsidiaries companies including any income/expenses on those balances have been eliminated on consolidation.			

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

Notes to the interim condensed consolidated financial statements

For the three months ended 31 March 2010

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

17. OFF-BALANCE SHEET ITEMS

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	Audited
a) Contingent liabilities			
Acceptance	100,758	1,671,755	135,619
Guarantees	10,728,121	13,845,961	11,220,436
Letter of credit	4,584,076	6,413,030	4,964,947
Un-utilized credit facilities granted to customers	4,663,633	4,229,593	4,717,558
	<u>20,076,588</u>	<u>26,160,339</u>	<u>21,038,560</u>
b) Other undertakings and commitments			
Foreign exchange contracts and derivatives at notional value	7,578,820	5,109,763	7,105,215
Guaranteed investment funds	1,165	1,292	1,165
Capital commitments	48,100	15,629	36,100

18. CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

	31-Mar-10	31-Mar-09	31-Dec-09
	Reviewed	Reviewed	Audited
Cash and balances with Central Bank *	2,878,930	4,201,654	3,117,094
Due from banks and financial institutions up to 90 days	3,687,253	11,034,641	5,380,481
Due to banks and financial institutions up to 90 days	(3,947,893)	(10,346,956)	(7,391,335)
Balance at end of the period/year	<u>2,618,290</u>	<u>4,889,339</u>	<u>1,106,240</u>

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