





البنك التجاري القطري  
THE COMMERCIAL BANK OF QATAR  
Q.S.P.C.

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His Highness  
**Sheikh Hamad Bin Khalifa Al Thani**  
Emir of the State of Qatar



His Highness  
**Sheikh Jassem Bin Hamad Al Thani**  
Heir Apparent

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The Bank witnessed good growth in nearly every aspect of its business in 2001 and a Net Profit of QR 101.135 million, a record for the Bank, was achieved.



Abdullah Bin Khalifa Al Attiyah  
Chairman of the Board

## Chairman's Statement

On behalf of the Board of Directors of the Commercial Bank of Qatar, I am pleased to submit the Annual Accounts and accompanying Financial Statements for the twelve months ended December 2001.

In 2001 we saw a marked slowdown in global economic growth, the United States of America slip into recession, and further declines on the world's major indices. In a bid to shore up confidence, preserve jobs and to stimulate manufacturing, Central Banks around the world, led by the U.S. Federal Reserve, resorted to sustained interest rate cutting in a bid to kick-start their economies.

Inevitably this slow-down impacted Qatar, primarily through the decline in oil prices as world demand fell and economic uncertainty rose. However, although oil prices fell by approximately 13% (on an averaged basis) during 2001, Qatar's real GDP is estimated to have risen by some 5% bolstered by the growth of new revenue streams from an expanding LNG industry which now accounts for an estimated 40% of total exports. The Government duly delivered a budget surplus, the first in a decade, applying sound economic management practices and prudent government expenditure controls. Ample liquidity has continued to flow into the economy in spite of global negative influence.

The Bank witnessed good growth in nearly every aspect of its business in 2001. Both Loans and Deposits have grown satisfactorily, net income, before provisions and operating expenses, improved by 37% to QR 289 million. A net profit of QR 101.135 million, a record for the Bank, was achieved. This was pegged back by the need to set aside additional provisions of QR 79.8 million for non-performing or poor quality debt. This net profit translates into basic earnings per share of QR 5.11 up from QR 2.84 per share in 2000.

The Board has therefore decided to recommend a dividend payment to its shareholders of 25% of issued capital or QR 49.4 million and a bonus share of 20%, or one for every five already held.

Effective 1st January 2001, the Bank has fully adopted IAS 39 and IAS 40, and after all adjustments, including the Bank's contribution to social responsibilities and the Directors' remuneration, the Bank's capital and reserves stood enhanced at QR 661.8 million, an increase of nearly 18% over the previous year.

We believe Qatar's future is very bright and we are preparing ourselves to play a fully proactive role in the continuing development of both the economic and social fabric of the State.

In closing, let me take the opportunity to express our deep appreciation for the wise leadership and great vision shown by His Highness the Emir, to His Highness the Heir Apparent and to His Highness the Prime Minister for their own continuing support and patronage, and to His Excellency the Minister of Finance, His Excellency the Minister of Economy and Commerce and to His Excellency the Governor of the Qatar Central Bank for their constant guidance and encouragement throughout the year.

Finally, I also express my appreciation and that of the Board, to our shareholders, to our customers for their loyalty and support, and to the management and staff of the Bank for their continued dedication and hard work.



Abdullah Bin Khalifa Al Attiyah  
Chairman of the Board

We are determined to stay ahead of our competition but to do this we recognise the need for continuous self-assessment, and where necessary renewal or re-invention. The key challenge facing Banks like ourselves is how to manage both today's and tomorrow's business requirements today.



Hussain Ibrahim Al Fardan  
Managing Director

## Managing Director's Report

We entered 2001 with the expectation that the United States' economy would finally slip into recession after a decade of strong growth. The US Federal Reserve slashed its key lending rates 11 times during the year and by a whopping 475 basis points in total, producing the lowest rates in the United States in 40 years. The tragic events of 11 September finally tipped the US over the edge and officially into recession. The ensuing political mood inevitably ushered in widespread negative sentiment. This impacted downwards on economic fundamentals and importantly, a matter which directly affects Qatar, on oil prices. With little prospect for quick recovery, investor confidence continued to elude the world's indices, which saw further diminution in market valuations.

As I have said, the Qatari economy was not totally isolated from these events, but it has continued to prosper. The boom like growth rates so apparent in 2000 may well also have dissipated, but the pace of new industrialisation showed no signs of abatement. Indeed landmark deals were struck in the form of the Dolphin Gas Project, Ras Gas II and the opening of the Qatar Vinyl Company (QVC) plant. Qatar Petroleum and Chevron Phillips Chemical Company (CPCC) initialled a new joint venture agreement for establishing a petrochemical plant at Ras Laffan, and a second Gas to Liquids project was earmarked for development by Qatar Petroleum and Exxon Mobil. Qatar not only successfully hosted the World Trade Organisation's 4th Ministerial Conference in November but also engendered a new round of trade talks hereafter to be named the 'Doha Round'. The Doha Securities Market also demonstrated an extraordinary demand-led appetite, which saw the market rise by approximately 37% over the course of the year, making it perhaps the leading bourse for growth in 2001, worldwide.

Ample local liquidity is a characteristic of the market today, a far cry from just a few years back. Qatari Riyal deposit rates have

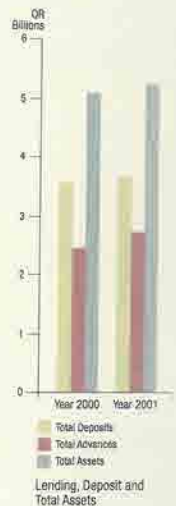
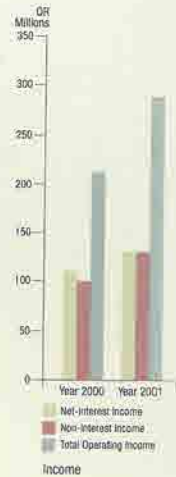
now converged with their international counterparts and in particular US dollar rates. The management of interest rate risk and the liquidity emanating from vast surpluses generated by explosive growth in GDP has displaced worries about shortage and funding risk, at least over the medium-term. In all, against a turbulent backdrop, we remain very optimistic about the Qatar economy.

As far as the Bank was concerned, the year was one of significant progress in terms of business consolidation and organisational change, but was also tinged with great sadness at the sudden death, in June, of Tim Nunan who was a much admired and universally respected General Manager of the Bank for 13 years. We shall all miss him.

At last year's assembly I reported upon the stringent reappraisal of our entire debt portfolio in 2000. We have continued to take a totally uncompromising view on asset quality applying classifications to all debt against the most demanding performance standards. Once again we have faced the need to set aside provisions to cover doubtful or non-performing debt and we shall do so in future with equal resolve, if this is what is required.

Business expansion has been very satisfactory if modest in purely volume terms, but a number of important initiatives were undertaken to re-position the Bank and to introduce new strategies that recognise the vast opportunities to come from a burgeoning economy.

Let me elaborate on the financial highlights of 2001: Total Assets rose above QR 5.2 billion; Loans and Deposits were up by 12.4% and 2.6% respectively; Net Interest Margin was at







#### Financial Highlights of 2001

Total Assets rose above QR 5.2 billion

Loans and Deposits increased by 12.4% and 2.6% respectively

Net Interest Margin rose to QR 158.6 million - an increase of 43.9%

Other Income increased by 30% to QR 130.8 million

Total Income before Provisions and Operating Expenses was at QR289.5 million - an increase of 37.3% over the previous year;

Cost to Income Ratio reflected an impressive reduction to 35.7% from 46.2% the previous year

Capital Adequacy Ratio and Liquidity Ratio was 14.4% and 138% against the Central Bank requirement of 10% and 100% respectively

Net Profit turned out at QR 101.135 million - an increase of 79.8% over the previous year.

#### The Board of Directors

Seated from left:

Mr. Hussain Ibrahim Al Fardan, Managing Director

H.E. Abdullah Bin Khalifa Al Attiyah, Chairman

Sh. Nasser Bin Faleh Al Thani, Director

Sh. Abdullah Bin Ali Bin Jabor Al Thani, Vice Chairman

Standing from left:

Mr. Khalifa Abdullah Al Sobai, Director (Qatar Insurance)

Mr. Jassim Mohammed Jabor Al Mussallam, Director

Mr. Hassan Bin Hassan Al Mulla Al Jufairi

Mr. Abdullah Mohammed Ibrahim Al Mannai, Director

## Managing Director's Report

QR 158.6 million - an increase of 43.9% over the previous year; Other Income was at QR 130.8 million - an increase of 30% over the previous year; Total Income before Provisions and Operating Expenses was at QR289.5 million - an increase of 37.3% over the previous year; A key efficiency indicator, which is the cost to Income Ratio (%), reflected an impressive reduction to 35.7% from 46.2% the previous year (2000); Our Capital Adequacy Ratio and Liquidity Ratio was 14.4% and 138% against the Central Bank requirement of 10% and 100% respectively; Net Profit outturned at QR 101.135 million - an increase of 79.8% over the previous year.

Net Profit, in spite of being at record levels, was impacted by the need to set aside additional and substantial provisions for potential loan loss and interest in suspense. Indeed we set aside an extra QR 79.8 million in provisions and QR 21.2 million to interest in suspense.

We take great pride in the fact that here in Qatar we are considered the leaders in personal and investment banking services. This has been achieved over the last decade by the innovation of many new products and new service channels, and by continuously delivering excellent personal service.

We are determined to stay ahead of our competition but to do this we recognise the need for continuous self-assessment, and where necessary renewal or re-invention. The key challenge facing Banks like ourselves - is how to manage both today's and tomorrow's business requirements today.

Therefore, during the year we decided to commence major change initiatives to four key and inter-related areas of the Bank - Customer Service, Human Resource, Technology and Brand Identity. We have engaged the services of external consultants to assist with the re-engineering of business processes and the physical branch environment. Our goal is to present the most modern customer-centric banking service in Qatar. We are well on track. Planning for the future does not detract us from our daily business,

which has gone on with the objective of generating more organic growth to add to our portfolio of services. The Bank participated in the financing of Ras Laffan IWPP and QAFCO IV and also co-arranged a US\$ 25 million term loan facility for a prominent local business group. In 2001 we launched two new versions of our highly successful Tejari Guaranteed Funds series and two Funds with Man Investments Ltd., with whom the Bank is also formalising a new joint venture partnership. We also continued to upgrade various electronic channels by adding payment functionality to our internet banking services, BankKey, so that customers can now pay for their electricity and telephones on-line. A Mortgage Finance service was also introduced. Our cards business continued to grow and our EFTPOS network is comfortably the largest in the country.

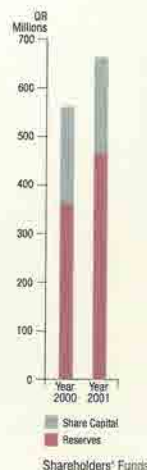
There is much more to come in 2002, and I am very proud and also grateful to my management team for their achievements last year. I am also very optimistic of the way they plan to approach our future.

I am also very gratified that Moody's, the premier international rating agency, has again accorded Commercial Bank of Qatar the highest rating amongst local banks.

For the past 27 years, the Commercial Bank of Qatar has been profitable and has paid dividends in every year since inception. Based on a share price of QR 46, the Internal Rate of Return (IRR) throughout this period comes to 20% per annum. This is remarkable.



Hussain Ibrahim Al Fardan  
Managing Director







The Commercial Bank of Qatar is continually evolving, becoming more proactive in its service, its systems and its response to customer needs. The Bank has embarked on a determined course of change to bring real benefits to customers and shareholders alike. However, our overall direction remains constant - the pursuit of excellence in our everyday endeavours.



Andrew C. Stevens  
General Manager

Mohammed I. Mandani  
Deputy General Manager



We are moving assertively to a high performance, high reward culture that will provide a rich vein of constructive help and advice, ensuring that everyone's experience of the Bank is as positive and as rewarding as it should be, both for staff and for customers.

## Management Review

It is gratifying to be able to report that the Commercial Bank of Qatar recorded strong growth throughout its operations during 2001, resulting in record profits in excess of QR100 million.

These results were in no small measure due to the outstanding efforts of both management and staff. They deserve our gratitude for their contribution in helping the Bank to reach such an important milestone in its history.

The Bank is also proud of its role as a good corporate citizen, and 2001 was marked by a number of community initiatives and charitable donations. More than QR2.5 million was donated to institutions including the Al Noor Institute (educational tools for the blind); Qatar Red Crescent Society (youth diabetic patient camp); Qatar University (new clinic for women); Qatar Diabetes Association (full gymnasium and equipment); Qatar Marital Consultancy Centre (new development for marital care and support); UNESCO and Qatar University (media training outlet for women). The Bank looks forward to supporting these, and many other deserving causes and institutions, in the years ahead.

As far as Orient 1 business is concerned, during the last twelve months we have experienced difficult market conditions in each of the countries in which we operate. Egypt is in the midst of a recession and is suffering from the uncertain effects of devaluation and the aftermath of 11th September. In Bahrain, our legal entity was only formed in November. Considerable progress was made in the expansion of our business despite very difficult market conditions. The economy of Egypt suffered from increasingly tight liquidity and the availability of US dollars, which was constrained during the first half of the year, and virtually ceased to be available after the events of September 2001. All sectors were seriously affected and this included our operations.

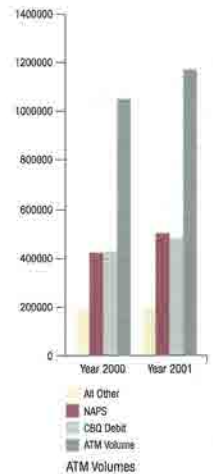
Because of extremely unfavorable economic conditions, a decision was taken in the fourth quarter of the year to suspend our lucrative Corporate Travel business. A major risk containment exercise was begun during the latter part of the year to exit our Personal Card portfolio issued on the risk and responsibility of the company. An agreement was reached with United Bank of Egypt to take over a number of these accounts and the rest are in the process of being repaid and closed.

The year 2001 was our third year of operations since incorporation. Satisfactory growth was achieved against a backdrop of difficult trading conditions. Profitability has been modest.

In 2002, we will be focussing on building the card base through the Co-brand banks. This is a low risk approach and it is expected that the business will now grow at a satisfactory pace.

Of all the many reasons 2001 has been a memorable year, the most significant in terms of the Bank's future was the start of a comprehensive programme of Internal Change consisting of four elements being developed concurrently across all aspects of the Bank's operations. The ultimate aim of this programme is to revolutionise the way the Bank does business. This is going to lead to a number of significant improvements across many facets of the Bank's operation during the course of 2002 and beyond.

Change is neither an easy nor a short-term process, and the results may not be immediately apparent, but it is a process that we must undergo in order to meet the growing challenges now confronting the old banking order. We are convinced that the Bank will emerge fitter and stronger, and ready to capitalise on the new





The background of the page is a vibrant yellow, overlaid with faint, intricate Arabic calligraphy in a darker shade. A circular emblem, possibly a bank logo, is visible in the lower-left quadrant of the yellow area. The text is centered and reads:

We are capitalising on new opportunities in electronic banking, for example, by investing heavily in equipment and resources. The Bank has also implemented a new technology training programme to ensure that advances in technology are carried through to the people who matter the most – our customers.



## Management Review

opportunities presented by the growth in Qatar's economy as well as developments elsewhere in the region.

The first element in the programme of change is the complete review of the Bank's structure, policies, processes and procedures. This review has been facilitated by the appointment of Business Process Re-Engineering Consultants, LoBue, from the United States of America, who have deployed a team of Process Engineers.

This team has already identified a vast range of opportunities for improvements, emanating from the re-evaluation of all our channels of distribution, the streamlining of a number of basic banking functions and the enhancement of intra-departmental communication and other areas where efficiency can be boosted. As these improvements flow through the operation, customers will find the Bank's service friendlier, faster and more enjoyable to deal with.

Ongoing training and personal development are central to the Bank's philosophy of maximising the potential of all our staff. The second element of change, therefore, recognises the need to equip our staff with modern techniques and skills so they can serve customers in the most effective and efficient way possible. We are moving towards a high performance, high reward culture that will provide a rich vein of constructive help and advice, ensuring that everyone's experience of the Bank is as positive and as rewarding as it should be, both for staff and for customers.

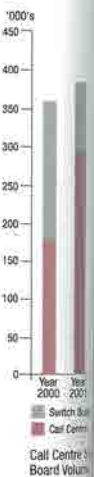
Key to this programme of change is the ability to harness technology for the ultimate benefit of our customers. As a third element we are actively assessing new innovations that will add value to our product and service offer, and we intend to capitalise on new developments in electronic banking, for example, by investing continuously in new state-of-the-art equipment and resources. The Bank has also implemented a new technology

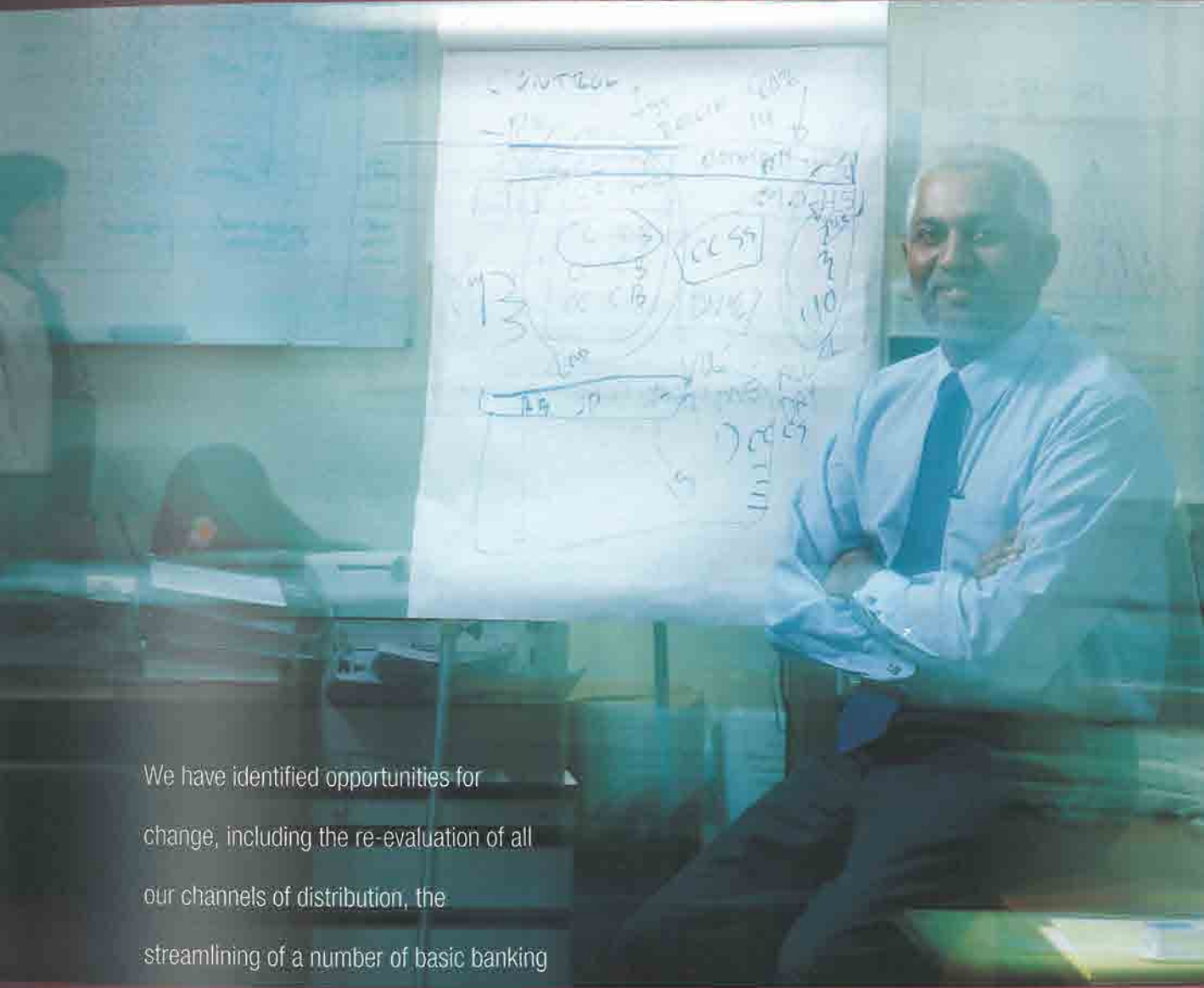
training programme to ensure that advances in technology are carried through to the people who matter the most – our customers.

These three important thrusts will enhance processes, enable well trained and highly motivated staff, and introduce the latest technology designed to provide the basic building blocks to conduct a new brand of banking service which, leveraged off our long heritage and rich tradition will deliver the ultimate in dynamic, innovative and personalised service. Our reputation, based on the quality of the service we offer, is of the utmost importance and to strengthen it even further we have embarked on the fourth element of change - the radical overhaul of the Bank's image which will ensure the many facets of our external presentation accurately express the significant developments taking place within. All of these initiatives stem from the core belief that our customer, whoever he or she is, will be at the focus of everything we do. The Bank's task over the short to medium term is, quite simply, to ensure that each of our customers receives the service they want, when, where and how they want it.

The year ahead will see much of the planning of the last 12 months come to fruition. The Bank has embarked on an aggressive programme of change that will impact our customers and every one in our work force. When this review is written a year from now, it will be to record some of the most important and far-reaching developments in the Bank's history.

  
Andy Stevens  
General Manager





We have identified opportunities for change, including the re-evaluation of all our channels of distribution, the streamlining of a number of basic banking functions, improvements in intra-departmental communication and other areas where efficiency can be boosted.





A combination of innovative products and commitment to service forms the basis of our success. We were the first bank in Qatar to introduce credit cards, the first to introduce our own investment funds. In 2001 that tradition of innovation based on customer need continued with the launch of internet banking, another first for Qatar.

A photograph of a woman with long dark hair, wearing a dark top, sitting at a desk in a dimly lit office. She is smiling and looking towards the camera. In front of her is a computer monitor displaying a webpage, a keyboard, and a mouse. The background is dark, with some blurred lights and shapes, suggesting a busy office environment.

The Commercial Bank of Qatar recorded strong growth throughout the operation during 2001. That the Bank was able to achieve these results was in no small measure due to the outstanding efforts of its staff.

## Report of the Auditors

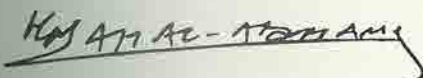
To  
The Shareholders  
The Commercial Bank of Qatar - Q.S.C.  
P. O. Box No 3232  
Doha, State of Qatar

We have audited the accompanying consolidated financial statements of **The Commercial Bank of Qatar - Q.S.C.** ("The Bank") as of and for the year ended 31 December 2001, as set out on pages 20 to 37. These consolidated financial statements are the responsibility of the Bank's directors and management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

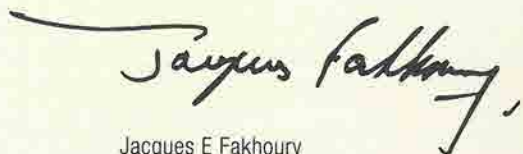
We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2001, the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended in accordance with International Accounting Standards and the Qatar Central Bank regulations.

Furthermore, in our opinion proper financial records have been kept and the contents of the directors' report which relate to the consolidated financial statements are in agreement with the Bank's financial records and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 11 of 1981, the Qatar Central Bank Law No. 15 of 1993 and the Bank's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above mentioned laws or the Articles of Association having occurred during the year which might have had a material adverse effect on the business of the Bank or on its financial position.



Abdul Hakim Al-Adhamy  
KPMG Peat Marwick  
Auditor's Registration No. 105  
Doha



Jacques E Fakhoury  
PriceWaterhouseCoopers  
Auditor's Registration No. 97  
Doha

## Consolidated Balance Sheet

As at 31 December 2001

Figures in thousand of Qatar Riyals

	Note	2001	2000
<b>ASSETS</b>			
Cash and balances with Central bank		160,571	167,495
Due from banks	3	10,242	48,128
Placements with foreign and local banks	3	1,118,529	1,161,035
Investments	4	997,528	1,033,919
Loans and advances to customers	5	2,729,779	2,429,444
Property, plant and equipment	6	74,106	70,670
Other assets	7	117,725	154,861
<b>Total assets</b>		<b>5,208,480</b>	<b>5,065,552</b>
<b>LIABILITIES</b>			
Customers' deposits	8	3,652,680	3,558,630
Due to banks and financial institutions	9	359,753	317,447
Medium term facilities	10	436,800	524,160
Other liabilities	11	97,432	104,051
<b>Total liabilities</b>		<b>4,546,665</b>	<b>4,504,288</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	197,754	197,754
Legal reserve		197,754	197,754
General reserve		26,500	26,500
Fair value reserve		44,058	-
Proposed dividend	14	49,439	39,551
Proposed bonus shares		39,551	-
Retained earnings		106,759	99,705
<b>Total shareholders' equity</b>		<b>661,815</b>	<b>561,264</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,208,480</b>	<b>5,065,552</b>
<b>CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS</b>	15	<b>2,165,257</b>	<b>1,921,455</b>

The financial statements were approved by the Board of Directors on 18 February 2002



H.E. Abdullah bin Khalifa Al Attiyah  
Chairman



Mr. Hussain Ibrahim Alfardan  
Managing Director



Mr. A C Stevens  
General Manager

The attached notes 1 to 29 form a part of these consolidated financial statements.

## Consolidated Statement of Income

For the year ended 31 December 2001

Figures in thousand of Qatar Riyals

	Note	2001	2000
Interest income	16	328,573	350,870
Interest expense	17	(169,936)	(240,628)
<b>Net interest income</b>		<b>158,637</b>	<b>110,242</b>
Other income	18	130,849	100,617
<b>Operating income</b>		<b>289,486</b>	<b>210,859</b>
Staff costs		57,770	54,488
General and administrative expenses	19	33,961	31,872
Depreciation	6	11,721	11,102
Provision for impairment of loans and advances	5	79,845	49,625
Provision for diminution in value of investments		-	7,525
Investment impairment loss		4,054	-
Provision for impairment losses on properties acquired in settlement of debts		1,000	-
<b>Total expenses</b>		<b>188,351</b>	<b>154,612</b>
<b>Net profit</b>		<b>101,135</b>	<b>56,247</b>
Basic earning per share		5.11	2.84
Number of ordinary shares		19,775,370	19,775,370

The attached notes 1 to 29 form a part of these consolidated financial statements.



## Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2001

Figures in thousand of Qatar Riyals

	Note	Share Capital	Legal Reserve*	General Reserve	Fair Value Reserve	Proposed Dividend	Proposed Bonus shares	Retained Earnings	Total
<b>Balance at 1 January 2000</b>		197,754	197,754	26,500	-	69,214	-	85,575	576,797
Payment of Dividend for 1999		-	-	-	-	(69,214)	-	-	(69,214)
Net profit for the year		-	-	-	-	-	-	56,247	56,247
Directors' remuneration		-	-	-	-	-	-	(1,160)	(1,160)
Contribution for social responsibilities		-	-	-	-	-	-	(1,406)	(1,406)
Proposed dividend 2000		-	-	-	-	39,551	-	(39,551)	-
<b>Balance at 31 December 2000 as previously stated</b>		197,754	197,754	26,500	-	39,551	-	99,705	561,264
<b>Effect of adopting IAS 39</b>									
Fair value adjustment for investment available for sale		-	-	-	-	-	-	18,183	18,183
Fair value adjustment for investment held for trading		-	-	-	-	-	-	76	76
<b>Balance restated as at 1 January 2001</b>		197,754	197,754	26,500	-	39,551	-	117,964	579,523
Fair value transferred to income on sale of investments available for sale		-	-	-	-	-	-	(8,249)	(8,249)
Payment of Dividend for 2000		-	-	-	-	(39,551)	-	-	(39,551)
Transfer	(13)	-	-	-	9,934	-	-	(9,934)	-
Adjustment for exchange rate fluctuations		-	-	-	-	-	-	(58)	(58)
Fair value adjustment at the end of the year on investments available for sale		-	-	-	34,124	-	-	-	34,124
Net profit for the year		-	-	-	-	-	-	101,135	101,135
Cash dividend proposed 2001	(14)	-	-	-	-	49,439	-	(49,439)	-
Dividend proposed by way of bonus share 2001	(14)	-	-	-	-	-	39,551	(39,551)	-
Directors' remuneration		-	-	-	-	-	-	(2,584)	(2,584)
Contribution for social responsibilities		-	-	-	-	-	-	(2,525)	(2,525)
<b>Balance as at 31 December 2001</b>		197,754	197,754	26,500	44,058	49,439	39,551	106,759	661,815

### \*Legal Reserve

In accordance with Qatar Central Bank regulations, 20% of the net profit for the year is required to be transferred to the Legal Reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 11 of 1981. No transfer has been made from the year 2000 as the reserve balance had reached 100% of the share capital.

The attached notes 1 to 29 form a part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2001

Figures in thousand of Qatar Riyals

	2001	2000
<b>Operating Activities</b>		
Net profit for the year	101,135	56,247
<b>Adjustments for</b>		
Provision for impairment of loans and advances	79,845	49,625
Profit on sale of investments	(33,674)	(9,303)
Depreciation	11,721	11,102
Release of provision for impairment of investments	-	(6,386)
Provision for impairment on properties acquired in settlement of debts	1,000	-
Fair value adjustments for investments held for trading	(48)	-
(Profit)/loss on sale of property, plant and equipment	(29)	19
Provision for diminution in value of investments and trading securities	-	7,525
<b>Operating cash flow before changes in working capital</b>	<b>159,950</b>	<b>108,829</b>
<b>Net (Increase) / decrease in operating assets</b>		
Net (increase) in loans and advances to customers	(380,180)	(190,555)
Increase in customer deposits	94,050	239,762
(Decrease) in other liabilities	(11,728)	(8,540)
Decrease/(increase) in other assets	36,136	(28,981)
<b>Net Cash (used in) / from Operating Activities</b>	<b>(101,772)</b>	<b>120,515</b>
<b>Investing Activities</b>		
Purchase of investments	(240,163)	(230,278)
Proceeds from sale of investments	354,410	77,553
Acquisition of property, plant and equipment	(15,647)	(10,090)
Proceeds from sale of property, plant and equipment	304	65
Acquisition of franchise	-	(25,638)
<b>Net Cash from/(used in) Investing activities</b>	<b>98,904</b>	<b>(188,388)</b>
<b>Financing Activities</b>		
Dividend paid	(39,551)	(69,214)
Medium term facility obtained	-	436,800
Medium term facility settled	(87,360)	(131,040)
<b>Net Cash (used in) from financing activities</b>	<b>(126,911)</b>	<b>236,546</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(129,779)</b>	<b>168,673</b>
Exchange rate conversion adjustments	157	127
Cash and cash equivalent at the beginning of the year	1,059,211	890,411
<b>Cash and cash equivalent at the end of the year (Note 20)</b>	<b>929,589</b>	<b>1,059,211</b>

The attached notes 1 to 29 form part of these consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2001

### 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 commercial 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

The following are the significant accounting policies which have been applied in the preparation of these consolidated financial statements:

#### a) Basis of preparation

These consolidated financial statements are prepared under the historical cost convention (except for measurement at fair values of derivatives, trading and available for sale investments) in accordance with International Accounting Standards and the relevant laws and banking regulations prescribed by the Qatar Central Bank.

#### b) Basis of consolidation

The accompanying consolidated financial statements incorporate the financial statements of the Bank and its wholly owned subsidiary companies, Diners Club Services Egypt SAE incorporated in Egypt and Orient 1 incorporated in Bermuda. All material inter-company transactions and balances have been eliminated.

#### c) Changes in accounting policies

Effective 1<sup>st</sup> January 2001, the Bank has adopted IAS 39 and IAS 40 for the first time. This has resulted in the following principal changes in the accounting policies of the Bank, in respect of the recognition and measurement of derivatives, non-derivative financial instruments and properties acquired against settlement of debts.

#### Derivative financial instruments

Effective 1<sup>st</sup> January 2001, the Bank has recognized all derivative financial instruments in its balance sheet as either assets or liabilities, at their fair values. All opening fair value adjustments have been made against retained earnings on 1<sup>st</sup> January 2001.

#### Non-derivative financial instruments

Effective 1<sup>st</sup> January 2001, the Bank reclassified its investments as held for trading, originated debt securities and available for sale investments and re-measured to fair value those classified as held for trading and available for sale. On 1<sup>st</sup> January 2001, the adjustments relating to the re-measurement of the held for trading and available for sale investments to fair value have been taken to retained earnings. Subsequent changes in fair value relating to available for sale investments have been recognized in the fair value reserve.

In addition, impaired loans and advances are now stated at the net present value of future cash flows by reference to their original interest rates. The net present value adjustments to impaired loans and advances as at 1<sup>st</sup> January 2001 have been made against retained earnings. Subsequent changes in net present value have been taken to the statement of income.

#### Properties acquired against settlement of debts

Effective 1<sup>st</sup> January 2001 the Bank has adopted the cost model as per International Accounting Standard 40.

#### Comparative Figures

In accordance with the transitional provisions of IAS 39, the Bank has not restated the comparative amounts.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### d) Investments

The Bank maintains three separate investment portfolios, as follows:

- Held for Trading
- Originated Securities
- Available for sale

All investments are initially recognized at cost, being the fair value of the consideration given.

Held for Trading investments are measured at fair value, any gain or loss arising from the change in their fair values are recognized directly in the statement of income.

Originated debt securities include investments, which are purchased directly from the issuer other than those purchased with the intent to be sold in the short term. Originated debt securities whose fair value has not been hedged are stated at amortized cost, less provision for impairment. Any gain or loss is recognized in the statement of income when the investment is sold or impaired.

Available for sale investments are subsequently measured at fair value.

In relation to available for sale investments whose fair value has not been hedged, any gain or loss arising from a change in its fair value is recognized directly in the fair value reserve until the investment is sold or impaired, at which time the cumulative gain or loss previously recognized in shareholders equity is included in the statement of income for the period. Available for sale investments whose fair value cannot be reliably measured are carried at cost less provision for impairment if any, until such time the fair value can be reliably measured.

Investments in associated companies are accounted for following the equity method.

### e) Loans and advances

Loans and advances are stated at cost less any provisions for their impairment.

The Bank carries out a review of all individually significant loans and advances at each balance sheet date. Where impairment has been identified, the provision for impairment is the difference between the carrying amount and the estimated recoverable amounts determined by discounting cash flows using the original rate of interest.

In cases where specific impairment has not been identified and where the bank has not carried out an impairment review, a provision is made based upon historical experience of losses in the portfolio.

Loans and advances are written off only in circumstances where all reasonable restructuring and collection activities have been exhausted.

### f) Property, plant & equipment

Property, plant and equipment are initially recorded at cost. Assets excluding freehold land are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	20 years
Furniture and equipment	3-7 years
Motor vehicles	5 years

Gains and losses on disposal are recognized in the statement of income.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### **g) Employee's end of service benefits**

The Bank makes full provision for end of service benefits payable to employees on the basis of the individual's period of service at year-end, in accordance with the employment policy of the Bank. The bank treats this as current liability.

### **h) Revenue recognition**

Interest income and expenses are recognized on a time portion basis taking account of the rate applicable and the principal outstanding. Interest income on loans considered not to be performing is excluded from income until received in cash. Fees and commission income are accounted for on the date of the transaction giving rise to that income. Dividend income is recognized when the right to receive the dividend is established.

### **i) Foreign currencies**

The Bank maintains its books of accounts in Qatari Riyals. Transactions during the year in other currencies are translated into Qatari Riyals at the prevailing rate of exchange on the date of transactions. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Qatari Riyals at spot rates prevailing at year end. Realized and unrealized exchange differences arising on translation are dealt with in the statement of income.

On consolidation the assets and liabilities of the subsidiary companies are translated at exchange rates ruling at the balance sheet date.

### **j) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand and deposits with Qatar Central Bank and amounts due from other banks on demand and placements maturing within 90 days.

### **k) Directors' remuneration**

In accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 1981, directors' remuneration has been treated as an appropriation of profit.

### **l) Franchises**

The franchise costs are amortised over the duration of the franchise agreement (20 years) and these are included in other assets.

### **m) Impairment of assets**

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognized in the statement of income.

### **n) Derivatives**

The Bank uses forward contracts, options and FX swaps for trading and hedging purposes. These derivatives are initially measured at cost and are subsequently remeasured at fair value and changes in fair value are recognized in the statement of income.

Derivatives with positive market values are included in other assets and derivatives with negative market values are included in other liabilities. The resultant gains and losses from derivatives held for trading and hedging purposes are included in the statement of income.

Fair values represent quoted market prices or internal pricing models as appropriate.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 3. DUE FROM BANKS AND PLACEMENTS WITH FOREIGN AND LOCAL BANKS

The maturity profile of amounts due from banks and placements with foreign and local banks is as follows:

In thousand Qatar Riyals

	2001	2000
On demand	10,242	48,128
Placements maturing within one year	1,118,529	1,161,035
<b>Total</b>	<b>1,128,771</b>	<b>1,209,163</b>

### 4. INVESTMENTS

	2001	2000
a) Investment held for trading	7,983	99,182
b) Originated securities		
Fixed rate securities	604,070	604,070
c) Investment available for sale		
Quoted equities	85,829	-
Unquoted equities	100,957	-
Fixed rate securities	193,689	-
	380,475	330,667
d) Investment in Associates		
Unquoted equities*	5,000	-
<b>Total</b>	<b>997,528</b>	<b>1,033,919</b>

\*This represents 25% of the bank's holding in an investment company in Qatar under formation.

### 5. LOANS AND ADVANCES

	2001	2000
a) By type		
<b>Performing</b>		
Overdrafts	929,726	777,164
Loans	1,697,085	1,582,277
Bills discounted	39,216	32,199
	2,666,027	2,391,640
<b>Non-performing loans and advances net of interest in suspense</b>		
Overdrafts	70,279	39,170
Loans	184,386	108,437
Less: Interest in suspense	(36,938)	(22,955)
	217,727	124,652
Total loans and advances	2,883,754	2,516,292
Less: Provision for impairment	(153,975)	(86,848)
<b>Net loans and advances</b>	<b>2,729,779</b>	<b>2,429,444</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 5. LOANS AND ADVANCES continued

In thousand Qatar Riyals

	2001	2000
<b>b) By maturity before provisions and interest in suspense</b>		
On demand	1,011,361	825,254
Within one year	384,564	342,143
Above one year	1,524,767	1,371,850
<b>Total</b>	<b>2,920,692</b>	<b>2,539,247</b>

	2001	2000
<b>c) By industry before provisions and interest in suspense</b>		
Government and government agencies	610,400	258,412
Commercial	548,853	574,597
Industry	89,269	59,495
Transportation	43,164	84,172
Personal	1,142,639	1,139,743
Contracting	325,472	334,152
Others	160,895	88,676
<b>Total</b>	<b>2,920,692</b>	<b>2,539,247</b>

	2001	2000
<b>d) Movement in provision for impairment of loans</b>		
Balance at 1st January	86,848	51,707
Provisions made during the year	79,845	49,625
Recoveries during the year	(7,092)	(4,659)
Written off during the year	(5,626)	(9,825)
<b>Balance at 31 December</b>	<b>153,975</b>	<b>86,848</b>

e) During the year interest suspended on non-performing loans and advances was QR 21.195 million (2000 QR 10.606 million)

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 6. PROPERTY, PLANT & EQUIPMENT

In thousand Qatar Riyals

Cost	Free-hold Land & Building	Furniture & Equipment	Motor Vehicles	Capital work-in-Progress	Total
Balance at 1 January 2001 as previously reported	68,758	75,745	2,239	-	146,742
Adjustment for exchange rates fluctuation	-	(304)	(81)	-	(385)
<b>Balance at 1 January 2001 as restated</b>	<b>68,758</b>	<b>75,441</b>	<b>2,158</b>	<b>-</b>	<b>146,357</b>
Additions during the year	991	6,256	503	7,897	15,647
Disposals during the year	(500)	(74)	(180)	-	(754)
Balance at 31 December 2001	69,249	81,623	2,481	7,897	161,250
<b>Accumulated depreciation:</b>					
Balance at 1 January 2001 as previously reported	20,092	54,835	1,145	-	76,072
Adjustment for exchange rates fluctuation	-	(162)	(8)	-	(170)
Balance at 1 January 2001 as restated	20,092	54,673	1,137	-	75,902
Charge for the year	2,517	8,804	400	-	11,721
Disposals	(225)	(74)	(180)	-	(479)
Balance at 31 December 2001	22,384	63,403	1,357	-	87,144
<b>Net book value as at 31 December 2001</b>	<b>46,865</b>	<b>18,220</b>	<b>1,124</b>	<b>7,897</b>	<b>74,106</b>
Net book value as at 31 December 2000	48,666	20,910	1,094	-	70,670

### 7. OTHER ASSETS

	2001	2000
Interest receivable	12,046	19,163
Pre-payments and other receivable	39,399	69,125
Franchise & other intangibles ( Note a)	28,149	28,720
Net value of the properties acquired in settlement of debts (Note b)	13,240	21,283
Positive fair value of derivatives	752	-
Others	24,139	16,570
<b>Total</b>	<b>117,725</b>	<b>154,861</b>

a) This represents the cost of acquiring Diners Club franchise in Qatar, Egypt, Bahrain, Syria and Yemen.

b) This represents the acquisition of properties made in settlement of debts and held for resale. The market value of these properties as of 31 December 2001 is QR 16,113,000/- (2000 QR 22,482,000/-)

### 8. CUSTOMERS' DEPOSITS

	2001	2000
<b>a) By type</b>		
Demand deposits	433,099	332,722
Saving deposits	155,742	121,832
Time deposits	3,057,624	3,101,054
Other deposits	6,215	3,022
<b>Total</b>	<b>3,652,680</b>	<b>3,558,630</b>



## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 8. CUSTOMERS' DEPOSITS continued

In thousand Qatar Riyals

	2001	2000
<b>b) By maturity</b>		
On demand	399,659	335,744
Within one year	3,252,021	3,222,586
Above one year	1,000	300
<b>Total</b>	<b>3,652,680</b>	<b>3,558,630</b>
	2001	2000
<b>c) By sector</b>		
Government, semi government and government agencies	968,281	576,160
Individuals and corporate	2,684,399	2,982,470
<b>Total</b>	<b>3,652,680</b>	<b>3,558,630</b>

### 9. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2001	2000
Demand and call deposits	9,952	5,190
Deposits maturing within one year	349,801	312,257
<b>Total</b>	<b>359,753</b>	<b>317,447</b>

### 10. MEDIUM TERM FACILITIES

This represents amounts borrowed from a consortium of GCC based international financial institutions through syndication, to finance the general operations of the bank. The balance as at 31 December 2001 amounted to USD 120 million or QR 436.8 million (2000 : USD 144 million or QR 524.1 million) repayable in five semi annual installments commencing from 12 May 2003 and ending on 12 May 2005.

This facility carries interest at commercial rates. The bank has the option to effect early settlement of this facility in tranches of a specified amount or to prepay it by giving prior notice to the lenders.

### 11. OTHER LIABILITIES

	2001	2000
Provision for employees terminal benefits*	24,231	21,856
Accrued interest payable and unearned income	27,298	34,922
Negative fair value of derivatives	881	-
Other liabilities	45,022	47,273
<b>Total</b>	<b>97,432</b>	<b>104,051</b>

\* Number of staff as at 31 December 2001 was 537 (31 December 2000: 564)

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 12. SHARE CAPITAL

In thousand Qatar Riyals

	2001	2000
19,775,370 ordinary shares of QR 10 each (authorised, issued and paid up)	197,754	197,754

### 13. FAIR VALUE RESERVE

The transfer from retained earnings to fair value reserve is as per Qatar Central Bank circular 7/2002 dated 6 January 2002 and is net of amount recycled to the statement of income on sale of investment available for sale.

### 14. PROPOSED DIVIDEND AND ISSUE OF BONUS SHARES

The Board of Directors have proposed a cash dividend of 25% (or QR 2.5 per share) for the year 2001. The Board of Directors have also proposed an issue of one bonus share for every 5 shares held as at 31 December 2001.

### 15. CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS

	2001	2000
Letters of credit and acceptances	511,328	424,532
Guarantees	920,153	829,317
Forward foreign exchange contracts	102,026	117,535
Un-utilized credit facilities	424,656	400,969
Guaranteed funds and others (Note a)	207,094	149,102
<b>Total</b>	<b>2,165,257</b>	<b>1,921,455</b>

a) This includes an amount of QR 196 million (2000 :QR 146 million) being the bank's exposure to the credit risk on its principal guaranteed funds issued to investors. The bank has guaranteed the principal amount of the funds issued in collaboration with the lead manager who has, in return, issued a back-to-back guarantee to the bank.

### 16. INTEREST INCOME

	2001	2000
Due from banks and financial institutions	22,012	45,453
Investments	64,405	63,655
Loans and advances	242,156	241,762
<b>Total</b>	<b>328,573</b>	<b>350,870</b>

### 17. INTEREST EXPENSE

	2001	2000
Due to banks and financial institutions	27,178	38,328
Customers' deposits	142,758	202,300
<b>Total</b>	<b>169,936</b>	<b>240,628</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 18. OTHER INCOME

In thousand Qatar Riyals

	2001	2000
Fees and commissions	61,334	65,792
Income from investments	53,101	17,158
Net gains from dealing in foreign currencies	7,552	11,281
Recovery of provisions	8,862	6,386
<b>Total</b>	<b>130,849</b>	<b>100,617</b>

### 19. GENERAL AND ADMINISTRATIVE EXPENSES

	2001	2000
Legal and professional charges	3,469	3,174
Marketing & promotional expenses	8,158	7,258
Communication	2,626	2,529
Supplies	2,944	2,745
Occupancy and maintenance	7,672	7,635
Other establishment expenses	9,092	8,531
<b>Total</b>	<b>33,961</b>	<b>31,872</b>

### 20. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2001	2000
Cash and deposits with Qatar Central Bank	160,571	167,495
Due from banks and placements with banks	1,128,771	1,209,163
Due to banks	(359,753)	(317,447)
<b>Total</b>	<b>929,589</b>	<b>1,059,211</b>

Balances with Qatar Central Bank include mandatory reserve deposits of QR 91,680,000/-. These deposits are not available to fund the Bank's day to day operations.

### 21. SEGMENT INFORMATION

The Bank is organized into one main business segment which comprises of commercial banking activities. However the Bank also has operations in Diners Club card business in Bahrain, Syria, Yemen and Egypt through its subsidiaries Orient 1 and Diners Club Services Egypt S.A.E. Qatar holds 99% of the assets and contributes to almost all of the profits.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 22. GEOGRAPHICAL DISTRIBUTION

In thousand Qatar Riyals

	Qatar	Other GCC Countries	Europe	North America	Others	Total
<b>As at 31 December 2001</b>						
Cash and deposits with Qatar Central Bank	160,571	-	-	-	-	160,571
Due from banks & placements with banks	1,489	624,255	439,810	4,386	58,831	1,128,771
Investments	874,934	20,592	11,747	41,435	48,820	997,528
Loans and advances to customers	2,586,216	139,245	4,318	-	-	2,729,779
Property, plant & equipment	73,124	120	-	-	862	74,106
Other assets	84,884	-	-	-	32,841	117,725
<b>Total assets</b>	<b>3,781,218</b>	<b>784,212</b>	<b>455,875</b>	<b>45,821</b>	<b>141,354</b>	<b>5,208,480</b>
Customer deposits	3,445,204	204,501	1,034	-	1,941	3,652,680
Due to banks and financial institutions	83,995	215,758	57,291	188	2,521	359,753
Medium term facilities	-	436,800	-	-	-	436,800
Other liabilities	97,157	-	-	-	275	97,432
Shareholders' equity	661,815	-	-	-	-	661,815
<b>Total liabilities and shareholders' equity</b>	<b>4,288,171</b>	<b>857,059</b>	<b>58,325</b>	<b>188</b>	<b>4,737</b>	<b>5,208,480</b>
<b>As at 31 December 2000</b>						
Cash and deposits with Qatar Central Bank	167,495	-	-	-	-	167,495
Due from banks	13,500	786,913	304,479	58,126	46,145	1,209,163
Investments	904,297	22,584	15,891	46,864	44,283	1,033,919
Loans and advances	2,268,156	153,675	7,559	-	54	2,429,444
Property, plant & equipment	68,914	539	-	-	1,217	70,670
Other assets	122,298	-	-	-	32,563	154,861
<b>Total assets</b>	<b>3,544,660</b>	<b>963,711</b>	<b>327,929</b>	<b>104,990</b>	<b>124,262</b>	<b>5,065,552</b>
Customer deposits	3,479,667	73,230	4,591	-	1,142	3,558,630
Due to banks & financial institutions	65,565	169,218	73,307	5,905	3,452	317,447
Medium term facilities	-	524,160	-	-	-	524,160
Other liabilities	101,393	-	-	-	2,658	104,051
Shareholders' equity	561,264	-	-	-	-	561,264
<b>Total liabilities and shareholders' equity</b>	<b>4,207,889</b>	<b>766,608</b>	<b>77,898</b>	<b>5,905</b>	<b>7,252</b>	<b>5,065,552</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 23. INTEREST RATE RISK SENSITIVITY

A summary of the bank's interest rate sensitivity position at 31 December 2001 based on the earlier contractual re-pricing or maturity dates is as follows;

	In thousand Qatar Riyals						
	Less than 1 month	1-3 Months	3-12 Months	More than 1 Year	Non-interest sensitive	Total	Effective Interest Rate %
<b>As at 31 December 2001</b>							
Cash and deposits with Qatar Central Bank	-	-	-	-	160,571	160,571	
Due from banks & placements	1,087,792	16,427	24,552	-	-	1,128,771	4.19
Investments	291,200	-	194,700	311,599	200,029	997,528	7.60
Loans and advances	1,051,974	42,289	123,009	1,512,507	-	2,729,779	9.63
Property, plant & equipment	-	-	-	-	74,106	74,106	
Other assets	-	-	-	-	117,725	117,725	
<b>Total assets</b>	<b>2,430,966</b>	<b>58,716</b>	<b>342,261</b>	<b>1,824,106</b>	<b>552,431</b>	<b>5,208,480</b>	
Customer deposits	2,043,837	744,500	424,029	1,000	439,314	3,652,680	4.82
Due to banks & financial institutions	359,753	-	-	-	-	359,753	2.64
Medium term facilities	-	-	436,800	-	-	436,800	5.40
Other liabilities	-	-	-	-	97,432	97,432	
Shareholders' equity	-	-	-	-	661,815	661,815	
<b>Total liabilities and shareholders' equity</b>	<b>2,403,590</b>	<b>744,500</b>	<b>860,829</b>	<b>1,000</b>	<b>1,198,561</b>	<b>5,208,480</b>	
<b>Interest rate sensitivity gap</b>	<b>27,376</b>	<b>(685,784)</b>	<b>(518,568)</b>	<b>1,823,106</b>	<b>(646,130)</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>27,376</b>	<b>(658,408)</b>	<b>(1,176,976)</b>	<b>646,130</b>	<b>-</b>	<b>-</b>	
<b>As at 31 December 2000</b>							
Cash and deposits with Qatar Central Bank	-	-	-	-	167,495	167,495	
Due from banks	1,023,575	173,172	12,416	-	-	1,209,163	6.32
Investments	291,200	-	-	572,731	169,988	1,033,919	7.98
Loans and advances	921,040	40,664	92,889	1,374,851	-	2,429,444	10.62
Property, plant & equipment	-	-	-	-	70,670	70,670	
Other assets	-	-	-	-	154,861	154,861	
<b>Total assets</b>	<b>2,235,815</b>	<b>213,836</b>	<b>105,305</b>	<b>1,947,582</b>	<b>563,014</b>	<b>5,065,552</b>	
Customer deposits	2,195,045	602,927	424,614	300	335,744	3,558,630	7.03
Due to banks & financial institutions	15,695	301,752	-	-	-	317,447	5.60
Medium term facilities	-	43,680	480,480	-	-	524,160	7.26
Other liabilities	-	-	-	-	104,051	104,051	
Shareholders' equity	-	-	-	-	561,264	561,264	
<b>Total liabilities and shareholders' equity</b>	<b>2,210,740</b>	<b>948,359</b>	<b>905,094</b>	<b>300</b>	<b>1,001,059</b>	<b>5,065,552</b>	
<b>Interest rate sensitivity gap</b>	<b>25,075</b>	<b>(734,523)</b>	<b>(799,789)</b>	<b>1,947,282</b>	<b>(438,045)</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>25,075</b>	<b>(709,448)</b>	<b>(1,509,237)</b>	<b>438,045</b>	<b>-</b>	<b>-</b>	

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 24. DERIVATIVES

In the ordinary course of business, the Bank utilizes the following derivative financial instruments for both trading and hedging purposes:

Swaps are commitments to exchange one set of cash flows for another. For currency swaps, fixed interest payments and principal are exchanged in different currencies.

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

#### Derivatives held for trading purposes

Most of the Bank's derivative trading activities relate to sales positioning. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices.

#### Derivatives held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves reducing the Bank's exposure to fluctuations in foreign exchange rates and interest rates to acceptable levels as determined by the Bank within the guidelines issued by Qatar Central Bank. The Bank has established levels of currency risk by setting limits on counter party and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Bank has established a level of interest rate risk by setting limits on interest rate gaps for stipulated periods. Assets and liability interest rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce interest rate gaps within the established limits.

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to adjust its own exposure to currency and interest rate risks. This is generally achieved by hedging specific transactions as well as strategic overall balance sheet exposures. Strategic hedging does not qualify for special hedge accounting and hence the related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

The table shows the notional amounts analyzed by the term of maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved.

Outstanding derivative instruments as at 31 December 2001 comprise:

	In thousand Qatar Riyals			
	Less than 1 month	1 to 3 months	3 months and above	Total
Notional principal				
Forward foreign exchange	72,223	29,981	-	102,204

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 25. CREDIT RISK

The Bank attempts to manage its credit risk exposure through diversification of its investments, capital markets and lending activities to avoid undue concentrations of risks with individuals or groups or customers in specific locations or businesses. It also obtains security where appropriate.

The Bank controls the credit risk arising from derivatives and foreign exchange contracts through its credit approval process and the use of risk control limits and monitoring procedures. The Bank uses the same credit risk procedures when entering into derivative and foreign exchange transactions as it does for traditional lending products.

The debt securities included in the investment portfolio carry mainly sovereign risk. The compositions of loans and advances is set out in note 5. Information on the credit risk relating to derivative instruments is provided in note 24.

### 26. CURRENCY RISK

The Qatari Riyal has for many years maintained a stable parity against the United States Dollar at officially quoted Qatar Central Bank rates. The bank had the following significant net open foreign assets position as at the balance sheet date.

In thousand Qatar Riyals

	2001	2000
United States Dollars	796,308	773,111

### 27. LIQUIDITY RISK

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit down grades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Bank has a diversification of funding sources and a diversified portfolio of high quality liquid assets and readily marketable securities.

Note 23 sets out the maturity profile of the Bank's major assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

### 28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Bank's financial instruments approximates the amount for which an asset could be exchanged, or a liability settled between knowledgeable and willing parties in an arm's length transaction.

In the opinion of management, the book values of financial assets and liabilities, excluding investments in originated debt securities, is not significantly different from their fair values due to their short-term nature or, in the case of customer deposits and loans, due to frequent re-pricing.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 29. TRANSACTIONS WITH RELATED PARTIES

The Bank carries out various transactions in the ordinary course of business at "arms length basis" with members of the Board of Directors and companies in which they have significant interest. The balances at the year end with the members of the Board and the companies in which they have significant interest were as follows:

	In thousand Qatar Riyals	
	2001	2000
Loans and advances	138,696	136,504
Deposits	62,281	106,152
Contingent liabilities, guarantees and other commitments	36,011	81,036

A significant portion of the above advances are secured against tangible collateral or personal guarantees. Moreover, the loans and advances are performing satisfactorily with all obligations honoured as arranged.



## Directory

### The Commercial Bank of Qatar Q.S.C.

#### Head Office

Grand Hamad Street

PO Box 3232, Doha, State of Qatar

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Facsimile: +974 449 0070

Telex: 4351 TEJARI DH

<http://www.cbq.com.qa>

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Facsimile: +974 449 0053

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## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

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## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

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The debt securities included in the investment portfolio carry mainly sovereign risk. The compositions of loans and advances is set out in note 5. Information on the credit risk relating to derivative instruments is provided in note 24.

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## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

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The table shows the notional amounts analyzed by the term of maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved.

Outstanding derivative instruments as at 31 December 2001 comprise:

	In thousand Qatar Riyals			
	Less than 1 month	1 to 3 months	3 months and above	Total
Notional principal				
Forward foreign exchange	72,223	29,981	-	102,204

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 23. INTEREST RATE RISK SENSITIVITY

A summary of the bank's interest rate sensitivity position at 31 December 2001 based on the earlier contractual re-pricing or maturity dates is as follows;

	In thousand Qatar Riyals						
	Less than 1 month	1-3 Months	3-12 Months	More than 1 Year	Non-interest sensitive	Total	Effective Interest Rate %
<b>As at 31 December 2001</b>							
Cash and deposits with Qatar Central Bank	-	-	-	-	160,571	160,571	
Due from banks & placements	1,087,792	16,427	24,552	-	-	1,128,771	4.19
Investments	291,200	-	194,700	311,599	200,029	997,528	7.60
Loans and advances	1,051,974	42,289	123,009	1,512,507	-	2,729,779	9.63
Property, plant & equipment	-	-	-	-	74,106	74,106	
Other assets	-	-	-	-	117,725	117,725	
<b>Total assets</b>	<b>2,430,966</b>	<b>58,716</b>	<b>342,261</b>	<b>1,824,106</b>	<b>552,431</b>	<b>5,208,480</b>	
Customer deposits	2,043,837	744,500	424,029	1,000	439,314	3,652,680	4.82
Due to banks & financial institutions	359,753	-	-	-	-	359,753	2.64
Medium term facilities	-	-	436,800	-	-	436,800	5.40
Other liabilities	-	-	-	-	97,432	97,432	
Shareholders' equity	-	-	-	-	661,815	661,815	
<b>Total liabilities and shareholders' equity</b>	<b>2,403,590</b>	<b>744,500</b>	<b>860,829</b>	<b>1,000</b>	<b>1,198,561</b>	<b>5,208,480</b>	
<b>Interest rate sensitivity gap</b>	<b>27,376</b>	<b>(685,784)</b>	<b>(518,568)</b>	<b>1,823,106</b>	<b>(646,130)</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>27,376</b>	<b>(658,408)</b>	<b>(1,176,976)</b>	<b>646,130</b>	<b>-</b>	<b>-</b>	
<b>As at 31 December 2000</b>							
Cash and deposits with Qatar Central Bank	-	-	-	-	167,495	167,495	
Due from banks	1,023,575	173,172	12,416	-	-	1,209,163	6.32
Investments	291,200	-	-	572,731	169,988	1,033,919	7.98
Loans and advances	921,040	40,664	92,889	1,374,851	-	2,429,444	10.62
Property, plant & equipment	-	-	-	-	70,670	70,670	
Other assets	-	-	-	-	154,861	154,861	
<b>Total assets</b>	<b>2,235,815</b>	<b>213,836</b>	<b>105,305</b>	<b>1,947,582</b>	<b>563,014</b>	<b>5,065,552</b>	
Customer deposits	2,195,045	602,927	424,614	300	335,744	3,558,630	7.03
Due to banks & financial institutions	15,695	301,752	-	-	-	317,447	5.60
Medium term facilities	-	43,680	480,480	-	-	524,160	7.26
Other liabilities	-	-	-	-	104,051	104,051	
Shareholders' equity	-	-	-	-	561,264	561,264	
<b>Total liabilities and shareholders' equity</b>	<b>2,210,740</b>	<b>948,359</b>	<b>905,094</b>	<b>300</b>	<b>1,001,059</b>	<b>5,065,552</b>	
<b>Interest rate sensitivity gap</b>	<b>25,075</b>	<b>(734,523)</b>	<b>(799,789)</b>	<b>1,947,282</b>	<b>(438,045)</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>25,075</b>	<b>(709,448)</b>	<b>(1,509,237)</b>	<b>438,045</b>	<b>-</b>	<b>-</b>	

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 22. GEOGRAPHICAL DISTRIBUTION

In thousand Qatar Riyals

	Qatar	Other GCC Countries	Europe	North America	Others	Total
<b>As at 31 December 2001</b>						
Cash and deposits with Qatar Central Bank	160,571	-	-	-	-	160,571
Due from banks & placements with banks	1,489	624,255	439,810	4,386	58,831	1,128,771
Investments	874,934	20,592	11,747	41,435	48,820	997,528
Loans and advances to customers	2,586,216	139,245	4,318	-	-	2,729,779
Property, plant & equipment	73,124	120	-	-	862	74,106
Other assets	84,884	-	-	-	32,841	117,725
<b>Total assets</b>	<b>3,781,218</b>	<b>784,212</b>	<b>455,875</b>	<b>45,821</b>	<b>141,354</b>	<b>5,208,480</b>
Customer deposits	3,445,204	204,501	1,034	-	1,941	3,652,680
Due to banks and financial institutions	83,995	215,758	57,291	188	2,521	359,753
Medium term facilities	-	436,800	-	-	-	436,800
Other liabilities	97,157	-	-	-	275	97,432
Shareholders' equity	661,815	-	-	-	-	661,815
<b>Total liabilities and shareholders' equity</b>	<b>4,288,171</b>	<b>857,059</b>	<b>58,325</b>	<b>188</b>	<b>4,737</b>	<b>5,208,480</b>
<b>As at 31 December 2000</b>						
Cash and deposits with Qatar Central Bank	167,495	-	-	-	-	167,495
Due from banks	13,500	786,913	304,479	58,126	46,145	1,209,163
Investments	904,297	22,584	15,891	46,864	44,283	1,033,919
Loans and advances	2,268,156	153,675	7,559	-	54	2,429,444
Property, plant & equipment	68,914	539	-	-	1,217	70,670
Other assets	122,298	-	-	-	32,563	154,861
<b>Total assets</b>	<b>3,544,660</b>	<b>963,711</b>	<b>327,929</b>	<b>104,990</b>	<b>124,262</b>	<b>5,065,552</b>
Customer deposits	3,479,667	73,230	4,591	-	1,142	3,558,630
Due to banks & financial institutions	65,565	169,218	73,307	5,905	3,452	317,447
Medium term facilities	-	524,160	-	-	-	524,160
Other liabilities	101,393	-	-	-	2,658	104,051
Shareholders' equity	561,264	-	-	-	-	561,264
<b>Total liabilities and shareholders' equity</b>	<b>4,207,889</b>	<b>766,608</b>	<b>77,898</b>	<b>5,905</b>	<b>7,252</b>	<b>5,065,552</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 18. OTHER INCOME

In thousand Qatar Riyals

	2001	2000
Fees and commissions	61,334	65,792
Income from investments	53,101	17,158
Net gains from dealing in foreign currencies	7,552	11,281
Recovery of provisions	8,862	6,386
<b>Total</b>	<b>130,849</b>	<b>100,617</b>

### 19. GENERAL AND ADMINISTRATIVE EXPENSES

	2001	2000
Legal and professional charges	3,469	3,174
Marketing & promotional expenses	8,158	7,258
Communication	2,626	2,529
Supplies	2,944	2,745
Occupancy and maintenance	7,672	7,635
Other establishment expenses	9,092	8,531
<b>Total</b>	<b>33,961</b>	<b>31,872</b>

### 20. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2001	2000
Cash and deposits with Qatar Central Bank	160,571	167,495
Due from banks and placements with banks	1,128,771	1,209,163
Due to banks	(359,753)	(317,447)
<b>Total</b>	<b>929,589</b>	<b>1,059,211</b>

Balances with Qatar Central Bank include mandatory reserve deposits of QR 91,680,000/-. These deposits are not available to fund the Bank's day to day operations.

### 21. SEGMENT INFORMATION

The Bank is organized into one main business segment which comprises of commercial banking activities. However the Bank also has operations in Diners Club card business in Bahrain, Syria, Yemen and Egypt through its subsidiaries Orient 1 and Diners Club Services Egypt S.A.E. Qatar holds 99% of the assets and contributes to almost all of the profits.



## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 12. SHARE CAPITAL

In thousand Qatar Riyals

	2001	2000
19,775,370 ordinary shares of QR 10 each (authorised, issued and paid up)	197,754	197,754

### 13. FAIR VALUE RESERVE

The transfer from retained earnings to fair value reserve is as per Qatar Central Bank circular 7/2002 dated 6 January 2002 and is net of amount recycled to the statement of income on sale of investment available for sale.

### 14. PROPOSED DIVIDEND AND ISSUE OF BONUS SHARES

The Board of Directors have proposed a cash dividend of 25% (or QR 2.5 per share) for the year 2001. The Board of Directors have also proposed an issue of one bonus share for every 5 shares held as at 31 December 2001.

### 15. CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS

	2001	2000
Letters of credit and acceptances	511,328	424,532
Guarantees	920,153	829,317
Forward foreign exchange contracts	102,026	117,535
Un-utilized credit facilities	424,656	400,969
Guaranteed funds and others (Note a)	207,094	149,102
<b>Total</b>	<b>2,165,257</b>	<b>1,921,455</b>

a) This includes an amount of QR 196 million (2000 :QR 146 million) being the bank's exposure to the credit risk on its principal guaranteed funds issued to investors. The bank has guaranteed the principal amount of the funds issued in collaboration with the lead manager who has, in return, issued a back-to-back guarantee to the bank.

### 16. INTEREST INCOME

	2001	2000
Due from banks and financial institutions	22,012	45,453
Investments	64,405	63,655
Loans and advances	242,156	241,762
<b>Total</b>	<b>328,573</b>	<b>350,870</b>

### 17. INTEREST EXPENSE

	2001	2000
Due to banks and financial institutions	27,178	38,328
Customers' deposits	142,758	202,300
<b>Total</b>	<b>169,936</b>	<b>240,628</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 8. CUSTOMERS' DEPOSITS continued

In thousand Qatar Riyals

	2001	2000
<b>b) By maturity</b>		
On demand	399,659	335,744
Within one year	3,252,021	3,222,586
Above one year	1,000	300
<b>Total</b>	<b>3,652,680</b>	<b>3,558,630</b>
	2001	2000
<b>c) By sector</b>		
Government, semi government and government agencies	968,281	576,160
Individuals and corporate	2,684,399	2,982,470
<b>Total</b>	<b>3,652,680</b>	<b>3,558,630</b>

### 9. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2001	2000
Demand and call deposits	9,952	5,190
Deposits maturing within one year	349,801	312,257
<b>Total</b>	<b>359,753</b>	<b>317,447</b>

### 10. MEDIUM TERM FACILITIES

This represents amounts borrowed from a consortium of GCC based international financial institutions through syndication, to finance the general operations of the bank. The balance as at 31 December 2001 amounted to USD 120 million or QR 436.8 million (2000 : USD 144 million or QR 524.1 million) repayable in five semi annual installments commencing from 12 May 2003 and ending on 12 May 2005.

This facility carries interest at commercial rates. The bank has the option to effect early settlement of this facility in tranches of a specified amount or to prepay it by giving prior notice to the lenders.

### 11. OTHER LIABILITIES

	2001	2000
Provision for employees terminal benefits*	24,231	21,856
Accrued interest payable and unearned income	27,298	34,922
Negative fair value of derivatives	881	-
Other liabilities	45,022	47,273
<b>Total</b>	<b>97,432</b>	<b>104,051</b>

\* Number of staff as at 31 December 2001 was 537 (31 December 2000: 564)

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 6. PROPERTY, PLANT & EQUIPMENT

In thousand Qatar Riyals

Cost	Free-hold Land & Building	Furniture & Equipment	Motor Vehicles	Capital work-in-Progress	Total
Balance at 1 January 2001 as previously reported	68,758	75,745	2,239	-	146,742
Adjustment for exchange rates fluctuation	-	(304)	(81)	-	(385)
<b>Balance at 1 January 2001 as restated</b>	<b>68,758</b>	<b>75,441</b>	<b>2,158</b>	<b>-</b>	<b>146,357</b>
Additions during the year	991	6,256	503	7,897	15,647
Disposals during the year	(500)	(74)	(180)	-	(754)
Balance at 31 December 2001	69,249	81,623	2,481	7,897	161,250
<b>Accumulated depreciation:</b>					
Balance at 1 January 2001 as previously reported	20,092	54,835	1,145	-	76,072
Adjustment for exchange rates fluctuation	-	(162)	(8)	-	(170)
Balance at 1 January 2001 as restated	20,092	54,673	1,137	-	75,902
Charge for the year	2,517	8,804	400	-	11,721
Disposals	(225)	(74)	(180)	-	(479)
Balance at 31 December 2001	22,384	63,403	1,357	-	87,144
<b>Net book value as at 31 December 2001</b>	<b>46,865</b>	<b>18,220</b>	<b>1,124</b>	<b>7,897</b>	<b>74,106</b>
Net book value as at 31 December 2000	48,666	20,910	1,094	-	70,670

### 7. OTHER ASSETS

	2001	2000
Interest receivable	12,046	19,163
Pre-payments and other receivable	39,399	69,125
Franchise & other intangibles ( Note a)	28,149	28,720
Net value of the properties acquired in settlement of debts (Note b)	13,240	21,283
Positive fair value of derivatives	752	-
Others	24,139	16,570
<b>Total</b>	<b>117,725</b>	<b>154,861</b>

a) This represents the cost of acquiring Diners Club franchise in Qatar, Egypt, Bahrain, Syria and Yemen.

b) This represents the acquisition of properties made in settlement of debts and held for resale. The market value of these properties as of 31 December 2001 is QR 16,113,000/- (2000 QR 22,482,000/-)

### 8. CUSTOMERS' DEPOSITS

	2001	2000
<b>a) By type</b>		
Demand deposits	433,099	332,722
Saving deposits	155,742	121,832
Time deposits	3,057,624	3,101,054
Other deposits	6,215	3,022
<b>Total</b>	<b>3,652,680</b>	<b>3,558,630</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 5. LOANS AND ADVANCES continued

In thousand Qatar Riyals

	2001	2000
<b>b) By maturity before provisions and interest in suspense</b>		
On demand	1,011,361	825,254
Within one year	384,564	342,143
Above one year	1,524,767	1,371,850
<b>Total</b>	<b>2,920,692</b>	<b>2,539,247</b>

	2001	2000
<b>c) By industry before provisions and interest in suspense</b>		
Government and government agencies	610,400	258,412
Commercial	548,853	574,597
Industry	89,269	59,495
Transportation	43,164	84,172
Personal	1,142,639	1,139,743
Contracting	325,472	334,152
Others	160,895	88,676
<b>Total</b>	<b>2,920,692</b>	<b>2,539,247</b>

	2001	2000
<b>d) Movement in provision for impairment of loans</b>		
Balance at 1st January	86,848	51,707
Provisions made during the year	79,845	49,625
Recoveries during the year	(7,092)	(4,659)
Written off during the year	(5,626)	(9,825)
<b>Balance at 31 December</b>	<b>153,975</b>	<b>86,848</b>

e) During the year interest suspended on non-performing loans and advances was QR 21.195 million (2000 QR 10.606 million)

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### 3. DUE FROM BANKS AND PLACEMENTS WITH FOREIGN AND LOCAL BANKS

The maturity profile of amounts due from banks and placements with foreign and local banks is as follows:

In thousand Qatar Riyals

	2001	2000
On demand	10,242	48,128
Placements maturing within one year	1,118,529	1,161,035
<b>Total</b>	<b>1,128,771</b>	<b>1,209,163</b>

### 4. INVESTMENTS

	2001	2000
a) Investment held for trading	7,983	99,182
b) Originated securities		
Fixed rate securities	604,070	604,070
c) Investment available for sale		
Quoted equities	85,829	-
Unquoted equities	100,957	-
Fixed rate securities	193,689	-
	380,475	330,667
d) Investment in Associates		
Unquoted equities*	5,000	-
<b>Total</b>	<b>997,528</b>	<b>1,033,919</b>

\*This represents 25% of the bank's holding in an investment company in Qatar under formation.

### 5. LOANS AND ADVANCES

	2001	2000
a) By type		
<b>Performing</b>		
Overdrafts	929,726	777,164
Loans	1,697,085	1,582,277
Bills discounted	39,216	32,199
	2,666,027	2,391,640
<b>Non-performing loans and advances net of interest in suspense</b>		
Overdrafts	70,279	39,170
Loans	184,386	108,437
Less: Interest in suspense	(36,938)	(22,955)
	217,727	124,652
Total loans and advances	2,883,754	2,516,292
Less: Provision for impairment	(153,975)	(86,848)
<b>Net loans and advances</b>	<b>2,729,779</b>	<b>2,429,444</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### **g) Employee's end of service benefits**

The Bank makes full provision for end of service benefits payable to employees on the basis of the individual's period of service at year-end, in accordance with the employment policy of the Bank. The bank treats this as current liability.

### **h) Revenue recognition**

Interest income and expenses are recognized on a time portion basis taking account of the rate applicable and the principal outstanding. Interest income on loans considered not to be performing is excluded from income until received in cash. Fees and commission income are accounted for on the date of the transaction giving rise to that income. Dividend income is recognized when the right to receive the dividend is established.

### **i) Foreign currencies**

The Bank maintains its books of accounts in Qatari Riyals. Transactions during the year in other currencies are translated into Qatari Riyals at the prevailing rate of exchange on the date of transactions. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Qatari Riyals at spot rates prevailing at year end. Realized and unrealized exchange differences arising on translation are dealt with in the statement of income.

On consolidation the assets and liabilities of the subsidiary companies are translated at exchange rates ruling at the balance sheet date.

### **j) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand and deposits with Qatar Central Bank and amounts due from other banks on demand and placements maturing within 90 days.

### **k) Directors' remuneration**

In accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 1981, directors' remuneration has been treated as an appropriation of profit.

### **l) Franchises**

The franchise costs are amortised over the duration of the franchise agreement (20 years) and these are included in other assets.

### **m) Impairment of assets**

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognized in the statement of income.

### **n) Derivatives**

The Bank uses forward contracts, options and FX swaps for trading and hedging purposes. These derivatives are initially measured at cost and are subsequently remeasured at fair value and changes in fair value are recognized in the statement of income.

Derivatives with positive market values are included in other assets and derivatives with negative market values are included in other liabilities. The resultant gains and losses from derivatives held for trading and hedging purposes are included in the statement of income.

Fair values represent quoted market prices or internal pricing models as appropriate.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2001

### d) Investments

The Bank maintains three separate investment portfolios, as follows:

- Held for Trading
- Originated Securities
- Available for sale

All investments are initially recognized at cost, being the fair value of the consideration given.

Held for Trading investments are measured at fair value, any gain or loss arising from the change in their fair values are recognized directly in the statement of income.

Originated debt securities include investments, which are purchased directly from the issuer other than those purchased with the intent to be sold in the short term. Originated debt securities whose fair value has not been hedged are stated at amortized cost, less provision for impairment. Any gain or loss is recognized in the statement of income when the investment is sold or impaired.

Available for sale investments are subsequently measured at fair value.

In relation to available for sale investments whose fair value has not been hedged, any gain or loss arising from a change in its fair value is recognized directly in the fair value reserve until the investment is sold or impaired, at which time the cumulative gain or loss previously recognized in shareholders equity is included in the statement of income for the period. Available for sale investments whose fair value cannot be reliably measured are carried at cost less provision for impairment if any, until such time the fair value can be reliably measured.

Investments in associated companies are accounted for following the equity method.

### e) Loans and advances

Loans and advances are stated at cost less any provisions for their impairment.

The Bank carries out a review of all individually significant loans and advances at each balance sheet date. Where impairment has been identified, the provision for impairment is the difference between the carrying amount and the estimated recoverable amounts determined by discounting cash flows using the original rate of interest.

In cases where specific impairment has not been identified and where the bank has not carried out an impairment review, a provision is made based upon historical experience of losses in the portfolio.

Loans and advances are written off only in circumstances where all reasonable restructuring and collection activities have been exhausted.

### f) Property, plant & equipment

Property, plant and equipment are initially recorded at cost. Assets excluding freehold land are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	20 years
Furniture and equipment	3-7 years
Motor vehicles	5 years

Gains and losses on disposal are recognized in the statement of income.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2001

### 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 commercial 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

The following are the significant accounting policies which have been applied in the preparation of these consolidated financial statements:

#### a) Basis of preparation

These consolidated financial statements are prepared under the historical cost convention (except for measurement at fair values of derivatives, trading and available for sale investments) in accordance with International Accounting Standards and the relevant laws and banking regulations prescribed by the Qatar Central Bank.

#### b) Basis of consolidation

The accompanying consolidated financial statements incorporate the financial statements of the Bank and its wholly owned subsidiary companies, Diners Club Services Egypt SAE incorporated in Egypt and Orient 1 incorporated in Bermuda. All material inter-company transactions and balances have been eliminated.

#### c) Changes in accounting policies

Effective 1<sup>st</sup> January 2001, the Bank has adopted IAS 39 and IAS 40 for the first time. This has resulted in the following principal changes in the accounting policies of the Bank, in respect of the recognition and measurement of derivatives, non-derivative financial instruments and properties acquired against settlement of debts.

#### Derivative financial instruments

Effective 1<sup>st</sup> January 2001, the Bank has recognized all derivative financial instruments in its balance sheet as either assets or liabilities, at their fair values. All opening fair value adjustments have been made against retained earnings on 1<sup>st</sup> January 2001.

#### Non-derivative financial instruments

Effective 1<sup>st</sup> January 2001, the Bank reclassified its investments as held for trading, originated debt securities and available for sale investments and re-measured to fair value those classified as held for trading and available for sale. On 1<sup>st</sup> January 2001, the adjustments relating to the re-measurement of the held for trading and available for sale investments to fair value have been taken to retained earnings. Subsequent changes in fair value relating to available for sale investments have been recognized in the fair value reserve.

In addition, impaired loans and advances are now stated at the net present value of future cash flows by reference to their original interest rates. The net present value adjustments to impaired loans and advances as at 1<sup>st</sup> January 2001 have been made against retained earnings. Subsequent changes in net present value have been taken to the statement of income.

#### Properties acquired against settlement of debts

Effective 1<sup>st</sup> January 2001 the Bank has adopted the cost model as per International Accounting Standard 40.

#### Comparative Figures

In accordance with the transitional provisions of IAS 39, the Bank has not restated the comparative amounts.



## Consolidated Statement of Cash Flows

For the year ended 31 December 2001

Figures in thousand of Qatar Riyals

	2001	2000
<b>Operating Activities</b>		
Net profit for the year	101,135	56,247
<b>Adjustments for</b>		
Provision for impairment of loans and advances	79,845	49,625
Profit on sale of investments	(33,674)	(9,303)
Depreciation	11,721	11,102
Release of provision for impairment of investments	-	(6,386)
Provision for impairment on properties acquired in settlement of debts	1,000	-
Fair value adjustments for investments held for trading	(48)	-
(Profit)/loss on sale of property, plant and equipment	(29)	19
Provision for diminution in value of investments and trading securities	-	7,525
<b>Operating cash flow before changes in working capital</b>	<b>159,950</b>	<b>108,829</b>
<b>Net (Increase) / decrease in operating assets</b>		
Net (increase) in loans and advances to customers	(380,180)	(190,555)
Increase in customer deposits	94,050	239,762
(Decrease) in other liabilities	(11,728)	(8,540)
Decrease/(increase) in other assets	36,136	(28,981)
<b>Net Cash (used in) / from Operating Activities</b>	<b>(101,772)</b>	<b>120,515</b>
<b>Investing Activities</b>		
Purchase of investments	(240,163)	(230,278)
Proceeds from sale of investments	354,410	77,553
Acquisition of property, plant and equipment	(15,647)	(10,090)
Proceeds from sale of property, plant and equipment	304	65
Acquisition of franchise	-	(25,638)
<b>Net Cash from/(used in) Investing activities</b>	<b>98,904</b>	<b>(188,388)</b>
<b>Financing Activities</b>		
Dividend paid	(39,551)	(69,214)
Medium term facility obtained	-	436,800
Medium term facility settled	(87,360)	(131,040)
<b>Net Cash (used in) from financing activities</b>	<b>(126,911)</b>	<b>236,546</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(129,779)</b>	<b>168,673</b>
Exchange rate conversion adjustments	157	127
Cash and cash equivalent at the beginning of the year	1,059,211	890,411
<b>Cash and cash equivalent at the end of the year (Note 20)</b>	<b>929,589</b>	<b>1,059,211</b>

The attached notes 1 to 29 form part of these consolidated financial statements.

## Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2001

Figures in thousand of Qatar Riyals

	Note	Share Capital	Legal Reserve*	General Reserve	Fair Value Reserve	Proposed Dividend	Proposed Bonus shares	Retained Earnings	Total
<b>Balance at 1 January 2000</b>		197,754	197,754	26,500	-	69,214	-	85,575	576,797
Payment of Dividend for 1999		-	-	-	-	(69,214)	-	-	(69,214)
Net profit for the year		-	-	-	-	-	-	56,247	56,247
Directors' remuneration		-	-	-	-	-	-	(1,160)	(1,160)
Contribution for social responsibilities		-	-	-	-	-	-	(1,406)	(1,406)
Proposed dividend 2000		-	-	-	-	39,551	-	(39,551)	-
<b>Balance at 31 December 2000 as previously stated</b>		197,754	197,754	26,500	-	39,551	-	99,705	561,264
<b>Effect of adopting IAS 39</b>									
Fair value adjustment for investment available for sale		-	-	-	-	-	-	18,183	18,183
Fair value adjustment for investment held for trading		-	-	-	-	-	-	76	76
<b>Balance restated as at 1 January 2001</b>		197,754	197,754	26,500	-	39,551	-	117,964	579,523
Fair value transferred to income on sale of investments available for sale		-	-	-	-	-	-	(8,249)	(8,249)
Payment of Dividend for 2000		-	-	-	-	(39,551)	-	-	(39,551)
Transfer	(13)	-	-	-	9,934	-	-	(9,934)	-
Adjustment for exchange rate fluctuations		-	-	-	-	-	-	(58)	(58)
Fair value adjustment at the end of the year on investments available for sale		-	-	-	34,124	-	-	-	34,124
Net profit for the year		-	-	-	-	-	-	101,135	101,135
Cash dividend proposed 2001	(14)	-	-	-	-	49,439	-	(49,439)	-
Dividend proposed by way of bonus share 2001	(14)	-	-	-	-	-	39,551	(39,551)	-
Directors' remuneration		-	-	-	-	-	-	(2,584)	(2,584)
Contribution for social responsibilities		-	-	-	-	-	-	(2,525)	(2,525)
<b>Balance as at 31 December 2001</b>		197,754	197,754	26,500	44,058	49,439	39,551	106,759	661,815

### \*Legal Reserve

In accordance with Qatar Central Bank regulations, 20% of the net profit for the year is required to be transferred to the Legal Reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 11 of 1981. No transfer has been made from the year 2000 as the reserve balance had reached 100% of the share capital.

The attached notes 1 to 29 form a part of these consolidated financial statements.

## Consolidated Statement of Income

For the year ended 31 December 2001

Figures in thousand of Qatar Riyals

	Note	2001	2000
Interest income	16	328,573	350,870
Interest expense	17	(169,936)	(240,628)
<b>Net interest income</b>		<b>158,637</b>	<b>110,242</b>
Other income	18	130,849	100,617
<b>Operating income</b>		<b>289,486</b>	<b>210,859</b>
Staff costs		57,770	54,488
General and administrative expenses	19	33,961	31,872
Depreciation	6	11,721	11,102
Provision for impairment of loans and advances	5	79,845	49,625
Provision for diminution in value of investments		-	7,525
Investment impairment loss		4,054	-
Provision for impairment losses on properties acquired in settlement of debts		1,000	-
<b>Total expenses</b>		<b>188,351</b>	<b>154,612</b>
<b>Net profit</b>		<b>101,135</b>	<b>56,247</b>
Basic earning per share		5.11	2.84
Number of ordinary shares		19,775,370	19,775,370

The attached notes 1 to 29 form a part of these consolidated financial statements.

## Consolidated Balance Sheet

As at 31 December 2001

Figures in thousand of Qatar Riyals

	Note	2001	2000
<b>ASSETS</b>			
Cash and balances with Central bank		160,571	167,495
Due from banks	3	10,242	48,128
Placements with foreign and local banks	3	1,118,529	1,161,035
Investments	4	997,528	1,033,919
Loans and advances to customers	5	2,729,779	2,429,444
Property, plant and equipment	6	74,106	70,670
Other assets	7	117,725	154,861
<b>Total assets</b>		<b>5,208,480</b>	<b>5,065,552</b>
<b>LIABILITIES</b>			
Customers' deposits	8	3,652,680	3,558,630
Due to banks and financial institutions	9	359,753	317,447
Medium term facilities	10	436,800	524,160
Other liabilities	11	97,432	104,051
<b>Total liabilities</b>		<b>4,546,665</b>	<b>4,504,288</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	197,754	197,754
Legal reserve		197,754	197,754
General reserve		26,500	26,500
Fair value reserve		44,058	-
Proposed dividend	14	49,439	39,551
Proposed bonus shares		39,551	-
Retained earnings		106,759	99,705
<b>Total shareholders' equity</b>		<b>661,815</b>	<b>561,264</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,208,480</b>	<b>5,065,552</b>
<b>CONTINGENT LIABILITIES, GUARANTEES AND OTHER COMMITMENTS</b>	15	<b>2,165,257</b>	<b>1,921,455</b>

The financial statements were approved by the Board of Directors on 18 February 2002



H.E. Abdullah bin Khalifa Al Attiyah  
Chairman



Mr. Hussain Ibrahim Alfardan  
Managing Director



Mr. A C Stevens  
General Manager

The attached notes 1 to 29 form a part of these consolidated financial statements.

## Report of the Auditors

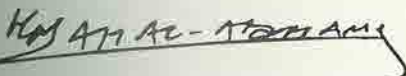
To  
The Shareholders  
The Commercial Bank of Qatar - Q.S.C.  
P. O. Box No 3232  
Doha, State of Qatar

We have audited the accompanying consolidated financial statements of **The Commercial Bank of Qatar - Q.S.C.** ("The Bank") as of and for the year ended 31 December 2001, as set out on pages 20 to 37. These consolidated financial statements are the responsibility of the Bank's directors and management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.


We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2001, the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended in accordance with International Accounting Standards and the Qatar Central Bank regulations.

Furthermore, in our opinion proper financial records have been kept and the contents of the directors' report which relate to the consolidated financial statements are in agreement with the Bank's financial records and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 11 of 1981, the Qatar Central Bank Law No. 15 of 1993 and the Bank's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above mentioned laws or the Articles of Association having occurred during the year which might have had a material adverse effect on the business of the Bank or on its financial position.



Abdul Hakim Al-Adhamy  
KPMG Peat Marwick  
Auditor's Registration No. 105  
Doha



Jacques E Fakhoury  
PriceWaterhouseCoopers  
Auditor's Registration No. 97  
Doha

A woman with long dark hair, wearing a dark top, is smiling warmly at the camera. She is seated at a desk in a dimly lit office environment. In front of her is a computer workstation consisting of a CRT monitor displaying a webpage, a keyboard, and a mouse. The background is dark, with some blurred lights and shapes, suggesting a busy office setting. The overall mood is professional and positive.

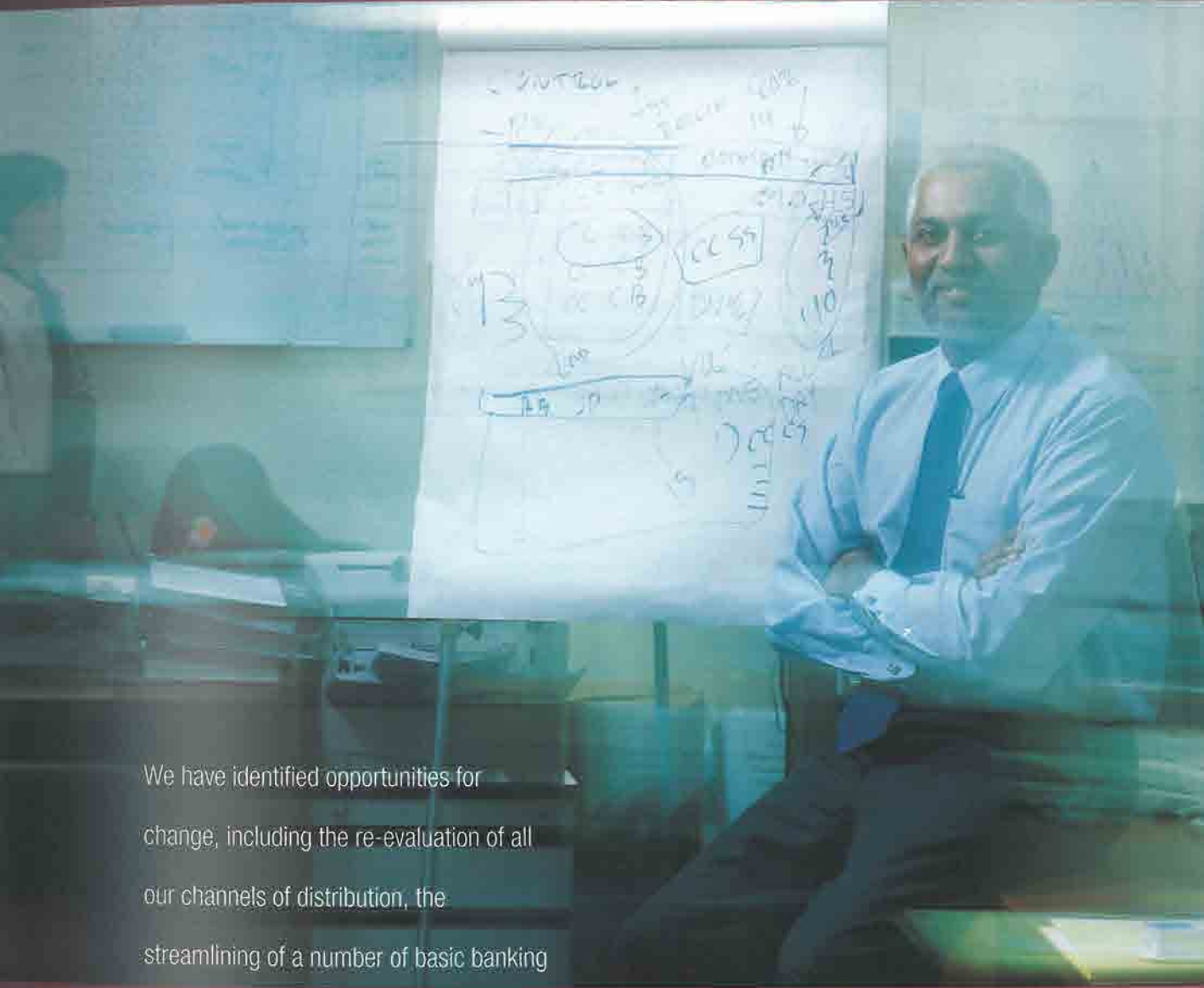
The Commercial Bank of Qatar recorded strong growth throughout the operation during 2001. That the Bank was able to achieve these results was in no small measure due to the outstanding efforts of its staff.



A combination of innovative products and commitment to service forms the basis of our success. We were the first bank in Qatar to introduce credit cards, the first to introduce our own investment funds. In 2001 that tradition of innovation based on customer need continued with the launch of internet banking, another first for Qatar.







We have identified opportunities for change, including the re-evaluation of all our channels of distribution, the streamlining of a number of basic banking functions, improvements in intra-departmental communication and other areas where efficiency can be boosted.

## Management Review

opportunities presented by the growth in Qatar's economy as well as developments elsewhere in the region.

The first element in the programme of change is the complete review of the Bank's structure, policies, processes and procedures. This review has been facilitated by the appointment of Business Process Re-Engineering Consultants, LoBue, from the United States of America, who have deployed a team of Process Engineers.

This team has already identified a vast range of opportunities for improvements, emanating from the re-evaluation of all our channels of distribution, the streamlining of a number of basic banking functions and the enhancement of intra-departmental communication and other areas where efficiency can be boosted. As these improvements flow through the operation, customers will find the Bank's service friendlier, faster and more enjoyable to deal with.

Ongoing training and personal development are central to the Bank's philosophy of maximising the potential of all our staff. The second element of change, therefore, recognises the need to equip our staff with modern techniques and skills so they can serve customers in the most effective and efficient way possible. We are moving towards a high performance, high reward culture that will provide a rich vein of constructive help and advice, ensuring that everyone's experience of the Bank is as positive and as rewarding as it should be, both for staff and for customers.

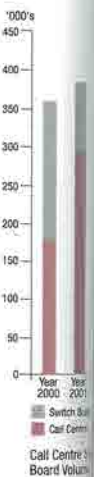
Key to this programme of change is the ability to harness technology for the ultimate benefit of our customers. As a third element we are actively assessing new innovations that will add value to our product and service offer, and we intend to capitalise on new developments in electronic banking, for example, by investing continuously in new state-of-the-art equipment and resources. The Bank has also implemented a new technology

training programme to ensure that advances in technology are carried through to the people who matter the most – our customers.

These three important thrusts will enhance processes, enable well trained and highly motivated staff, and introduce the latest technology designed to provide the basic building blocks to conduct a new brand of banking service which, leveraged off our long heritage and rich tradition will deliver the ultimate in dynamic, innovative and personalised service. Our reputation, based on the quality of the service we offer, is of the utmost importance and to strengthen it even further we have embarked on the fourth element of change - the radical overhaul of the Bank's image which will ensure the many facets of our external presentation accurately express the significant developments taking place within. All of these initiatives stem from the core belief that our customer, whoever he or she is, will be at the focus of everything we do. The Bank's task over the short to medium term is, quite simply, to ensure that each of our customers receives the service they want, when, where and how they want it.

The year ahead will see much of the planning of the last 12 months come to fruition. The Bank has embarked on an aggressive programme of change that will impact our customers and every one in our work force. When this review is written a year from now, it will be to record some of the most important and far-reaching developments in the Bank's history.

  
Andy Stevens  
General Manager





We are capitalising on new opportunities in electronic banking, for example, by investing heavily in equipment and resources. The Bank has also implemented a new technology training programme to ensure that advances in technology are carried through to the people who matter the most – our customers.



## Management Review

It is gratifying to be able to report that the Commercial Bank of Qatar recorded strong growth throughout its operations during 2001, resulting in record profits in excess of QR100 million.

These results were in no small measure due to the outstanding efforts of both management and staff. They deserve our gratitude for their contribution in helping the Bank to reach such an important milestone in its history.

The Bank is also proud of its role as a good corporate citizen, and 2001 was marked by a number of community initiatives and charitable donations. More than QR2.5 million was donated to institutions including the Al Noor Institute (educational tools for the blind); Qatar Red Crescent Society (youth diabetic patient camp); Qatar University (new clinic for women); Qatar Diabetes Association (full gymnasium and equipment); Qatar Marital Consultancy Centre (new development for marital care and support); UNESCO and Qatar University (media training outlet for women). The Bank looks forward to supporting these, and many other deserving causes and institutions, in the years ahead.

As far as Orient 1 business is concerned, during the last twelve months we have experienced difficult market conditions in each of the countries in which we operate. Egypt is in the midst of a recession and is suffering from the uncertain effects of devaluation and the aftermath of 11th September. In Bahrain, our legal entity was only formed in November. Considerable progress was made in the expansion of our business despite very difficult market conditions. The economy of Egypt suffered from increasingly tight liquidity and the availability of US dollars, which was constrained during the first half of the year, and virtually ceased to be available after the events of September 2001. All sectors were seriously affected and this included our operations.

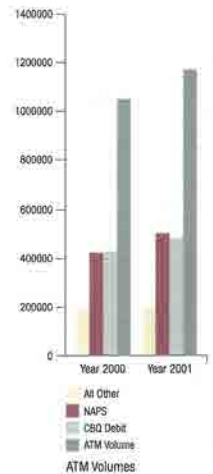
Because of extremely unfavorable economic conditions, a decision was taken in the fourth quarter of the year to suspend our lucrative Corporate Travel business. A major risk containment exercise was begun during the latter part of the year to exit our Personal Card portfolio issued on the risk and responsibility of the company. An agreement was reached with United Bank of Egypt to take over a number of these accounts and the rest are in the process of being repaid and closed.

The year 2001 was our third year of operations since incorporation. Satisfactory growth was achieved against a backdrop of difficult trading conditions. Profitability has been modest.

In 2002, we will be focussing on building the card base through the Co-brand banks. This is a low risk approach and it is expected that the business will now grow at a satisfactory pace.

Of all the many reasons 2001 has been a memorable year, the most significant in terms of the Bank's future was the start of a comprehensive programme of Internal Change consisting of four elements being developed concurrently across all aspects of the Bank's operations. The ultimate aim of this programme is to revolutionise the way the Bank does business. This is going to lead to a number of significant improvements across many facets of the Bank's operation during the course of 2002 and beyond.

Change is neither an easy nor a short-term process, and the results may not be immediately apparent, but it is a process that we must undergo in order to meet the growing challenges now confronting the old banking order. We are convinced that the Bank will emerge fitter and stronger, and ready to capitalise on the new





Andrew C. Stevens  
General Manager

Mohammed I. Mandani  
Deputy General Manager



We are moving assertively to a high performance, high reward culture that will provide a rich vein of constructive help and advice, ensuring that everyone's experience of the Bank is as positive and as rewarding as it should be, both for staff and for customers.



The Commercial Bank of Qatar is continually evolving, becoming more proactive in its service, its systems and its response to customer needs. The Bank has embarked on a determined course of change to bring real benefits to customers and shareholders alike. However, our overall direction remains constant - the pursuit of excellence in our everyday endeavours.





## Managing Director's Report

QR 158.6 million - an increase of 43.9% over the previous year; Other Income was at QR 130.8 million - an increase of 30% over the previous year; Total Income before Provisions and Operating Expenses was at QR289.5 million - an increase of 37.3% over the previous year; A key efficiency indicator, which is the cost to Income Ratio (%), reflected an impressive reduction to 35.7% from 46.2% the previous year (2000); Our Capital Adequacy Ratio and Liquidity Ratio was 14.4% and 138% against the Central Bank requirement of 10% and 100% respectively; Net Profit outturned at QR 101.135 million - an increase of 79.8% over the previous year.

Net Profit, in spite of being at record levels, was impacted by the need to set aside additional and substantial provisions for potential loan loss and interest in suspense. Indeed we set aside an extra QR 79.8 million in provisions and QR 21.2 million to interest in suspense.

We take great pride in the fact that here in Qatar we are considered the leaders in personal and investment banking services. This has been achieved over the last decade by the innovation of many new products and new service channels, and by continuously delivering excellent personal service.

We are determined to stay ahead of our competition but to do this we recognise the need for continuous self-assessment, and where necessary renewal or re-invention. The key challenge facing Banks like ourselves - is how to manage both today's and tomorrow's business requirements today.

Therefore, during the year we decided to commence major change initiatives to four key and inter-related areas of the Bank - Customer Service, Human Resource, Technology and Brand Identity. We have engaged the services of external consultants to assist with the re-engineering of business processes and the physical branch environment. Our goal is to present the most modern customer-centric banking service in Qatar. We are well on track. Planning for the future does not detract us from our daily business,

which has gone on with the objective of generating more organic growth to add to our portfolio of services. The Bank participated in the financing of Ras Laffan IWPP and QAFCO IV and also co-arranged a US\$ 25 million term loan facility for a prominent local business group. In 2001 we launched two new versions of our highly successful Tejari Guaranteed Funds series and two Funds with Man Investments Ltd., with whom the Bank is also formalising a new joint venture partnership. We also continued to upgrade various electronic channels by adding payment functionality to our internet banking services, BankKey, so that customers can now pay for their electricity and telephones on-line. A Mortgage Finance service was also introduced. Our cards business continued to grow and our EFTPOS network is comfortably the largest in the country.

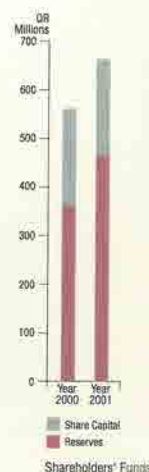
There is much more to come in 2002, and I am very proud and also grateful to my management team for their achievements last year. I am also very optimistic of the way they plan to approach our future.

I am also very gratified that Moody's, the premier international rating agency, has again accorded Commercial Bank of Qatar the highest rating amongst local banks.

For the past 27 years, the Commercial Bank of Qatar has been profitable and has paid dividends in every year since inception. Based on a share price of QR 46, the Internal Rate of Return (IRR) throughout this period comes to 20% per annum. This is remarkable.



Hussain Ibrahim Al Fardan  
Managing Director





#### Financial Highlights of 2001

Total Assets rose above QR 5.2 billion

Loans and Deposits increased by 12.4% and 2.6% respectively

Net Interest Margin rose to QR 158.6 million - an increase of 43.9%

Other Income increased by 30% to QR 130.8 million

Total Income before Provisions and Operating Expenses was at QR289.5 million - an increase of 37.3% over the previous year;

Cost to Income Ratio reflected an impressive reduction to 35.7% from 46.2% the previous year

Capital Adequacy Ratio and Liquidity Ratio was 14.4% and 138% against the Central Bank requirement of 10% and 100% respectively

Net Profit turned out at QR 101.135 million - an increase of 79.8% over the previous year.

#### The Board of Directors

Seated from left:

Mr. Hussain Ibrahim Al Fardan, Managing Director

H.E. Abdullah Bin Khalifa Al Attiyah, Chairman

Sh. Nasser Bin Faleh Al Thani, Director

Sh. Abdullah Bin Ali Bin Jabor Al Thani, Vice Chairman

Standing from left:

Mr. Khalifa Abdullah Al Sobai, Director (Qatar Insurance)

Mr. Jassim Mohammed Jabor Al Mussallam, Director

Mr. Hassan Bin Hassan Al Mulla Al Jufairi

Mr. Abdullah Mohammed Ibrahim Al Mannai, Director

## Managing Director's Report

We entered 2001 with the expectation that the United States' economy would finally slip into recession after a decade of strong growth. The US Federal Reserve slashed its key lending rates 11 times during the year and by a whopping 475 basis points in total, producing the lowest rates in the United States in 40 years. The tragic events of 11 September finally tipped the US over the edge and officially into recession. The ensuing political mood inevitably ushered in widespread negative sentiment. This impacted downwards on economic fundamentals and importantly, a matter which directly affects Qatar, on oil prices. With little prospect for quick recovery, investor confidence continued to elude the world's indices, which saw further diminution in market valuations.

As I have said, the Qatari economy was not totally isolated from these events, but it has continued to prosper. The boom like growth rates so apparent in 2000 may well also have dissipated, but the pace of new industrialisation showed no signs of abatement. Indeed landmark deals were struck in the form of the Dolphin Gas Project, Ras Gas II and the opening of the Qatar Vinyl Company (QVC) plant. Qatar Petroleum and Chevron Phillips Chemical Company (CPCC) initialled a new joint venture agreement for establishing a petrochemical plant at Ras Laffan, and a second Gas to Liquids project was earmarked for development by Qatar Petroleum and Exxon Mobil. Qatar not only successfully hosted the World Trade Organisation's 4th Ministerial Conference in November but also engendered a new round of trade talks hereafter to be named the 'Doha Round'. The Doha Securities Market also demonstrated an extraordinary demand-led appetite, which saw the market rise by approximately 37% over the course of the year, making it perhaps the leading bourse for growth in 2001, worldwide.

Ample local liquidity is a characteristic of the market today, a far cry from just a few years back. Qatari Riyal deposit rates have

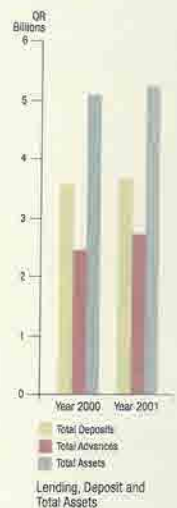
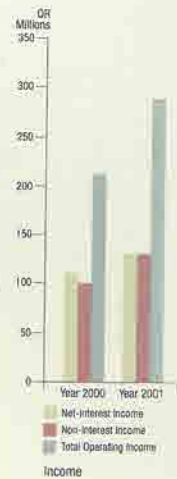
now converged with their international counterparts and in particular US dollar rates. The management of interest rate risk and the liquidity emanating from vast surpluses generated by explosive growth in GDP has displaced worries about shortage and funding risk, at least over the medium-term. In all, against a turbulent backdrop, we remain very optimistic about the Qatar economy.

As far as the Bank was concerned, the year was one of significant progress in terms of business consolidation and organisational change, but was also tinged with great sadness at the sudden death, in June, of Tim Nunan who was a much admired and universally respected General Manager of the Bank for 13 years. We shall all miss him.

At last year's assembly I reported upon the stringent reappraisal of our entire debt portfolio in 2000. We have continued to take a totally uncompromising view on asset quality applying classifications to all debt against the most demanding performance standards. Once again we have faced the need to set aside provisions to cover doubtful or non-performing debt and we shall do so in future with equal resolve, if this is what is required.

Business expansion has been very satisfactory if modest in purely volume terms, but a number of important initiatives were undertaken to re-position the Bank and to introduce new strategies that recognise the vast opportunities to come from a burgeoning economy.

Let me elaborate on the financial highlights of 2001: Total Assets rose above QR 5.2 billion; Loans and Deposits were up by 12.4% and 2.6% respectively; Net Interest Margin was at



We are determined to stay ahead of our competition but to do this we recognise the need for continuous self-assessment, and where necessary renewal or re-invention. The key challenge facing Banks like ourselves is how to manage both today's and tomorrow's business requirements today.



Hussain Ibrahim Al Fardan  
Managing Director

## Chairman's Statement

On behalf of the Board of Directors of the Commercial Bank of Qatar, I am pleased to submit the Annual Accounts and accompanying Financial Statements for the twelve months ended December 2001.

In 2001 we saw a marked slowdown in global economic growth, the United States of America slip into recession, and further declines on the world's major indices. In a bid to shore up confidence, preserve jobs and to stimulate manufacturing, Central Banks around the world, led by the U.S. Federal Reserve, resorted to sustained interest rate cutting in a bid to kick-start their economies.

Inevitably this slow-down impacted Qatar, primarily through the decline in oil prices as world demand fell and economic uncertainty rose. However, although oil prices fell by approximately 13% (on an averaged basis) during 2001, Qatar's real GDP is estimated to have risen by some 5% bolstered by the growth of new revenue streams from an expanding LNG industry which now accounts for an estimated 40% of total exports. The Government duly delivered a budget surplus, the first in a decade, applying sound economic management practices and prudent government expenditure controls. Ample liquidity has continued to flow into the economy in spite of global negative influence.

The Bank witnessed good growth in nearly every aspect of its business in 2001. Both Loans and Deposits have grown satisfactorily, net income, before provisions and operating expenses, improved by 37% to QR 289 million. A net profit of QR 101.135 million, a record for the Bank, was achieved. This was pegged back by the need to set aside additional provisions of QR 79.8 million for non-performing or poor quality debt. This net profit translates into basic earnings per share of QR 5.11 up from QR 2.84 per share in 2000.

The Board has therefore decided to recommend a dividend payment to its shareholders of 25% of issued capital or QR 49.4 million and a bonus share of 20%, or one for every five already held.

Effective 1st January 2001, the Bank has fully adopted IAS 39 and IAS 40, and after all adjustments, including the Bank's contribution to social responsibilities and the Directors' remuneration, the Bank's capital and reserves stood enhanced at QR 661.8 million, an increase of nearly 18% over the previous year.

We believe Qatar's future is very bright and we are preparing ourselves to play a fully proactive role in the continuing development of both the economic and social fabric of the State.

In closing, let me take the opportunity to express our deep appreciation for the wise leadership and great vision shown by His Highness the Emir, to His Highness the Heir Apparent and to His Highness the Prime Minister for their own continuing support and patronage, and to His Excellency the Minister of Finance, His Excellency the Minister of Economy and Commerce and to His Excellency the Governor of the Qatar Central Bank for their constant guidance and encouragement throughout the year.

Finally, I also express my appreciation and that of the Board, to our shareholders, to our customers for their loyalty and support, and to the management and staff of the Bank for their continued dedication and hard work.



Abdullah Bin Khalifa Al Attiyah  
Chairman of the Board

The Bank witnessed good growth in nearly every aspect of its business in 2001 and a Net Profit of QR 101.135 million, a record for the Bank, was achieved.



Abdullah Bin Khalifa Al Attiyah  
Chairman of the Board

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حضرة صاحب السمو  
الشيخ حمد بن خليفة آل ثاني  
أمير دولة قطر



سمو  
الشيخ جاسم بن حمد آل ثاني  
ولي العهد





البنك التجاري القطري  
THE COMMERCIAL BANK OF QATAR  
Q.S.P.C.

شارع حمد الكبير

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