



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

Interim condensed consolidated financial statements

30 September 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 September 2010, comprising of the interim consolidated statement of financial position as at 30 September 2010 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2010, the related interim consolidated statement of changes in equity and cash flows for the nine-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: 19 October 2010

Doha



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

Interim consolidated statement of financial position as at 30 September 2010

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

		30-Sep-10 Reviewed	30-Sep-09 Reviewed	31-Dec-09 Audited
ASSETS				
	Notes			
Cash and balances with Central Bank		6,215,598	5,034,218	4,374,423
Due from banks and financial institutions		4,057,243	5,109,338	5,643,561
Loans, advances and financing activities for customers	4	34,677,957	31,495,116	31,929,268
Financial investments	5	9,142,019	9,214,316	9,747,368
Investments in associates	6	3,787,617	3,724,697	3,759,865
Property and equipment	7	1,007,758	882,359	1,029,632
Other assets		1,303,000	921,006	833,242
Total assets		60,191,192	56,381,050	57,317,359
LIABILITIES				
Due to banks and financial institutions	8	3,959,856	7,013,163	7,391,335
Customer deposits		28,887,590	28,051,947	24,021,375
Borrowing under repurchase agreements		899,210	778,984	367,936
Debt issued and other borrowed funds	9	9,935,225	5,559,841	9,924,358
Other liabilities		1,313,115	1,473,445	1,351,999
Total liabilities excluding unrestricted investment accounts		44,994,996	42,877,380	43,057,003
Unrestricted investment accounts	10	3,054,616	2,589,614	2,250,173
Total liabilities including unrestricted investment accounts		48,049,612	45,466,994	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		(25,636)	(208,868)	(105,864)
Risk reserve		665,800	638,300	638,300
Other reserves		425,403	376,812	416,565
Proposed dividend	13	-	-	1,299,093
Retained earnings		1,449,138	1,288,234	135,214
Total equity		12,141,580	10,914,056	12,010,183
Total liabilities and equity		60,191,192	56,381,050	57,317,359

On behalf of the Board of Directors, the interim condensed consolidated financial statements have been approved on 19th October 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 nine months ended 30 September 2010

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

	Three months ended		Nine months ended	
	30-Sep-10 Reviewed	30-Sep-09 Reviewed	30-Sep-10 Reviewed	30-Sep-09 Reviewed
Interest income	728,364	712,421	2,116,145	2,217,278
Interest expense	(280,133)	(309,454)	(866,773)	(1,027,510)
Net interest income	448,231	402,967	1,249,372	1,189,768
Income from Islamic financing and investment activities	40,117	49,964	121,621	168,700
Less: unrestricted investment account holders' share of profit	(21,656)	(33,319)	(63,271)	(110,673)
Net income from Islamic financing and investment activities	18,461	16,645	58,350	58,027
Fee and commission income	151,945	211,025	514,140	621,488
Fee and commission expense	(29,211)	(24,771)	(86,012)	(72,133)
Net fee and commission income	122,734	186,254	428,128	549,355
Dividend income	2,855	643	9,591	61,827
Net gains from dealing in foreign currencies	34,355	30,421	94,084	90,710
Profit from financial investments	50,709	36,571	53,577	35,409
Other operating income	11,265	11,824	38,533	196,054
	99,184	79,459	195,785	384,000
Net operating income	688,610	685,325	1,931,635	2,181,150
General and administrative expenses	(168,267)	(160,281)	(499,752)	(483,632)
Depreciation	(26,069)	(26,189)	(78,356)	(75,874)
Impairment losses on loans and advances to customers, net	4,083	(86,585)	(56,944)	(288,945)
Impairment losses on financial investments	(33,488)	(56,062)	(80,962)	(108,120)
Total operating expenses and impairment losses	(223,741)	(329,117)	(716,014)	(956,571)
Profit before share of results of associates	464,869	356,208	1,215,621	1,224,579
Share of results of associates	43,322	38,269	110,870	113,186
Net profit for the period	508,191	394,477	1,326,491	1,337,765
- Basic/diluted earnings per share (QAR) (note 15)	2.24	1.82	5.89	6.23

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 nine months ended 30 September 2010

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

	Three months ended		Nine months ended	
	30-Sep-10 Reviewed	30-Sep-09 Reviewed	30-Sep-10 Reviewed	30-Sep-09 Reviewed
Net profit for the period	508,191	394,477	1,326,491	1,337,765
Other comprehensive income				
Share of other comprehensive income of associates	5,422	2,533	7,383	30,549
Net movement in fair value of available for sale investments	77,913	9,078	72,845	203,440
Other comprehensive income for the period	83,335	11,611	80,228	233,989
Total comprehensive income for the period	591,526	406,088	1,406,719	1,571,754

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 nine months ended 30 September 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	-	-	-	-	233,989	-	-	-	1,337,765	1,571,754
Dividend from associates for 2008 transferred to retained earnings	-	-	-	-	-	-	(62,307)	-	62,307	-
Share of results of associates	-	-	-	-	-	-	113,186	-	(113,186)	-
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 30 September 2009	2,165,156	6,627,922	-	26,500	(208,868)	638,300	376,812	-	1,288,234	10,914,056
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	-	-	-	-	80,228	-	-	-	1,326,491	1,406,719
Dividend from associates for 2009 transferred to retained earnings	-	-	-	-	-	-	(102,032)	-	102,032	-
Social and sports fund appropriation (note 14)	-	-	-	-	-	-	-	-	(38,090)	(38,090)
Share of results of associates	-	-	-	-	-	-	110,870	-	(110,870)	-
Risk reserve as per QCB regulation	-	-	-	-	-	27,500	-	-	(27,500)	-
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)	-	-	-	-	-	-	-
Balance at 30 September 2010	2,268,258	7,332,117	-	26,500	(25,636)	665,800	425,403	-	1,449,138	12,141,580

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 nine months ended 30 September 2010

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

	Nine months ended		Year ended
	30-Sep-10	30-Sep-09	31-Dec-09
	Reviewed	Reviewed	Audited
Cash flows from operating activities			
Net profit for the period/year	1,326,491	1,337,765	1,523,594
Adjustments for:			
Depreciation	78,356	75,874	92,742
Amortisation of transaction costs	10,867	9,750	10,013
Impairment losses on loans and advances, net	56,944	288,945	461,050
Impairment losses on financial investments	80,962	108,120	181,943
Impairment losses on other assets	-	-	4,521
Profit from sale of property and equipment	(97)	(165,000)	(170,060)
Profit from sale of other assets	(1,144)	-	-
Share of results of associates	(110,870)	(113,186)	(152,939)
Profit from financial investments	(53,577)	(35,409)	(36,644)
Profit before changes in operating assets and liabilities	1,387,932	1,506,859	1,914,220
Net (increase) decrease in operating assets			
Due from banks and financial institutions	(324,605)	402,050	617,080
Loans, advances and financing activities for customers	(2,805,633)	(652,499)	(1,266,548)
Proceeds from sale of other assets	2,844	-	-
Other assets	(471,458)	(400,221)	(129,537)
Net increase (decrease) in operating liabilities			
Due to banks and financial institutions	531,274	(2,242)	(413,290)
Customer deposits	5,670,658	(1,544,313)	(5,914,326)
Other liabilities	(38,884)	136,199	(168,167)
Social and sports development fund	(38,090)	-	-
Net cash from (used in) operating activities	3,914,038	(554,167)	(5,360,568)
Cash flows from Investing activities			
Purchase of financial investments	(1,565,934)	(2,431,809)	(3,115,523)
Investment in associates	(11,517)	(1,300)	(1,300)
Dividend received from associates	102,032	62,307	62,307
Proceeds from sale/maturity of financial investments	2,216,869	889,781	1,082,990
Purchase of property and equipment	(56,482)	(107,189)	(271,539)
Proceeds from sale of property and equipment	97	450,000	451,300
Net cash from (used in) investing activities	685,065	(1,138,210)	(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	-	(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)
Dividend waived	61,861	-	-
Net cash (used in) from financing activities	(1,237,232)	(1,182,143)	3,989,405
Net increase (decrease) in cash and cash equivalents during the period/year	3,361,871	(2,874,520)	(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)	4,468,111	1,394,648	1,106,240
Operational cash flows from interest and dividends:			
Interest/profit paid	848,739	1,241,394	2,722,320
Interest/profit received	2,196,280	2,304,804	5,583,333
Dividends received	9,591	61,827	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 nine months ended 30 September 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 subsidiary 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 nine months ended 30 September 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 nine months ended 30 September 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.

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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, Asteco LLC, Gekko LLC and Massoun Insurance Services LLC in the State of Qatar, all of which are accounted for under the equity method.

The Commercial Bank of Qatar (Q.S.C.)
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For the nine months ended 30 September 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 nine months ended 30 September 2010

	Conventional			Islamic Banking	Orient 1	Unallocated	Total
	Corporate Banking	Retail Banking	Total				
Net interest/similar income	1,046,393	202,947	1,249,340	58,350	2,511	(2,479)	1,307,722
Other income	432,113	142,492	574,605	12,576	6,125	30,607	623,913
Segmental revenue	<u>1,478,506</u>	<u>345,439</u>	<u>1,823,945</u>	<u>70,926</u>	<u>8,636</u>	<u>28,128</u>	1,931,635
Impairment losses on loans and advances, net of recovery	20,311	(47,647)	(27,336)	(29,902)	294	-	(56,944)
Impairment losses on financial investments	<u>(72,994)</u>	<u>-</u>	<u>(72,994)</u>	<u>(7,968)</u>	<u>-</u>	<u>-</u>	(80,962)
Segmental profit			<u>1,198,604</u>	<u>9,192</u>	<u>6,160</u>	<u>1,665</u>	1,215,621
Share of results of associates							110,870
Net profit for the period							1,326,491

Other information

Assets	45,434,221	5,146,771	50,580,992	4,510,522	12,473	1,299,588	56,403,575
Investments in associates							3,787,617
Liabilities	35,142,118	8,406,770	43,548,888	4,203,330	3,012	294,382	48,049,612
Contingent items	17,350,214	744,971	18,095,185	227,185	-	-	18,322,370

- Intra-group transactions are eliminated from this segmental information (Assets: QAR 145 million, Liabilities: QAR 72 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 nine months ended 30 September 2009

	Conventional			Islamic Banking	Orient 1	Unallocated	Total
	Corporate Banking	Retail Banking	Total				
Net interest/similar income	923,926	265,261	1,189,187	58,027	2,649	(2,068)	1,247,795
Other income	579,973	124,501	704,474	29,631	5,331	193,919	933,355
Segmental revenue	1,503,899	389,762	1,893,661	87,658	7,980	191,851	2,181,150
Impairment losses on loans and advances, net of recovery	(146,762)	(138,143)	(284,905)	(4,098)	58	-	(288,945)
Impairment losses on financial investments	(96,743)	-	(96,743)	(11,377)	-	-	(108,120)
Segmental profit			1,067,195	46,643	4,864	105,877	1,224,579
Share of results of associates							113,186
Net profit for the period							1,337,765
Other information							
Assets	42,120,960	5,272,461	47,393,421	4,009,942	15,138	1,237,852	52,656,353
Investments in associates							3,724,697
Liabilities	33,781,114	7,741,351	41,522,465	3,683,125	3,529	257,875	45,466,994
Contingent items	22,499,458	1,074,636	23,574,094	825,232	-	-	24,399,326

- Intra-group transactions are eliminated from this segmental information (Assets: QAR 140 million, Liabilities: QAR 67 million)

The Commercial Bank of Qatar (Q.S.C.)
Notes to the interim condensed consolidated financial statements
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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:

	30-Sep-10 Reviewed	30-Sep-09 Reviewed	31-Dec-09 Audited
Loans	30,417,703	27,319,175	27,429,102
Overdrafts	2,340,234	2,340,414	2,813,176
Bills discounted	87,412	89,587	94,026
Islamic financing activities	2,670,663	2,277,646	2,315,406
Total loans, advances and financing activities	<u>35,516,012</u>	<u>32,026,822</u>	<u>32,651,710</u>
- Allowance for impairment	(838,055)	(531,706)	(722,442)
Net	<u>34,677,957</u>	<u>31,495,116</u>	<u>31,929,268</u>

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 above 180 days). The total non-performing loans, advances and financing activities at 30 September 2010 amounted to QAR 1.051 billion, representing 2.96% of the total loans, advances and financing activities on a 90 days recognition basis (30 September 2009: QAR 674 million representing 2.10% 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, both on a 180 days recognition basis). 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 237 million (30 September 2009: QAR 153 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

	30-Sep-10 Reviewed	30-Sep-09 Reviewed	31-Dec-09 Audited
Financial investments comprise the following :			
a) Available-for-sale investments	3,623,398	2,137,780	2,502,704
b) Investments held-to-maturity	5,518,621	7,076,536	7,244,664
Balance at end of the period/year	<u>9,142,019</u>	<u>9,214,316</u>	<u>9,747,368</u>

The carrying value of financial investments pledged under Repo agreements is QAR 940 million (30 September 2009: QAR 998 million; 31 December 2009: QAR 420 million)

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					
		30-Sep-10		30-Sep-09		31-Dec-09	
		Reviewed	%	Reviewed	%	Audited	%
a) National Bank of Oman SAOG	Oman	1,477,374	34.90%	1,457,270	34.85%	1,474,714	34.85%
b) United Arab Bank PJSC	UAE	2,298,226	40.00%	2,263,601	40.00%	2,282,821	40.00%
c) Asteco LLC	Qatar	2,168	30.00%	2,526	30.00%	2,330	30.00%
d) Gekko LLC	Qatar	-	50.00%	1,300	50.00%	-	50.00%
e) Massoun Insurance Services LLC	Qatar	9,849	50.00%	-	-	-	-
Balance at the end of the period/year		3,787,617		3,724,697		3,759,865	

7. PROPERTY AND EQUIPMENT

Acquisitions and disposals

During the nine months period ended 30 September 2010, the Group acquired assets with a cost of QAR 56 million (30 September 2009: QAR 107 million; 31 December 2009: QAR 272 million).

Assets with a net book value of nil were disposed of for QAR 97 thousand by the Group during the nine months period ended 30 September 2010 (30 September 2009: QAR 285 million; 31 December 2009: QAR 285 million).

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8. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	30-Sep-10 Reviewed	30-Sep-09 Reviewed	31-Dec-09 Audited
Due to Central Bank	157,220	-	23,172
Current accounts	70,242	117,458	84,860
Placements	3,732,394	6,895,705	7,283,303
Balance at end of the period/year	<u>3,959,856</u>	<u>7,013,163</u>	<u>7,391,335</u>

9. DEBT ISSUED AND OTHER BORROWED FUNDS

	30-Sep-10 Reviewed	30-Sep-09 Reviewed	31-Dec-09 Audited
Syndicated loans	2,363,172	3,743,415	2,361,681
EMTN (Bonds)	1,817,161	1,816,426	1,815,223
Senior notes	3,605,387	-	3,599,858
Subordinated notes	2,149,505	-	2,147,596
Balance at end of the period/year	<u>9,935,225</u>	<u>5,559,841</u>	<u>9,924,358</u>

Movements in other borrowed funds are analysed as follows:

	30-Sep-10 Reviewed	30-Sep-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	10,867	9,750	10,013
Balance at end of the period/year	<u>9,935,225</u>	<u>5,559,841</u>	<u>9,924,358</u>

Other borrowed funds due for repayment:

	30-Sep-10 Reviewed	30-Sep-09 Reviewed	31-Dec-09 Audited
Up to 1 year	-	1,382,252	-
Between 1 and 3 years	4,180,333	4,177,589	4,176,904
Over 3 years	5,754,892	-	5,747,454
Balance at end of the period/year	<u>9,935,225</u>	<u>5,559,841</u>	<u>9,924,358</u>

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10. UNRESTRICTED INVESTMENT ACCOUNTS

	30-Sep-10 Reviewed	30-Sep-09 Reviewed	31-Dec-09 Audited
Savings deposits	245,317	165,168	167,042
Call deposits	308,637	72,333	24,828
Investment deposits	2,500,662	2,352,113	2,058,303
Balance at end of the period/year	<u>3,054,616</u>	<u>2,589,614</u>	<u>2,250,173</u>

11. SHARE CAPITAL

	30-Sep-10 Reviewed	30-Sep-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

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, 10,310,265 new ordinary shares were issued on February 2010 and the nominal value of QAR 10 per ordinary share was credited to paid up share capital.

12. LEGAL RESERVE

The proceeds of the additional 10,310,265 new ordinary shares issued on February 2010 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 38.1 million to the Social and Sports Development Fund of Qatar. This amount represents 2.5% of the net profit for the year ended 31 December 2009.

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15. EARNINGS PER SHARE

	Three months ended		Nine months ended	
	30-Sep-10	30-Sep-09	30-Sep-10	30-Sep-09
	Reviewed	Reviewed	Reviewed	Reviewed
Basic and diluted				
Net profit for the period in thousand QAR	508,191	394,477	1,326,491	1,337,765
Weighted average number of shares in thousands	226,825	216,515	225,352	214,740
Earnings per share (QAR)	2.24	1.82	5.89	6.23

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

	Three months ended		Nine months ended	
	30-Sep-10	30-Sep-09	30-Sep-10	30-Sep-09
	Reviewed	Reviewed	Reviewed	Reviewed
Qualifying shares at the beginning of the period	216,515	206,205	216,515	206,205
Private placement	10,310	10,310	8,837	8,535
Balance at end of the period	226,825	216,515	225,352	214,740

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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:-

	30-Sep-10	30-Sep-09	31-Dec-09
	Reviewed	Reviewed	Audited
Board members			
- Loans, advances and financing activities *	1,822,942	1,550,555	1,633,654
- Deposits	293,497	410,449	281,523
- Contingent liabilities, guarantees and other commitments	25,049	29,721	22,462
- Interest income earned from facilities granted to board members	35,021	60,779	77,165
- Other fee income earned from transactions with board members	597	1,743	2,126
- Interest paid on deposits accounts of board members	16,299	64,119	75,507
- Remuneration and meeting attendance fees paid to board members	2,726	2,846	26,333
Associated companies			
- NBO's deposit with the Group	164,237	343	255,184
- Bank's deposit with NBO	555	404	672
- NBO's contingent liabilities to the Group:			
- Letter of Guarantee	31,452	6,090	8,143
- Un-utilized credit facilities	254,800	-	254,800
- Interest rate swap (notional amount)	28,364	42,545	42,545
- Interest rate swap (fair value)	1,587	2,729	2,769
- UAB's deposit with the Group	200,757	173,246	249,149
- Bank's deposit with UAB	781	-	182,000
- UAB's contingent liabilities to the Group:			
- Letter of Guarantee	31,544	14,847	16,724
- Asteco's deposit with the Group	10,878	7,168	6,698
- Gekko's deposit with the Group	951	2,600	2,202
- Massoun's deposit with the Group	20,000	-	-
- Interest income earned from Associates	19	232	237
- Interest expense incurred to Associates	2,883	1,764	2,752
Senior management compensation			
- Fixed remuneration	22,739	24,560	34,593
- Discretionary remuneration	10,953	13,218	17,624
- Fringe benefits	5,159	7,079	9,322
Additional information			

*A significant portion of the loans, advances and financing activities' balance at 30 September 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

	30-Sep-10	30-Sep-09	31-Dec-09
	Reviewed	Reviewed	Audited
a) Contingent liabilities			
Acceptance	109,828	176,021	135,619
Guarantees	9,531,496	13,467,123	11,220,436
Letter of credit	4,185,594	5,841,385	4,964,947
Un-utilized credit facilities	4,495,452	4,914,797	4,717,558
	<u>18,322,370</u>	<u>24,399,326</u>	<u>21,038,560</u>
b) Other undertakings and commitments			
Foreign exchange contracts and derivatives at notional value	5,013,931	6,192,493	7,105,215
Guaranteed investment funds	-	1,292	1,165
Capital commitments	551,820	60,200	36,100

18. CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

	30-Sep-10	30-Sep-09	31-Dec-09
	Reviewed	Reviewed	Audited
Cash and balances with Central Bank *	4,691,904	3,576,371	3,117,094
Due from banks and financial institutions up to 90 days	3,736,063	4,831,440	5,380,481
Due to banks and financial institutions up to 90 days	(3,959,856)	(7,013,163)	(7,391,335)
Balance at end of the period/year	<u>4,468,111</u>	<u>1,394,648</u>	<u>1,106,240</u>

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