



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

Interim Condensed Consolidated Financial Statements

For the six months period ended 30 June 2006

Auditors' report to the Shareholders

We have reviewed the accompanying interim condensed consolidated balance sheet of The Commercial Bank of Qatar Q.S.C. ("the Bank"), as at 30 June 2006 and the related condensed consolidated statements of income, changes in shareholders equity and cash flows for the six month period then ended. Management is responsible for the preparation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting and Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

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

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 International Accounting Standards 34 – Interim Financial Reporting and Qatar Central Bank regulations.

Ian R. Clay
of PricewaterhouseCoopers

Auditors' Registration number 150
Doha, 10 July 2006

The Commercial Bank of Qatar Q S C
Interim Condensed Consolidated Balance Sheet
As at 30 June 2006

		Figures in thousand Qatar Riyals		
		30-Jun-06	30-Jun-05	31-Dec-05
		Reviewed	Reviewed	Audited
ASSETS				
	Notes			
Cash and balances with Central Bank	5	883,780	569,761	648,290
Securities held for trading	6	12,768	13,643	13,368
Due from banks and financial institutions	7	4,292,477	4,492,110	5,352,434
Loans, advances and financing activities for customers	8	13,772,010	8,852,034	10,884,138
Investment securities	9	3,940,486	2,979,992	3,367,624
Investment in associate	10	1,236,279	-	1,251,304
Property, furniture and equipment	11	378,925	338,287	317,948
Other assets		352,699	201,976	346,437
Total assets		<u>24,869,424</u>	<u>17,447,803</u>	<u>22,181,543</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and financial institutions	12	1,039,270	1,529,486	1,704,233
Customers' deposits	13	15,154,304	11,944,734	13,056,421
Other borrowed funds		2,329,600	546,000	1,092,000
Other liabilities		632,054	402,048	470,033
		<u>19,155,228</u>	<u>14,422,268</u>	<u>16,322,687</u>
Unrestricted investment deposits owners' equity	14	481,849	118,886	178,361
Risk reserve-Unrestricted investment deposit owners share of profit		10,043	195	3,396
		<u>491,892</u>	<u>119,081</u>	<u>181,757</u>
SHAREHOLDERS' EQUITY				
Paid up capital		1,401,579	747,509	934,386
Legal reserve		2,915,499	1,327,042	2,915,499
Fair value reserve		12,096	395,591	500,559
Risk reserves		111,900	67,100	87,200
Other reserves		26,508	26,549	26,508
Proposed dividend		-	-	373,754
Proposed bonus shares		-	-	467,193
Retained earnings		754,722	342,663	372,000
Total shareholders' equity		<u>5,222,304</u>	<u>2,906,454</u>	<u>5,677,099</u>
Total equity and liabilities		<u>24,869,424</u>	<u>17,447,803</u>	<u>22,181,543</u>

The financial statements have been approved by the board of directors and signed on their behalf by the following on 10th July 2006.

Mr. Hussain Ibrahim Alfardan
Managing Director

Mr. A C Stevens
Group Chief Executive Officer

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

The Commercial Bank of Qatar Q S C
Interim Condensed Consolidated Statement of Income
For the six months period ended 30 June 2006

	Notes	Figures in thousand Qatar Riyals			
		Three months to		Six months to	
		30-Jun-06 Reviewed	30-Jun-05 Reviewed	30-Jun-06 Reviewed	30-Jun-05 Reviewed
Interest income		328,321	179,828	614,123	332,320
Interest expense		(163,246)	(63,775)	(293,793)	(112,189)
Net interest income		165,075	116,053	320,330	220,131
Income from Islamic finance and investment activities		8,311	379	14,894	379
Fee and commission income		116,255	67,259	204,384	122,969
Fee and commission expense		(12,590)	(9,134)	(23,675)	(17,278)
Net fee and commission income		103,665	58,125	180,709	105,691
Dividend on shares and investment funds units		583	1,494	10,828	8,936
Profits from foreign currency transactions		13,107	8,791	24,468	16,396
Profits from investments (net)	15	30,132	22,283	84,798	112,122
Other operating income		6,543	1,698	8,712	2,524
		50,365	34,266	128,806	139,978
Net operating income		327,416	208,823	644,739	466,179
General and administrative expenses		103,443	55,130	196,631	110,993
Depreciation		10,159	8,724	20,892	17,351
Impairment losses on loans and advances to financial institutions (net)		(1,287)	(296)	(1,349)	(296)
Impairment losses on loans and advances to customers (net)		7,478	5,299	1,922	6,609
Impairment losses on available for sale investments		5,433	-	5,433	5,000
Total operating expenses and provisions		(125,226)	(68,857)	(223,529)	(139,657)
Profit before share of result of associate		202,190	139,966	421,210	326,522
Share of results of associate net of tax (estimated)	10	19,127	-	31,938	-
Profit before share of investment deposit owners'		221,317	139,966	453,148	326,522
Less unrestricted investment deposit owners' share of profit		(6,000)	(195)	(10,043)	(195)
Net profit for the period		215,317	139,771	443,105	326,327
- Basic/diluted earnings per share		1.54	1.00	3.16	2.33

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

The Commercial Bank of Qatar Q S C
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
for the six months period ended 30 June 2006

	Figures in thousand Qatar Riyals								
	Share Capital	Legal Reserve	Risk Reserves	Fair Value Reserve	Other Reserves	Proposed Dividend	Proposed Bonus shares	Retained Earnings	Total
Balance at 31 December 2004	533,935	1,327,042	52,100	206,973	26,460	213,574	213,574	46,336	2,619,994
Distributed bonus shares for the year 2004	213,574	-	-	-	-	-	(213,574)	-	-
Dividend paid for the year 2004	-	-	-	-	-	(213,574)	-	-	(213,574)
Directors' remuneration for 2004	-	-	-	-	-	-	-	(9,000)	(9,000)
Contribution for social responsibilities	-	-	-	-	-	-	-	(6,000)	(6,000)
Net profit for the six months ended 30 June 2005	-	-	-	-	-	-	-	326,327	326,327
Net movement in fair values reserve (FVR)	-	-	-	188,618	-	-	-	-	188,618
Risk reserve required as per QCB regulation	-	-	15,000	-	-	-	-	(15,000)	-
Adjustment for exchange rate fluctuations	-	-	-	-	89	-	-	-	89
Balance at 30 June 2005	747,509	1,327,042	67,100	395,591	26,549	-	-	342,663	2,906,454
Balance at 1 January 2006	934,386	2,915,499	87,200	500,559	26,508	373,754	467,193	372,000	5,677,099
Distributed bonus shares for the year 2005	467,193	-	-	-	-	-	(467,193)	-	-
Dividend paid for the year 2005	-	-	-	-	-	(373,754)	-	-	(373,754)
Directors' remuneration for 2005	-	-	-	-	-	-	-	(28,683)	(28,683)
Contribution for social responsibilities	-	-	-	-	-	-	-	(7,000)	(7,000)
Net profit for the six months ended 30 June 2006	-	-	-	-	-	-	-	443,105	443,105
Net movement in fair values reserve (FVR)	-	-	-	(480,979)	-	-	-	-	(480,979)
Share of revaluation reserves of Associate	-	-	-	(7,484)	-	-	-	-	(7,484)
Risk reserve required as per QCB regulation	-	-	24,700	-	-	-	-	(24,700)	-
Balance at 30 June 2006	1,401,579	2,915,499	111,900	12,096	26,508	-	-	754,722	5,222,304

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

The Commercial Bank of Qatar Q S C
Interim Condensed Consolidated Statement of Cash Flows
For the six months period ended 30 June 2006

	Figures in thousand Qatar Riyals		
	6 months ended		Year ended
	30-Jun-06 Reviewed	30-Jun-05 Reviewed	31-Dec-05 Audited
<u>Cash flows from operating activities</u>			
Net profit for the period/year	443,105	326,327	749,518
<u>Adjustments for</u>			
Depreciation	20,892	17,351	34,062
Impairment loss on available for sale investments	5,433	5,000	19,822
Profit from sale of property, furniture and equipment	(3,832)	(674)	(14,677)
Share of results of associate, net of tax	(31,938)	-	(45,002)
Profit from sale of investments	(84,798)	(112,122)	(249,685)
Profits before changes in operating assets and liabilities	348,862	235,882	494,038
<u>Net (increase) decrease in assets</u>			
Balances with banks and financial institutions	(525,712)	(125,972)	(219,505)
Loans and advances to customers	(2,887,872)	(2,138,190)	(4,168,915)
Other assets	(6,262)	(54,711)	(198,802)
<u>Net increase (decrease) in liabilities</u>			
Balances to banks and financial institutions	-	399,250	-
Customers deposits	2,401,371	3,759,483	4,930,645
Other liabilities	132,985	107,175	177,691
Net cash from operating activities (1)	(536,628)	2,182,917	1,015,152
<u>Cash flows from Investing activities</u>			
Purchase of investments	(1,371,191)	(1,732,271)	(2,215,363)
Acquisition of shares in associate	-	-	(1,203,413)
Dividend received from associate	39,548	-	-
Proceeds from sale and redemption of securities	397,911	495,551	816,384
Purchase of property and equipment	(81,869)	(32,542)	(93,466)
Proceeds from sale of property and equipment	-	1,179	79,769
Net cash used in investing activities (2)	(1,015,601)	(1,268,083)	(2,616,089)
<u>Cash flows from Financing activities</u>			
Proceeds of borrowed funds	1,237,600	-	546,000
Repayment of borrowed funds	-	(436,800)	(436,800)
Proceeds from rights issue	-	-	2,242,527
Dividend paid	(373,754)	(213,574)	(213,574)
Net cash from (used in) financing activities (3)	863,846	(650,374)	2,138,153
Net increase in cash and cash equivalents during the period/year (1+2+3)	(688,383)	264,460	537,216
Effects of foreign exchange fluctuation	47	89	30
Cash and cash equivalents at beginning of period/year	3,541,582	3,004,336	3,004,336
	-	-	-
Cash and cash equivalents at end of period/year	2,853,246	3,268,885	3,541,582

The attached notes 1 to 19 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 period ended 30 June 2006

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

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 is engaged in conventional commercial banking, Islamic banking services and credit card business and operates through its Head Office and branches established in Qatar. The Bank also acts as a holding company for its subsidiaries engaged in credit card business.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board. The interim condensed consolidated financial statements for the six months ended 30 June 2006 have been prepared in compliance with International Accounting Standards No. 34: Interim Financial Reporting, which permits the interim financial statements to be in a condensed form. The accounting policies and computation methods used in preparation of these interim condensed consolidated financial statements are consistent with those used in the annual statements for the year ended 31 December 2005. There have however been minor changes in the following areas.

Loans, advances and financing activities for customers

Loans and advances represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and advances are recognised when cash is advanced to the borrowers. Loans and advances are initially recognised at fair value and are subsequently carried at amortized cost using the effective interest method.

A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate prevailing at the inception of the loan or advance in respect of a fixed rate loan or at the current effective interest rate in respect of a variable rate loan. Objective evidence that the loans and advances are impaired includes observable data that comes to the attention of the Bank about the following loss events

- i. Significant financial difficulty of the borrower
- ii. A breach of contract, such as a default or delinquency in interest or principal payments
- iii. It becoming probable that the borrower will enter bankruptcy or other financial reorganization
- iv. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of loans and advances portfolio since the initial recognition, although the decrease cannot yet be identified with the individual loans and advances of the Bank including:
 - adverse change in the payment status of borrowers of the Bank
 - national or local economic conditions that correlate with defaults on the loans and advances of the Bank.

When an amount is uncollectible, it is written off against the related provision for impairment. If no related provision exists, it is written off to the statement of income. Subsequent recoveries are credited to the statement of income. If the amount of impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited to the statement of income.

Islamic financing such as Murabaha, Ijara and Tawarruq are stated at their gross principal amount less any amount received, provision for impairment and unearned profit.

The Bank is also subject to Qatar Central Bank regulations in relation to suspended interest and other specific provision. Furthermore, in accordance with Qatar Central Bank regulation a risk reserve, with a minimum value of 1% of the total loan portfolio excluding lending to Qatar government, is maintained, created by way of appropriations of profit.

The Commercial Bank of Qatar Q S C
Notes to the Interim Condensed Consolidated Financial Statements
For the six months period ended 30 June 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Investment Securities

Investment securities are classified in the following categories: at fair value through profit and loss, available for sale and held to maturity. The classification depends on the purposes for which investment securities are acquired at the time of acquisition.

Fair value through profit or loss securities have two sub-categories: investment securities held for trading, and those designated at fair value through profit or loss at inception. An investment securities is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in these categories are recognised at fair value and any gain or loss arising from the change in their fair values is recognised directly in the consolidated statement of income.

Available-for-sales investments are recognized at fair value for each investment separately and any gain arising from a change in fair value of these investments is recognized directly in fair value reserve until the investment is sold or impaired.

Available-for-sales investments sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Bank's right to receive payments is established.

The Bank assesses at each balance sheet date whether there is objective evidence that available for sales investments are impaired. In the case of equity securities classified as available for sale the Bank assesses at each balance sheet date whether there is objective evidence that available for sales investments are impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. Qatar Central Bank has provided regulatory criteria to define if an investment has a prolonged decline. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss removed from equity and recognised in the income statement. Fair value of the available for sales investments other than equity securities, are determined using discounted cash flow method and other methods such as net assets value basis.

The Bank determined the fair value of non listed securities using net assets value basis.

Held to maturity investments are stated at amortised cost. When impairment occurs the recoverable amount is estimated and any impairment losses are recognised in the statement of income under the provision for impairment of investments.

Interpretations and amendments to published standards effective in 2006

Management has assessed the relevance of the interpretations and amendments to published standards effective in 2006 with respect to the Bank's operations and concluded that there are no significant or material recognition and measurement changes affecting the Bank.

Standards, interpretations and amendments to published standards that are not yet effective

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

Management has assessed the impact of the above new standard and included certain additional disclosures about credit risk, liquidity risk and market risk in the financial statements as at 31 December 2005. The Bank will adopt the standard in full effective 1 January 2007.

The Commercial Bank of Qatar Q S C
Notes to the Interim Condensed Consolidated Financial Statements
For the six months period ended 30 June 2006

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

To the extent that the net present value of estimated future cash flows differs by +5% / -5% percent, the provision would be estimated to be QR 129k higher or QR 129k lower respectively.

(b) Impairment of available-for-sale equity investments

The Bank determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates amongst other factors, the normal volatility in share price. In addition, impairment may be relevant when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. If any such evidence of impairment for available-for-sale financial assets exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement.

Had all decline in fair value below cost been considered significant and prolonged, the Bank would suffer an additional loss of QR 71 million in its 2006 2nd quarter financial statements being the transfer of fair value reserve to the income statement.

(c) Held-to-maturity investments

The Bank follows the guidance contained in International Accounting Standard 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than in specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale.

The fair value of the held to maturity investments has been arrived at using discounted cash flow techniques for listed securities and the effective interest rate method for non-listed securities and following significant assumptions have been made in the valuation.

The 10 year US\$ bond was valued using the risk free interest rate for 10 year bond issued by the Qatar Petroleum since this bond is carrying the sovereign rating while the 10 year US treasury rate was used to value the 30 year USD government bonds.

The Commercial Bank of Qatar Q S C
Notes to the Interim Condensed Consolidated Financial Statements
For the six months period ended 30 June 2006

4. BASIS OF CONSOLIDATION

i) Subsidiaries

The interim condensed consolidated financial statements include the financial statements of the Bank and its controlled subsidiaries listed below. Inter-company transactions and balances have been eliminated.

Company Name	Country of Incorporation	Capital	Eqv. QAR	Share %
Orient 1 Limited	Bermuda	US\$ 20,000,000	72,800,000	100%
Diners Club Services Bahrain WLL (a subsidiary of Orient 1)	Bahrain	US\$ 3,000,000	10,920,000	100%
Diners Club Services Egypt SAE (a subsidiary of Orient 1)	Egypt	LE 3,700,000	2,348,387	100%

ii) Associate

National Bank of Oman SAOG is an associate of the Bank as the Bank has significant influence but not control in relation to this entity. The investment in the associate is accounted for using the equity method of accounting and was therefore initially recognised at cost. The Bank's share of post acquisition profits or losses is recognised in the income statement and its share of post acquisition movements in reserves is recognised in reserves. The consolidated post acquisition movements in reserves are adjusted against the carrying value of the investment. The Bank's investment in associate includes goodwill (net of any accumulated impairment loss) on acquisition.

5. CASH AND BALANCES WITH CENTRAL BANK

	Figures in thousand Qatar Riyals		
	30-Jun-06 Reviewed	30-Jun-05 Reviewed	31-Dec-05 Audited
Cash *	220,211	146,767	175,029
Cash reserve with Qatar Central Bank	396,378	275,815	353,989
Clearing balances with Qatar Central Bank	27,191	147,179	119,272
Overnight placements with Qatar Central Bank	240,000	-	-
Total	883,780	569,761	648,290

* The cash balance includes QR 7,363 million related to Islamic banking branches.

The Commercial Bank of Qatar Q S C
Notes to the Interim Condensed Consolidated Financial Statements
For the six months period ended 30 June 2006

Figures in thousand Qatar Riyals

6. SECURITIES HELD FOR TRADING

	30-Jun-06	30-Jun-05	31-Dec-05
	Reviewed	Reviewed	Audited
	listed	listed	listed
Shares	1,473	1,386	1,431
Notes and bonds	11,295	12,257	11,937
Total	<u>12,768</u>	<u>13,643</u>	<u>13,368</u>

7. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	30-Jun-06	30-Jun-05	31-Dec-05
	Reviewed	Reviewed	Audited
Demand accounts	28,630	15,064	61,987
Placements	3,287,304	3,997,114	4,685,263
Loans to banks and financial institutions	547,182	350,540	400,920
- Provisions	(5,619)	(5,288)	(6,856)
Commodity murabaha and wakala investments of Islamic Branches	434,980	134,680	211,120
Total	<u>4,292,477</u>	<u>4,492,110</u>	<u>5,352,434</u>

Interest in suspense of QR 707k (30 June 2005 : QR 406k) if for the purpose of the Qatar Central Bank regulations requirements, effectively included in the above provision amount.

8. LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS

	30-Jun-06	30-Jun-05	31-Dec-05
i) By type	Reviewed	Reviewed	Audited
Loans	11,814,646	7,651,001	9,303,666
Overdrafts	1,658,585	1,208,314	1,397,346
Bills discounted	111,239	95,817	118,887
Islamic financing	313,843	21,560	189,665
Total loans and advances	<u>13,898,313</u>	<u>8,976,692</u>	<u>11,009,564</u>
- Provision	(126,303)	(124,658)	(125,426)
Total	<u>13,772,010</u>	<u>8,852,034</u>	<u>10,884,138</u>

The total non-performing loans and advances at 30 June 2006 amounted to QR 127 million, representing 0.91% of the total loans and advances (QR 126 million representing 1.41% of the total loans and advances at 30 June 2005.)

Interest in suspense of QR 46,280k (30 June 2005 : QR 38,670k) if for the purpose of the Qatar Central Bank regulations requirements, effectively included in the above provision amount.

The Commercial Bank of Qatar Q S C
Notes to the Interim Condensed Consolidated Financial Statements
For the six months period ended 30 June 2006

Figures in thousand Qatar Riyals

8. LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (cont'd)

	Total 30-Jun-06 Reviewed	Total 30-Jun-05 Reviewed	Total 31-Dec-05 Audited
ii) By industry before provisions			
Government	609,743	701,594	546,493
Government and semi-government agencies	1,538,666	1,067,748	1,188,502
Industry	166,002	88,348	114,276
Commercial	1,386,066	964,065	1,131,451
Services	1,114,175	629,359	718,687
Contracting	859,899	528,385	715,290
Real Estate	1,981,050	1,125,260	1,631,296
Consumers	4,544,674	2,907,012	3,757,383
Other	1,698,038	964,921	1,206,186
Total	<u>13,898,313</u>	<u>8,976,692</u>	<u>11,009,564</u>

iii) Movement in provision

	30-Jun-06 Reviewed	30-Jun-05 Reviewed	31-Dec-05 Audited
Balance at 1st January	125,426	121,617	121,617
Provisions made during the period/year	29,725	22,150	46,549
Provisions recoveries during the period/year	(22,895)	(11,259)	(31,012)
Net additional provisions during the period/year	6,830	10,891	15,537
Provisions used during the year to write off	(5,953)	(7,850)	(11,728)
Balance at the end of the period/year	<u>126,303</u>	<u>124,658</u>	<u>125,426</u>

The Commercial Bank of Qatar Q S C
Notes to the Interim Condensed Consolidated Financial Statements
For the six months period ended 30 June 2006

Figures in thousand Qatar Riyals

9. INVESTMENT SECURITIES

	30-Jun-06 Reviewed		30-Jun-05 Reviewed		31-Dec-05 Audited	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Investments comprise the following:						
a) Available for sale investments						
- Conventional Banking	1,445,717	462,445	1,176,898	251,402	1,457,481	325,690
- Islamic Banking	-	15,897	-	-	-	-
b) Investments held to maturity						
- Conventional Banking	845,701	1,156,458	408,397	1,143,294	439,781	1,141,032
- Islamic Banking	6,916	7,352	-	-	3,640	-
Total	2,298,334	1,642,152	1,585,295	1,394,696	1,900,902	1,466,722

a) <u>Available for sale investments</u>	30-Jun-06 Reviewed		30-Jun-05 Reviewed		31-Dec-05 Audited	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Equities	809,132	75,063	828,278	72,613	962,673	48,221
Government bonds in USD	32,760	-	149,240	-	147,238	-
Other bonds	603,825	-	199,380	-	347,570	-
Investment funds units	-	412,601	-	189,738	-	302,614
Investment funds units (Islamic branches)	-	18,382	-	-	-	-
Provision for impairment	-	(25,219)	-	(10,949)	-	(25,145)
Provision for impairment (Islamic branches)	-	(2,485)	-	-	-	-
Total	1,445,717	478,342	1,176,898	251,402	1,457,481	325,690

Included in bonds are fixed rate securities with a value of QR 388.47 million and floating rate securities with a value of QR 248.11 million at 30 June 2006 (against fixed rate securities with a value of QR 155.38 million and floating rate securities with a value of QR 193.24 million at 30 June 2005).

Investment fund units and other unlisted securities are valued at fair value. Unlisted securities of QR 506 million also include QR 247 million investments in a capital guaranteed fund (30 June 2005: QR 127 million)

b) held to maturity investments **

	30-Jun-06 Reviewed		30-Jun-05 Reviewed		31-Dec-05 Audited	
	Listed	Unlisted	Listed	Unlisted	Listed	Listed
By party						
Qatar Government Bonds in USD *	622,842	-	267,747	-	319,573	-
Qatar Government Bonds in QAR	-	1,138,713	-	1,143,295	-	1,141,032
Other bonds	222,859	-	140,650	-	120,208	-
Investment funds units	-	17,745	-	-	-	-
Investment funds units (Islamic branches)	-	7,352	-	-	-	-
Other bonds (Islamic Branches)	6,916	-	-	-	3,640	-
Total	852,617	1,163,810	408,397	1,143,295	443,421	1,141,032
By nature of income						
Fixed rate securities	645,501	117,970	302,273	117,970	333,133	117,970
Floating rate securities	200,200	1,020,743	106,124	1,025,325	106,648	1,023,062
Floating profit at maturity	6,916	25,097	-	-	3,640	-
Total	852,617	1,163,810	408,397	1,143,295	443,421	1,141,032

* The Bank has availed short term borrowings of QR 375.49 million against Government bonds under repurchase agreements (note 12).

** The fair value of held to maturity investments amounted to QR 2,047.20 million at 30 June 2006 (30 June 2005 : QR 1,565.17 million).

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10. INVESTMENT IN ASSOCIATE

The movement in investment in associate accounts is as follows

	Figures in thousand Qatar Riyals		
	30-Jun-06 Reviewed	30-Jun-05 Reviewed	31-Dec-05 Audited
Balance at beginning of the period/year	1,251,304	-	-
Difference in exchange fluctuation	69	-	-
Acquired during the period	-	-	1,203,413
Less dividend received	(39,548)	-	-
Add share of profit before tax (estimated)	49,152	-	79,064
Less share of tax (estimated)	(6,390)	-	(12,077)
Share of net profit after tax (estimated)	42,762	-	66,987
Less share of pre-acquisition net profit after tax	-	-	(21,985)
Less amortization of intangible assets	(10,824)	-	-
Share of results of associate net of tax (estimated)	31,938	-	45,002
Add share of post -acquisition revaluation reserve	(7,484)	-	2,889
Balance at end of the period/year	1,236,279	-	1,251,304

These shares of NBO are listed on the Muscat Securities Market and the quoted price on the balance sheet date was OMR 5.05. The fair value of the investment derived by internal valuation model using discounted cash flow techniques is estimated to be QR 1.6 billion. Information on the associate as at 30 June 2006 and for the six months period then ended is as follows:

Name	Country of incorporation	Assets	Liabilities	Revenue	Figures in Qatar Riyals	
					Profit(Loss)	% interest held
National Bank of Oman SAOG	Oman	3.0 billion	2.4 billion	83.0 million	43.0 million	34.85%

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11. PROPERTY, FURNITURE AND EQUIPMENT

	30-Jun-06	Figures in thousand Qatar Riyals	
		30-Jun-05	31-Dec-05
	Reviewed	Reviewed	Audited
Balance at beginning of period/year	317,948	323,601	323,601
Additions	81,869	30,937	93,466
Disposals (net)	-	-	(65,092)
Depreciation	(20,892)	(16,251)	(34,062)
Foreign currency translation adjustment	-	-	35
Balance at end of period/year	<u>378,925</u>	<u>338,287</u>	<u>317,948</u>

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12. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Figures in thousand Qatar Riyals		
	30-Jun-06 Reviewed	30-Jun-05 Reviewed	31-Dec-05 Audited
Current accounts	84,639	32,892	61,745
Placements	579,145	846,896	1,273,657
Short term borrowing from Qatar Central Bank	-	268,000	-
Short term repurchase agreement borrowing	375,486	381,698	368,831
Total	1,039,270	1,529,486	1,704,233

13. CUSTOMERS' DEPOSITS

	Figures in thousand Qatar Riyals		
	30-Jun-06 Reviewed	30-Jun-05 Reviewed	31-Dec-05 Audited
Demand and call deposits			
- Conventional banking	4,558,795	4,116,328	3,081,633
- Islamic banking	92,425	26,414	37,628
Savings deposits	545,813	451,029	451,160
Time deposits	9,957,271	7,350,963	9,486,000
Total	15,154,304	11,944,734	13,056,421

14. UNRESTRICTED INVESTMENT DEPOSITS OWNERS' EQUITY

	Figures in thousand Qatar Riyals		
	30-Jun-06 Reviewed	30-Jun-05 Reviewed	31-Dec-05 Audited
Saving deposits	33,049	8,151	21,452
Investment deposits	448,800	110,735	156,909
Total	481,849	118,886	178,361

15. PROFITS FROM INVESTMENT

	Figures in thousand Qatar Riyals	
	30-Jun-06 Reviewed	30-Jun-05 Reviewed
a) Profits from sale of investments		
- Available for sale	85,412	121,318
b) Differences in revaluation of investments		
- Held for trading	(614)	-
- Available for sale	-	(9,196)
Total	84,798	112,122

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16. GEOGRAPHICAL DISTRIBUTION

Figures in thousand Qatar Riyals

	Qatar	Other GCC countries	Europe	North America	Others	Total
As at 30 June 2006						
Cash and balances with Central Bank	883,770	-	-	-	10	883,780
Securities held for trading	-	1,435	11,333	-	-	12,768
Due from banks and financial institutions	254,710	2,622,147	1,021,882	19,458	374,280	4,292,477
Loans, advances and financing activities to customers	12,067,380	900,159	-	141,182	663,289	13,772,010
Investments securities	2,977,927	130,205	475,590	340,985	15,779	3,940,486
Investments in associate	-	1,236,279	-	-	-	1,236,279
Other assets	705,907	-	-	-	25,717	731,624
Total assets	16,889,694	4,890,225	1,508,805	501,625	1,079,075	24,869,424
Due to banks and financial institutions	299,346	223,749	445,508	42,026	28,641	1,039,270
Customer deposits	14,503,043	650,812	449	-	-	15,154,304
Other borrowed funds	-	2,329,600	-	-	-	2,329,600
Other liabilities	627,548	-	-	-	4,506	632,054
Unrestricted investment deposits owners' equity	491,892	-	-	-	-	491,892
Shareholders' equity	5,222,304	-	-	-	-	5,222,304
Total liabilities and shareholders' equity	21,144,133	3,204,161	445,957	42,026	33,147	24,869,424
As at 30 June 2005						
Cash and balances with Central Bank	569,749	-	-	-	12	569,761
Securities held for trading	-	1,367	12,276	-	-	13,643
Due from banks and financial institutions	122,028	1,898,067	1,585,514	486,909	399,592	4,492,110
Loans, advances and financing activities to customers	7,870,956	455,580	-	72,800	452,698	8,852,034
Investments securities	2,199,672	55,009	486,542	193,514	45,255	2,979,992
Other assets	521,876	-	-	-	18,387	540,263
Total assets	11,284,281	2,410,023	2,084,332	753,223	915,944	17,447,803
Due to banks and financial institutions	626,808	247,802	547,941	80,232	26,703	1,529,486
Customer deposits	11,853,095	91,145	494	-	-	11,944,734
Other borrowed funds	-	546,000	-	-	-	546,000
Unrestricted investment deposits owners' equity	119,081	-	-	-	-	119,081
Other liabilities	400,578	-	-	-	1,470	402,048
Shareholders' equity	2,906,454	-	-	-	-	2,906,454
Total liabilities and shareholders' equity	15,906,016	884,947	548,435	80,232	28,173	17,447,803

The Bank believes that it operates in a single business segment

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16. GEOGRAPHICAL DISTRIBUTION (cont'd)

	Figures in thousand Qatar Riyals					
	Qatar	Other GCC countries	Europe	North America	Others	Total
As at 30 June 2006						
Interest income	460,314	68,974	42,691	12,094	30,050	614,123
Interest expense	(227,638)	(54,859)	(10,184)	(611)	(501)	(293,793)
Net interest income	232,676	14,115	32,507	11,483	29,549	320,330
Income from islamic finance and investment activities	14,894	-	-	-	-	14,894
Fee and commission income	192,798	2,755	2,898	46	5,887	204,384
Fee and commission expense	(22,528)	-	-	-	(1,147)	(23,675)
Net fee and commission income	170,270	2,755	2,898	46	4,740	180,709
Dividend on shares and investment funds units	10,790	38	-	-	-	10,828
Profits from foreign currency transactions	24,303	-	-	-	165	24,468
Profits from investments (net)	78,386	6,412	-	-	-	84,798
Other operating income	8,484	-	-	-	228	8,712
	121,963	6,450	-	-	393	128,806
Net operating income	539,803	23,320	35,405	11,529	34,682	644,739
As at 30 June 2005						
Interest income	253,030	34,303	25,560	4,943	14,484	332,320
Interest expense	(93,050)	(17,161)	(1,744)	(116)	(118)	(112,189)
Net interest income	159,980	17,142	23,816	4,827	14,366	220,131
Income from islamic finance and investment activities	379	-	-	-	-	379
Fee and commission income	116,787	1,044	1,133	63	3,942	122,969
Fee and commission expense	(16,387)	-	-	-	(891)	(17,278)
Net fee and commission income	100,400	1,044	1,133	63	3,051	105,691
Dividend on shares and investment funds units	8,835	101	-	-	-	8,936
Profits from foreign currency transactions	15,880	-	-	-	516	16,396
Profits from investments (net)	109,452	1,992	246	432	-	112,122
Other operating income	2,294	-	-	-	230	2,524
	136,461	2,093	246	432	746	139,978
Net operating income	397,220	20,279	25,195	5,322	18,163	466,179

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17. INTEREST RATE/PROFIT RATE RISK SENSIVITY

a) Interest rate risk

The Assets and Liabilities Management (ALM) process, managed through Assets and Liabilities Committee (ALCO), is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Bank's non-trading financial instruments.

The Bank's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to the net interest rate income caused by changes in market interest rates. The Bank typically manages the interest rate risk of its non-trading financial instruments by segmenting these assets and liabilities into two broad portfolios: non-discretionary and discretionary. The non-discretionary portfolio consists of the Bank's customer driven loans and deposit positions and securities required to support regulatory requirements. To manage the resulting interest rate sensitivity of the Bank's non-discretionary portfolio, the Bank uses a discretionary portfolio of securities,

long term deposits, inter-bank takings and placements, and when warranted, derivatives. Strategically positioning the discretionary portfolio, the Bank largely manages the interest rate sensitivity in the non-discretionary portfolio.

b) Profit rate risk

Profit rate risk (under Islamic Banking) is the prospective risk of revising available higher earning opportunities due to locking of assets for long term at a fixed profit rate. Exposures to the profit rate risk of the Islamic Assets are managed by:

- 1) While financing at fixed rate profit, a security margin to cover the expected future appreciation of profit rate is added to the deal profit rate.
- 2) High value products such as (Ijara transactions) are subject to periodical profit rate revisions.
- 3) Financing in short term assets or include a profit rate revisionary clause in the financing deal agreement.

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17. INTEREST RATE/PROFIT RATE RISK SENSIVITY (cont'd)

The following table summarises the interest/profit rate sensitivity position at 30 June 2006 of the Bank's assets, liabilities and off-balance sheet exposures:

	Figures in thousand Qatar Riyal					
	Upto 3 months	3-12 Months	1-5 Years	Non interest/profit Sensitive	Total	Effective Interest/profit Rate
As at 30 June 2006						
Cash and deposits with Central Bank	240,000	-	-	643,780	883,780	
Securities held for trading	11,295	-	-	1,473	12,768	
Due from banks and financial institutions - Conv	3,009,528	829,769	18,200	-	3,857,497	4.66
Due from banks and financial institutions - IB	434,980	-	-	-	434,980	4.72
Loans, advances and financing activities to customers-	8,310,908	5,145,259	2,000	-	13,458,167	7.53
Loans, advances and financing activities to customers - IB	1,216	8,577	304,050	-	313,843	4.68
Investment securities	213,853	2,162,128	-	1,564,505	3,940,486	5.63
Investment in associate	-	-	-	1,236,279	1,236,279	
Other assets	-	-	-	731,624	731,624	
Total assets	12,221,780	8,145,733	324,250	4,177,661	24,869,424	
Due to banks and financial institutions	1,039,270	-	-	-	1,039,270	4.32
Customer deposits - Conventioanl banking	11,718,098	809,706	229,604	2,304,471	15,061,879	4.13
Customer deposits - Islamic banking	-	-	-	92,425	92,425	
Other borrowed funds	1,783,600	546,000	-	-	2,329,600	5.14
Other liabilities	-	-	-	632,054	632,054	
Unrestricted investment deposits owners' equity	28,757	453,092	-	10,043	491,892	
Shareholders' equity	-	-	-	5,222,304	5,222,304	
Total liabilities and shareholders' equity	14,569,725	1,808,798	229,604	8,261,297	24,869,424	
Balance sheet items gap	(2,347,945)	6,336,935	94,646	(4,083,636)	-	
Off-Balance sheet items gap	-	-	-	-	-	
Interest rate sensitivity gap	(2,347,945)	6,336,935	94,646	(4,083,636)	-	
Cumulative interest rate sensitivity gap	(2,347,945)	3,988,990	4,083,636	-	-	
As at 30 June 2005						
Cash and deposits with Central Bank	-	-	-	569,761	569,761	
Securities held for trading	12,257	-	-	1,386	13,643	
Due from banks and financial institutions	4,223,003	100,752	168,355	-	4,492,110	2.77
Loans, advances and financing activities to customers	3,780,401	5,071,633	-	-	8,852,034	6.46
Investment securities	-	1,143,295	757,016	1,079,681	2,979,992	5.04
Other assets	-	-	-	540,263	540,263	
Total assets	8,015,661	6,315,680	925,371	2,191,091	17,447,803	
Due to banks and financial institutions	1,130,236	399,250	-	-	1,529,486	2.67
Customer deposits	8,518,427	1,223,384	196,586	2,006,337	11,944,734	2.51
Other borrowed funds	-	546,000	-	-	546,000	3.31
Other liabilities	-	-	-	402,048	402,048	
Unrestricted investment deposits owners' equity	-	118,886	-	195	119,081	
Shareholders' equity	-	-	-	2,906,454	2,906,454	
Total liabilities and shareholders' equity	9,648,663	2,287,520	196,586	5,315,034	17,447,803	
Balance sheet items gap	(1,633,002)	4,028,160	728,785	(3,123,943)	-	
Off-Balance sheet items gap	-	-	-	-	-	
Interest rate sensitivity gap	(1,633,002)	4,028,160	728,785	(3,123,943)	-	
Cumulative interest rate sensitivity gap	(1,633,002)	2,395,158	3,123,943	-	-	

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18. TRANSACTIONS WITH RELATED PARTIES

The Bank carries out various transactions with subsidiaries and associates 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 Bank's financial or operations decisions. The balances at the period-end with these accounts were as follows:-

	Figures in thousand Qatar Riyals		
	30-Jun-06 Reviewed	30-Jun-05 Reviewed	31-Dec-05 Audited
Board Members			
- Loans and advances (a)	210,973	238,684	201,052
- Deposits	195,654	251,054	210,190
- Contingent liabilities, guarantees and other commitments	28,754	26,807	22,415
- Fixed remuneration and meeting attendance fees	1,202	1,252	2,144
- Interest income earned from facilities granted to board members	11,737	11,826	17,443
- Other fees income earned from transactions with board members	2,196	349	899
- Interest paid to deposits accounts of board members	6,035	4,991	8,682
Parent/Subsidiaries Companies			
- Balances with banks/ customers' deposits (b)	24,746	32,163	28,174
- Accounts receivables / payables (b)	-	1,938	-
Associate Company			
- NBO's deposit with the Bank	3,297	-	163
- The Bank's deposit with NBO	272	568	342
- NBO's contingent liabilities to the Bank :			
Letter of Guarantee : Performance Bond	623	-	1,414
: Tender Bond	-	-	10,500
- Foreign exchange contracts	2,973	-	-
- Interest rate swap (notional amount)	56,727	-	56,727
Senior Management compensation			
- Fixed remuneration	6,984	3,742	13,942
- Discretionary remuneration	5,146	2,780	5,561
- Fringe benefits	1,580	1,086	1,935
Additional information			

a) A significant portion of the loans and advances balances at 30 June 2006 with the members of the Board and the companies in which they have significant interest are secured against tangible collateral or personal guarantees. Moreover the loans and advances are performing satisfactorily with all obligations honoured as arranged. The pricing of any such transactions are primarily based on the banker customer relationship and the prevailing market rate.

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

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19. OFF-BALANCE SHEET ITEMS

	30-Jun-06	Figures in thousand Qatar Riyals	
		30-Jun-05	31-Dec-05
	Reviewed	Reviewed	Audited
a) <u>Deferred or contingent liabilities</u>			
Acceptance	231,086	206,628	162,963
Guarantees	7,750,422	3,449,340	4,080,396
Letter of credit	1,808,625	1,525,325	1,603,110
Un-utilised credit facilities granted to customers	2,401,037	1,910,465	1,834,722
Certified cheques	4,705	51,654	12,550
	<u>12,195,875</u>	<u>7,143,412</u>	<u>7,693,741</u>
b) <u>Other undertakings and commitments</u>			
Foreign exchange contracts and derivatives in favour of the Bank and customers	1,649,430	1,102,166	1,481,862
Guaranteed investment funds	9,963	75,428	17,606
Portfolios and investments managed for others	58,240	58,240	58,240
Capital commitments	142,226	79,169	108,991