An enduring commitment
to achievement...

قطر مصدر إلهامنا

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

Annual Report 2010

His Highness
Sheikh Tamim bin Hamad Al Thani
Heir Apparent

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

In late 2010 the world was sufficiently inspired by Qatar to award the 2022 FIFA World Cup to our country. Commercialbank has been inspired by Qatar since 1975, forging international alliances - helping to grow our country's global stature and driving excellence in banking services. We remain committed to Qatar; its people and to their collective achievements.

قطر مصدر إلهامنا
Inspired by Qatar

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البنك التجاري
Commercial bank

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Chairman's Report

Abdullah bin Khalifa Al Attiyah Chairman

It gives me great pleasure, on behalf of the Board of Directors, to present the Commercial Bank of Qatar's Annual Report for the year ended 31 December 2010.

The Bank has faced another challenging year in which we have seen the lingering effects of the global financial downturn continue to impact the Bank's performance. The Qatari economy has remained resilient and has delivered strong growth supported by the Government's Public Sector spending programme.

During the year Qatar has achieved its liquefied natural gas (LNG) production target of 77 million tonnes per annum becoming the world's leading producer of LNG and has been successful in its bid to host the FIFA World Cup in 2022 through the visionary leadership of His Highness the Emir, Sheikh Hamad bin Khalifa Al Thani and the Heir Apparent, His Highness Sheikh Tamim bin Hamad Al Thani. These major achievements will, in turn, drive major infrastructure development including the building of road and rail networks, the completion of the new international airport and sports stadia.

Commercialbank has delivered a strong net profit in 2010 of QR 1,635 million, 7% higher than the net profit of QR 1,524 million achieved in 2009. The Bank is strongly capitalised and will benefit further from the recent capital injection from the Qatar Investment Authority following ratification at the Annual General Meeting.

The Board of Directors is proposing a cash dividend of 70%, QR 7 per share, in respect of 2010 in recognition of the Bank's strong capital position and our shareholders' continuing support.

Commercialbank's associates, National Bank of Oman (NBO) and United Arab Bank (UAB), have both shown strong improvement in their own profitability in 2010. NBO's net profit was up 29% to RO 27 million and UAB's increased its net profit by 10% to AED 308 million, a record annual net profit. Overall, our associates contributed QR 155 million for the year which is 9.5% of the Group's net profit in 2010. We will continue to develop new products and increase synergies across the three banks.

In December 2010 the Bank concluded a public Swiss Franc bond issue which raised CHF 275 million. Qatar's economic strength and established international presence, together with the growing reputation of the Commercialbank brand, has enabled us to launch very successful public offerings in the past and we have seen the same success for the Swiss Franc bond issue, which is the first public bond issue by a Qatari bank in Switzerland, and is listed on the SIX Swiss Exchange.

Commercialbank continues to play a major role in the development and growth of Qatar as it has done over the past 35 years. The Bank is committed to its corporate social responsibilities within the broader reaches of the community. Although regional markets continue to be subdued, the Qatar economy looks forward to continued development, growth and diversification and, Inspired by Qatar, I believe that Commercialbank will continue to prosper as an integral part in the evolution of the country.

On behalf of the Board of Directors, I would like to express our sincere appreciation for continuing visionary leadership of His Highness the Emir and His Highness the Heir Apparent, and for the guidance and support received from His Highness the Prime Minister, His Excellency the Minister of Economy and Finance and His Excellency the Governor of the Central Bank. Commercialbank is committed to delivering the highest standards of service and value to both our customers and to our shareholders and in achieving that goal we owe thanks to the hard work, loyalty and dedication of our employees.

Abdullah bin Khalifa Al Attiyah
Chairman

Qatar's visionary leadership has always been the key dimension in building a legacy of long-term economic return that benefits population, state and business alike.

The resulting infrastructural investment, increasing international exposure, commercial growth and dynamic business opportunity has brought Qatar to where it is today - recognised as world-class.

The vision of success for Qatar is shared by Commercialbank - by its directors, management and staff - who seek to deliver service that surpasses expectation, providing financial services to help people's lives and support to those in need. World-class banking, inspired by Qatar.

Commercialbank has long been a major contributor to Qatar's development as a host to world sports and a venue for prestigious cultural events. Supporting such events, which generate international goodwill and a healthy spirit of competition among individuals and countries, has helped to position Qatar as an open, progressive and thriving country that has much to offer the international community.

Title ownership of the Commercialbank Qatar Masters, now in its 14th year, and the Grand Prix of Qatar Moto GP – viewed by a global audience of millions - are a demonstration of the Bank's commitment to playing a key role in the international promotion of the country, working in harmony with the Qatari Government's vision of Qatar.

Commercialbank backs the Qatari community by actively supporting and sponsoring many local charities, community service projects and international humanitarian works, in addition to its general involvement in the arts and sporting events. The Bank supports local clubs and federations including the Qatar Handball Federation and the Qatar Basketball Federation, recognising their ability to nurture individuals who are committed to achieving their goals.

In addition, the Bank focuses on the promotion of Qatari youth development and related educational activities. These include Shafallah Centre, Dhreima – Qatar Orphans Foundation; Al Noor Institute for the Blind; Qatar National Cancer Society; Qatar Society for Rehabilitation of People with Special Needs; Qatar Red Crescent; Qatar Charity and other non-profit organisations. Through its support of these non-profit organisations, the Bank aims to contribute to the development of the community, led by active participation in various programs and extending financial support for worthy causes.

In arts, the Bank was also the Gold Sponsor of the inaugural Doha Tribeca Film Festival 2009 and the Platinum Sponsorship of Qatar National Day 2009 for the preservation of Qatari heritage. A concert by world superstar Placido Domingo has also benefited from the Bank's work with Qatar's sporting and cultural bodies, to help realise the ambitions of the nation.

And it is that ambition that has also seen the nation stage a highly-successful Asian Games and make a successful bid to win the right to host the 2022 FIFA World Cup – all fully supported and applauded by Commercialbank.

Board of Directors

Seated from left:

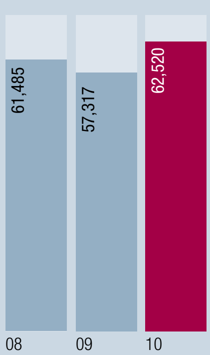
Sh. Jabor Bin Ali Bin Jabor Al Thani – Director
Mr. Abdullah Mohd Ibrahim Al Mannai - Director
Mr. Hussain Ibrahim Alfardan - Managing Director
Sh. Abdullah Bin Ali Bin Jabor Al Thani - Vice Chairman

Standing from left:

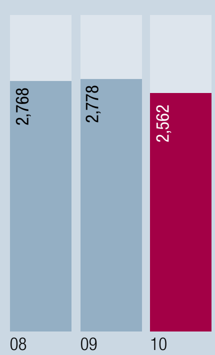
Sh. Nasser Bin Faleh Al Thani – Director
Mr. Jassim Mohammad Jabor Al Mosallam - Director
Mr. Andrew Stevens - Group Chief Executive Officer
H.E. Abdullah Bin Khalifa Al Attiyah – Chairman
Mr. Khalifa Abdullah Al Subaey – Director
Mr. Omar Hussain Alfardan – Director

Financial Highlights

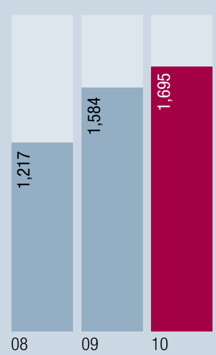
In QR millions, except per share amounts and as stated otherwise	2010	2009	2008	2007	2006
Net interest income	1,695	1,584	1,217	876	675
Net operating income	2,562	2,778	2,768	1,943	1,334
Net profit	1,635	1,524	1,702	1,391	863
Total Assets	62,520	57,317	61,485	45,397	30,358
Basic/diluted earnings per share in QR	7.24	7.08	8.76	7.63	6.16
Dividends declared per ordinary share including bonus shares in QR	7.00	6.00	7.00	7.00	7.00
Closing market price per ordinary share in QR (at year end)	92.00	61.50	88.40	185.00	98.10
Book value per ordinary share in QR (at year end)	55.11	55.47	48.39	44.43	40.18
Long-term debt (at year end)	10,994	9.924	6,096	7,623	4,136
Shareholders' Equity (at year end)	12,500	12,010	9,978	6,228	5,631
Return on average Shareholders' equity	13.34%	13.86%	21.01%	23.45%	15.26%
Return on average asstes	2.73%	2.56%	3.19%	3.67%	3.28%
Capital adequacy ratio	18.49%	18.86%	15.66%	11.85%	15.27%
Full-time employees (at year end)	1,207	1,239	1,241	1,007	1,003



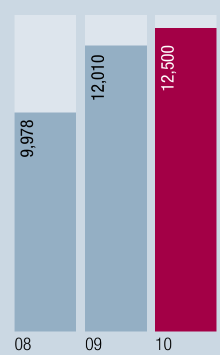
Total Assets
Millions (QR)



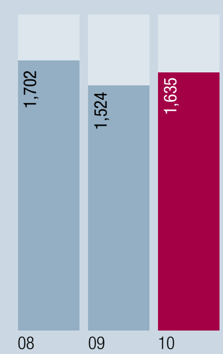
Net Operating Income
Millions (QR)



Net Interest Income
Millions (QR)



Shareholders' Equity
Millions (QR)



Net Profit
Millions (QR)

Forward-Looking Statements: This document contains certain forward-looking statements with respect to certain plans and current goals and expectations of Commercialbank and its associated companies relating to their future financial condition and performance. These forward-looking statements do not relate only to historical or current facts. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including a number of factors which are beyond Commercialbank's control. As a result, Commercialbank's actual future results may differ materially from the plans, goals and expectations set forth in Commercialbank's forward-looking statements.

Any forward-looking statements made by or on behalf of Commercialbank speak only as of the date they are made. Commercialbank does not undertake to update forward-looking statements to reflect any changes in Commercialbank's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this presentation do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

Managing Director's Report

Hussain Ibrahim Alfardan Managing Director

Commercialbank has achieved strong results in 2010 reflecting the successful realignment of its business and its clear strategy of controlled and sustainable growth. We have seen a broadening of sector focus across the domestic corporate and retail businesses, the successful delivery of the revised risk based strategy that the Bank embarked upon in 2009 and the development of relationships in the Public Sector.

Commercialbank's net profit for the year ended 31 December 2010 was QR 1,635 million which was 7% higher than the profit for 2009.

The Bank's performance reflects an improvement in the economic activity in Qatar driven principally by Government spending. Despite this, recovery within the private sector has been slow and impairment provisions of QR 167 million against the loan portfolio and QR 128 million against our investment book have been necessary in 2010 as a result of the lingering effects of the 2008/2009 global financial downturn.

Net operating income decreased to QR 2,562 million for the year ended 31 December 2010. Whilst 2009 included an exceptional gain of QR 165 million arising from the sale of a real estate asset and dividend income of QR 56 million from the local equities which were sold to the Government of Qatar, 2010 saw continued lower levels of lending activity in the private sector and accompanying pressure on lending margins. The Bank's tight focus on balance sheet management has improved the net interest margin to 3.7% compared with 3.4% for 2009.

Total assets increased by 9% to QR 62.5 billion compared with QR 57.3 billion in 2009 reflecting an increase of 5% in lending to customers to QR 33.6 billion from QR 31.9 billion at the end of 2009 and higher balances with the Central Bank. The growth in the loan book was achieved despite lower private sector lending activity and high levels of early repayments from customers.

In December 2010 the Bank issued a CHF 275 million public five year fixed-rate bond in the Swiss capital markets which is listed on the "SIX" Swiss Exchange. The market reception to the issue was strong and further validates the international markets' confidence in the robustness of our business model and our strategy.

The Bank's capital position is strong with the capital adequacy ratio standing at 18.5% at 31 December 2010 compared with 18.9% as at the end of 2009, well above the Qatar Central Bank's minimum required level of 10%. In February 2010, the Bank's shareholders approved the issuance of 10,310,265 new ordinary shares to Qatar Holding (QH), a subsidiary of Qatar Investment Authority (QIA). On 17 January 2011, the Bank received a third subscription of QR 1.6 billion from QIA which will be used to issue new ordinary shares in the Bank subject to ratification by shareholders; the third subscription will increase QIA's shareholding in Commercialbank from 9.1% to 16.7%.

Commercialbank's associates National Bank of Oman (NBO) and United Arab Bank (UAB) contributed QR 155 million for the year ended 31 December 2010 compared with QR 153 million in 2009. The three banks continued to work together in 2010 to deliver alignment in product offerings, operational excellence and cost synergies as part of the regional alliance strategy.

UAB maintained its earnings momentum in 2010 achieving growth of 10% to a record net profit of AED 308 million compared with AED 281 million for 2009. The record profit was delivered through an increase of 16% in loans and advances to AED 5.53 billion in a challenging financial market. NBO achieved a net profit after tax of RO 27.2 million for 2010 compared with RO 21.1 million in 2009, an increase of 29%, due principally to lower provisioning requirements. I would like to thank the staff and the management at both banks for their commitment and contribution during 2010 in the development of the regional alliance.

I would like to express our sincere appreciation for the inspirational leadership of His Highness the Emir, Sheikh Hamad bin Khalifa Al Thani, and His Highness the Heir Apparent, Sheikh Tamim bin Hamad Al Thani, in leading Qatar through a difficult global economic period; the country has shown strength and resilience in the face of these challenges and continues to grow and prosper. I would also like to take this opportunity to thank His Highness the Prime Minister, His Excellency the Minister of Economy & Finance, and His Excellency the Governor of the Central Bank for their guidance and support throughout the year.

I would like to express my sincerest thanks to the Board of Directors, the management and the staff of the Bank for their tireless contribution and dedication during 2010 which has enabled Commercialbank to return to a path of growth and improved profitability. In 2011, we will build on the solid foundations provided by our active management of risk, liquidity and capital and continue to improve shareholder value by deepening our existing relationships with customers, developing stronger relationships in the Government and Public Sector and strengthening our regional banking alliance.

Hussain Ibrahim Alfardan
Managing Director

Management Review of Operations

Andrew C. Stevens Group Chief Executive Officer

Commercialbank has maintained a consistent and solid performance in 2010 reaffirming its ability to adapt to challenging market conditions. We have strategically realigned our business; we have focused on diversification of our funding and lending activities and in developing our relationships in the Public Sector alongside delivering in sectors in which we have long standing relationships. These initiatives have yielded encouraging year on year trends and have delivered a net profit of QR 1.635 billion for the year ended 31 December 2010. The successful conclusion of a public Swiss Franc bond issue in December 2010 confirmed the confidence of the international market in the robustness of our business model and the evolution of our strategy.

We have delivered on our strategy of measured growth through continuing focus on the three key areas of asset quality, tight balance sheet management and low cost bases for both funding and expenditure. We have also continued to develop and diversify our lending and funding activities throughout the year against a backdrop of muted Private Sector demand and a mature loan book. We have seen encouraging annual trends which have delivered enhanced performance in improved profitability, growth in lending and deposits and an improving trend in provisions and non-performing loans. Economic growth in Qatar during 2010 has been driven principally by the Public Sector and we have not yet seen a full return to growth in the Private Sector. Following our strategic realignment the Bank is now well positioned to target future opportunities in both the Public and Private Sectors.

The Qatari economy remains robust and will continue to be driven by the Public Sector in the early part of 2011 as the Government implements its programme for major infrastructure spending and we will continue to pursue and develop relationships with Government and Semi-Government institutions. The Private Sector is not yet providing meaningful credit demand and we will therefore continue to focus on enhancing existing customer relationships across the Bank's domestic corporate and retail businesses whilst seeking new business in our chosen markets. We will continue to concentrate on tight balance sheet management, strong asset quality and a low cost funding base. Across the regional alliance, each of the three banks will continue to focus primarily on their own domestic markets, harnessing their strength and experience to grow their franchises.

Financial Results: Notwithstanding the lingering effect of the global financial downturn which has continued to impact the banking sector, the Bank has delivered a strong performance for the year ended 31 December 2010 with net profit up 7% to QR 1,635 million from QR 1,524 million in 2009. In the fourth quarter of 2010 net profit was 66% higher at QR 309 million compared with QR 186 million in the same period in 2009.

	2010 QR million	2009 QR million
Net interest income	1,695	1,584
Non-interest income	867	1,194
Net operating income	2,562	2,778
Operating expenses	(787)	(759)
Provision for impairment losses	(295)	(648)
Share of results of associates	155	153
Net profit for the year	1,635	1,524

Figure 1: Financial Results

Net Operating Income: Net interest income was up 7% to QR 1,695 million for the year ended 31 December 2010 compared with QR 1,584 million for the prior year. The increase in net interest income during 2010 has been delivered through tight balance sheet management, growth in the Bank's lending book albeit at a lower yield, and a diversification of funding sources and lower cost of deposits which has reduced the average cost of funds. As a result the Bank has increased its net interest margin to 3.7% for 2010 compared with 3.4% achieved for the year ended 31 December 2009.

Loans and advances to customers grew 5% to QR 33.6 billion at 31 December 2010 compared with QR 31.9 billion at the end of December 2009, but have declined from QR 34.7 billion at 30 September 2010 as a result of early repayments from customers. The growth in our lending in 2010 was mainly in the Government and Semi-Government Sector confirming the progress made in pursuing and developing relationships in this sector.

Net operating income decreased to QR 2,562 million for the year ended 31 December 2010, down from QR 2,778 million in 2009. The decrease in net operating income and non-interest income was mainly attributable to lower loan-related and trade finance fee income caused by reduced business and lending activity, the 2009 exceptional gain of QR 165 million from the sale of a real estate asset and dividend income of QR 56 million received from local equities which were sold to the Government of Qatar in 2009.

Operating Expenses: The Bank's total operating expenses have been tightly managed throughout the year and are up only 4% to QR 787 million for the year ended 31 December 2010 compared with QR 759 million 2009 as the Bank has balanced cost management with investment in the business.

	2010 QR million	2009 QR million
Staff costs	423	441
General and administrative expenses	260	225
Depreciation	104	93
Total operating expenses	787	759

Figure 2: Operating Expenses

Staff costs reduced 4% to QR 423 million reflecting, mainly, a reduction in staff numbers to 1,207 during the year from 1,239 at the end of 2009. However general and administrative expenses, and depreciation increased by 14% to QR 364 million for the year ended 31 December 2010 compared with QR 318 million for 2009 due to investment in the business through the expansion of delivery channels and improvement in customer service. The Bank continued its branch expansion programme in 2010 opening one new branch and also launching a new mobile banking service for its retail customers in the third quarter to complement its existing successful internet banking service. The new mobile banking service underlines the Bank's philosophy of addressing customer needs and lifestyles by offering not only relevant products and services but also providing additional delivery channels.

The Bank's cost to income ratio has increased to 29.0% for 2010 compared with 25.9% in 2009 due to the lower levels of income combined with increased costs. The Bank continues to focus on improvement in cost efficiency and announced in February 2011 that it had signed a letter of intent with TATA Consultancy Services to set up a strategic outsourcing partnership, subject to regulatory approval. The partnership will manage the Bank's IT platforms and back office processing services and will deliver operational savings of QR 250 million over a five year period. The transition is already underway and is designed to deliver improvements in process, quality and accuracy across the Bank, providing customers with an improvement in service delivery.

Provisions for Impairment Losses: The Bank's net provisions for impairment losses decreased to QR 295 million in 2010 compared with QR 648 million in 2009 and comprised QR 167 million against the lending portfolios and QR 128 million for investments.

	2010 QR million	2009 QR million
Net provision / (recovery) for impairment on loans and advances	167	461
Impairment losses on financial investments	128	182
Impairment losses on other assets	-	5
Total provision for impairment losses	295	648

Figure 3: Provisions for impairment losses

Impairment provisions of QR 167 million were taken against loans and advances to customers in 2010, compared with QR 461 million in 2009, and comprised QR 74 million against the corporate book, QR 62 million against the retail lending portfolio and QR 31 million for Islamic banking. The net provision against the corporate book also reflected the recovery of eighty per cent of the single relationship default of QR 170 million that was fully provided in 2009.

In 2010 the Bank changed its methodology for recognition of non-performing loans to a basis of above 90 days past due (previously above 180 days past due) which resulted in an increase in both non-performing loans and the non-performing loan ratio. Asset quality remains strong with the non-performing loan ratio, on a 90 day basis, improving to 3.16% at 31 December 2010 from 3.56% (2.22% on a 180 day basis) in 2009. The Bank also sets aside a risk reserve against its lending as part of shareholders' equity; at 31 December 2010 the risk reserve was QR 648 million, representing 2% of total lending, and providing loan loss coverage of 149% inclusive of the impairment provision.

Impairment provisions on the Bank's investment portfolio decreased to QR 128 million for the year ended 31 December 2010 compared with QR 182 million in 2009. Asset valuations have improved generally in 2010 which has allowed the Bank to realise investment gains but there has also been continued weakness in certain investment categories which has necessitated the provisions during the year.

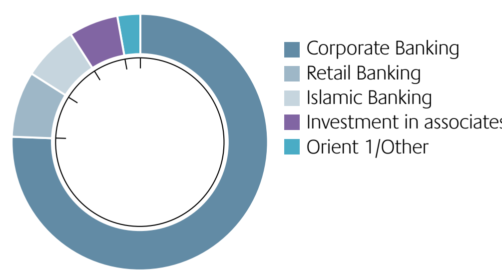


Figure 4: Total Assets

The Bank's total assets were up by 9% to QR 62.5 billion at 31 December 2010 reflecting growth in lending to customers of QR 1.6 billion and an increase of QR 4.3 billion in balances with the Qatar Central Bank. Customers' deposits increased by 27% to QR 33.3 billion at the 31 December 2010 compared with QR 26.3 billion at the end of 2009. In December 2010 the Bank successfully raised CHF 275 million through a five-year fixed rate bond. The bond, which was the first public bond issue by a Qatari bank in Switzerland, is listed on the "SIX" Swiss Exchange and will be used for general funding purposes. The issuance increased longer term stable wholesale funding by QR 1 billion to QR 11.0 billion at 31 December 2010. The increase in deposits and the new bond issue were both a part of the Bank's asset and liability management strategy.

Associates: Commercialbank's associated companies contributed QR 155 million to the Bank's profit for the year ended 31 December 2010 compared with QR 153 million for 2009. The associates' contribution for 2010 was reduced by QR 17 million due to a late adjustment in National Bank of Oman's 2009 financial results, requested by the Central Bank of Oman, which was taken by Commercialbank in 2010; excluding this adjustment the associate banks' own results for 2010 were up by 25% over 2009.

Commercialbank, together with its two banking associates, National Bank of Oman and United Arab Bank, continues to work together to deliver alignment in product offerings, operational excellence and cost synergies as part of the regional alliance strategy.

	2010 QR million	2009 QR million
National Bank of Oman	79	55
United Arab Bank	94	83
	173	138
Prior year adjustment for NBO	(17)	17
	156	155
Asteco Qatar W.L.L.	-	(1)
Gekko LLC	-	(1)
Massoun Insurance Services LLC	(1)	-
Share of results of associates	155	153

Figure 5: Associates

National Bank of Oman (NBO): NBO achieved a net profit after tax of RO 27.2 million for the year ended 31 December 2010, up 29%, compared with RO 21.1 million for the same period in 2009 against a background of strong economic growth and fiscal spending in Oman.

Net interest income declined by RO 1.2 million to RO 55.6 million in 2010 although net interest spreads improved to 3.28%, up from 3.24% in 2009, reflecting NBO's strategy in mobilising low cost funds which more than offset the effect of the drop in asset yields.

Operating income declined RO 3.8 million to RO 78.1 million due to the lower net interest income and a fall in insurance and investment income whilst operating expenses increased by RO 5.2 million to RO 39.9 million reflecting higher staff costs together with investment in systems and customer delivery capability.

NBO's net provisions for credit losses and investments improved to RO 7.9 million for the year ended 31 December 2010 compared with RO 22.1 million in 2009 mainly due to the improving quality of the lending portfolio; net provisions against customer and bank lending were RO 10.6 million lower and provisions against the investment portfolio were RO 3.5 million lower than in 2009. The non-performing loan ratio decreased to 3.5% at the end of December 2010 from 4.3% in 2009.

During the year ended 31 December 2010, customer lending grew only slightly by RO 2 million to RO 1.363 billion constrained by certain loan repayments during the last quarter. Customer deposits grew by 5.1% to RO 1.325 billion at 31 December 2010 due, mainly, to an increase of RO 100 million in its low cost current and savings deposit base.

NBO's regulatory capital stands at RO 286 million providing a Capital Adequacy Ratio of 15.5%, well above the Central Bank's minimum requirement of 12%. The Board recommended a cash dividend of RO 0.015 per share for the year which was approved by shareholders at the Annual General Meeting on 22 March 2011. The dividend level has been determined after taking in to account regulatory guidance from the Central Bank of Oman.

NBO will continue to focus on leveraging its investment in Retail banking, the credit card business and the SME sector. Wholesale and Investment banking will continue to support domestic project financing and all related activity. A number of projects continue to be undertaken, in conjunction with Commercialbank, with the aim of driving efficiencies by sharing global best practices.

United Arab Bank (UAB): UAB delivered a record net profit of AED 308 million for the year ended 31 December 2010, a growth of 10%, from AED 281 million achieved in 2009. The growth reflected an increase of 4% in net operating income to AED 490 million together with a reduction of AED 15 million in lending provisions although these were partially offset by higher operating expenses; net interest margin improved to 5.35%.

Earnings per share improved to AED 0.31 in 2010 compared with AED 0.28 in 2009.

UAB increased customers' deposits by 9% to AED 4.85 billion and, whilst maintaining a prudent and pragmatic approach to lending, grew loans and advances to AED 5.53 billion at 31 December 2010 from AED 4.77 billion at the end of 2009.

Key financial ratios remained strong with the Capital Adequacy Ratio at 20.4%, compared with the Central Bank's minimum requirement of 12% providing sufficient capital to support future growth, and a stable funds ratio of 86.3% which was well within the maximum limit of 100% set by the Central Bank. UAB paid a cash dividend of AED 0.16 per share for 2010.

UAB launched an Islamic banking service in 2010, offering a full range of retail and liability structures through three Islamic suites in Sharjah, Dubai and Fujairah and has plans for further suites in Ras Al Khaimah and Abu Dhabi In 2011. The branch network was extended in 2010 with the addition of new branches in Fujairah and Sharjah and refurbishment of existing branches in Ras al Khaimah, Sharjah - Rolla and Sheikh Zayed Road. 2011 will see the continued expansion of the branch network and further refurbishment of existing branches to modernize UAB's image and enhance its services to customers.

During 2010 UAB embarked on a project, in conjunction with Commercialbank, to change its existing core banking system to a more technologically advanced system to drive efficiencies by sharing best practices, wherever possible.

Going forward, UAB is well positioned to capitalise on the business opportunities created by the gradual economic recovery, focusing on pursuing a prudent expansion strategy.

Asteco Qatar W.L.L.: Asteco Qatar is a Qatari incorporated joint venture company between Commercialbank, United Development Company (PSC), Qatar Insurance Company (Q.S.C.) and Asteco Property Management LLC. The company provides real estate brokerage and sales, facilities and management services, commercial and residential lettings, property valuation and property consultancy services.

Gekko LLC: Gekko is a Qatari incorporated joint venture company between Commercialbank and United Development Company (PSC). The company provides a state of the art contactless payment infrastructure and customer database management solution. Gekko's first implementation is at The Pearl Qatar, benefiting residential owners, tenants, retailers and marina operators through the offer of a unique and convenient lifestyle service of credit and pre-paid payment cards with functions unique to The Pearl Qatar such as security access and Loyalty Reward schemes.

Massoun Insurance Services LLC: Massoun Insurance Services is a Qatari incorporated joint venture company between Commercialbank and Qatar Insurance Company (Q.S.C.). The company was incorporated in 2010 and began to provide a range of conventional and Shari'a insurance products in the fourth quarter of the year which have been tailored to meet the needs of the Bank's retail and corporate customers.

Business Unit Review: Commercialbank operates under four main business units which are structured principally by customer type and location. The Bank's net operating income for the year ended 31 December 2010 by business was:

	2010 QR million	2009 QR million
Corporate Banking	1,947	1,956
Retail Banking	466	496
Commercialbank Islamic Banking	98	109
Orient 1 Limited	10	10
Other	41	207
Net Operating Income	2,562	2,778

Figure 6: Business Unit net operating income

Corporate Banking: Commercialbank offers a comprehensive range of financial services to domestic and international companies investing, trading or executing projects in Qatar. These services include banking, treasury, investment banking, cash management, transaction banking, corporate finance and advisory services.

Corporate Banking continued to be the major contributor to the Bank's overall performance in 2010 however growth opportunities were more limited as there was a major shift in the corporate lending market with Public Sector lending increasing by 38% whilst Private Sector lending grew by only 8%. The Bank increased its focus on the Government and Public Sector and as part of the strategic realignment of the business units within Corporate Banking, it created Government and Public Sector, and International Banking teams in recognition of the growth potential in each area. Commercialbank will continue to be a major player in the Private Sector but will now also have specific focus on the Government and Semi-Government Sector through its Government and Public Sector team in anticipation of new infrastructure projects and public services lending opportunities and will work with its Alliance bank partners through the International Banking team on new business opportunities in their home countries.

Net operating income was QR 1,947 million for the year ended 31 December 2010 down, marginally, from QR 1,956 million in 2009. Net interest income increased by 13% to QR 1,418 million through close focus on reducing the cost of funds however this benefit was offset by lower loan-related and trade finance fee income, and reduced dividend income. In 2010 provisions taken against the lending portfolio reduced to QR 74 million from QR 266 million in 2009 reflecting an improvement in asset quality and despite the change in the methodology for recognition of non-performing loans to a basis of over 90 days past due. Provisions against investments were also lower at QR 119 million compared with QR 154 million in 2009 reflecting the continuing weakness within certain investment categories.

Corporate Banking focus in 2010 was on deepening relationships with existing customers and seeking to develop its presence in the Public Sector to grow the loan book selectively and prudently; loans and advances to customers grew by 5% to QR 26.4 billion at 31 December 2010 reflecting, mainly, the low growth in the Private Sector whilst customers' deposits rose by 27% to QR 20.8 billion.

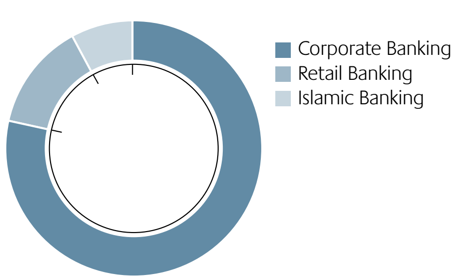


Figure 7: Loans and Advances

Domestic Banking has continued to work closely with its customers during 2010 providing help, support and guidance, where necessary, to manage issues arising from the global financial downturn. With muted credit demand in the Private Sector, there were fewer new lending opportunities leading to a reduction of 3% in lending to customers. Net operating revenue reduced with both lower net interest income and fee income. **Government and Public Sector** maintained the Bank's established track record in origination, syndication and trade services. In 2010 Commercialbank was a lead arranger on the United Arab Shipping Corporation's US$ 275 million syndication and also a lead arranger in Qatar Telecom's US$ 2 billion credit facility.

Treasury manages the funding and liquidity requirements for the Bank whilst also providing a full suite of foreign exchange and interest rate products and services for its customers which helps customers in hedging their market risks. During 2010 one foreign exchange derivative product and six additional counter currencies were introduced to improve further the Bank's strong capability, innovation and competitiveness in the market. Commercialbank's Treasury ranks number two in the Qatari market for treasury activities and is regarded by correspondent banks as a market maker in US dollar/Qatari riyal spot forwards and swap dealings. Customer transactions are done on a matched basis, resulting in neither foreign exchange nor market risk for the Bank.

Commercialbank continued to give balance sheet and liquidity management strong focus throughout 2010 given the ongoing volatility in the global financial markets. Whilst ensuring that the Bank maintained its liquidity ratios well above the minimum level prescribed by the regulators, Treasury has also been instrumental in reducing the Bank's cost of funds.

The Bank has been able to diversify its funding base by raising CHF 275 million through a five year fixed rate bond which is listed on the "SIX" Swiss Exchange.

Investment Banking activities saw a moderate pick up during 2010 benefitting from the prevailing global economic environment of low interest rates and improved liquidity to increase its participation in fixed income bond issuances from local and regional issuers.

Management Review of Operations Continued

During 2010 the Central Bank allowed local banks to recommence investment activity in Qatar Exchange listed equities, introducing a portfolio limit of QR 150 million; the Bank has acquired a portfolio of local equities with a net book value of QR 116 million at 31 December 2010. Due to improvements in asset valuations the Bank has been able to realise investment gains of QR 64 million in the year ended 31 December 2010 compared with QR 37 million in 2009, however dividend income dropped to QR 12 million in 2010 from QR 63 million in the previous year when the Bank received dividends from the Qatari equity portfolio that it sold to the Government in the first quarter of 2009.

Fee income from marketing of international funds, brokerage and asset management declined in 2010 to QR 15 million reflecting the lower volumes of shares traded on the Qatar Exchange during the year coupled with lower, overall, international investor interest in the Qatari market. The Bank's flagship mutual fund, Al Waseela, registered a year-to-year performance improvement of 20% which was just below the performance of the Qatar Exchange 20 Stock Index.

The Bank is currently preparing to reopen its brokerage, asset management and fund distribution business in the first half of 2011 through Commercialbank Investment Services following the change in regulation in 2010.

Retail Banking: Retail Banking offers a full suite of products and services to meet its customers' borrowing, transaction and wealth management requirements. Retail Banking strategy continues to be focused on the high net worth and affluent segments whilst ensuring the delivery of continuous superior levels of service across its customer base that meet customers' needs and differentiates the Bank from the competition.

Net operating income was QR 466 million for the year ended 31 December 2010 down from QR 496 million in 2009 with lower net interest income being partially offset by increased non-interest income. There was a significant improvement in loan loss provisions to QR 62 million for the year ended 31 December 2010 compared with QR 182 million in 2009 due to the benefits arising from tightened credit criteria and the strengthening of the debt collections area. Selective and prudent lending to customers in 2010 saw loans maintained at QR 4.6 billion with customers' deposits growing by 20% to QR 8.7 billion at the end of 2010 from QR 7.3 billion in 2009.

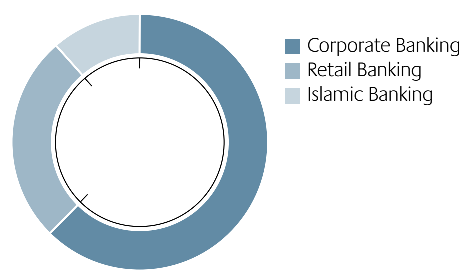


Figure 8: Deposits

During 2010 Retail Banking focused on acquisition of Qatari customers and expatriates from the affluent segment. During the year, numerous deposit and lending initiatives were rolled out with a focus on maximizing the cross sell potential of existing customers as well as attracting new customer relationships through branch based activities. The customer acquisition strategy was supported with targeted corporate based campaigns to attract salaried employees especially from Government and Semi-Government Sectors. Customer communication and market presence has been a key focus for the Retail business to support its growth and acquisition strategy. With pricing tariffs capped by the Central Bank, Retail Banking also focused on reducing cost of funds across its deposits portfolio to deliver cost savings.

A restructure in the Retail network created three regional branch clusters to serve customers with a broader range of products and services as well as provide more convenient access for customers. One new branch was added to the Bank's branch network in 2010 to bring the conventional network to 28 branches in addition to the 141 ATMs. The launch of a new mobile banking service in the second half of the year moves banking into the next generation of technology; further developments in 2011 will move the service into the next portable payment mode, offering customers convenience in any location. Commercialbank continues to invest in both its network and the business technology to ensure the best service and quality deliverables are within reach of all customers.

Commercialbank continued to be a retail market leader during 2010 with the launch of Mobile Banking, Q-Company package offers, The Pearl Qatar Special Finance offers, brokerage accounts, automated money transfer service (tie up with The Group Securities) and dealer based vehicle campaigns. The Bank maintained a dominant market share in credit card issuing and acquiring business and also acquired affluent customer relationships by offering attractive debt consolidation products. Retail Banking continued to strengthen the non-resident expat offering by tying up with various new partners in different countries with focus on India.

With the realignment of banking services, Retail Banking is well positioned to provide quality service across its retail channels. Key emphasis will be to manage growth opportunities on a proactive basis, ensuring quality risk control by focusing on selected target segments, while continuing to diversify the funding base and reducing the cost of funds.

Commercialbank Islamic Banking: Commercialbank Islamic banking offers a wide range of corporate and retail Islamic banking products through eight branches across Qatar.

Net operating income was QR 98 million, QR 11 million lower than the level achieved in 2009. Operating expenses improved by QR 3 million to QR 31 million whilst impairment provisions against lending and investments were in line with 2009 at QR 40 million. Net profit for the year was QR 27 million compared with QR 35 million in 2009.

Islamic financing increased by 15% to QR 2.6 billion at 31 December 2010 compared with QR 2.3 billion in 2009 whilst Islamic banking deposits grew to QR 3.4 billion from QR 2.3 billion.

In light of the recent announcement from the Central Bank requiring conventional banks to close their Islamic windows, the focus for 2011 will be to manage the changes required. The Bank is particularly sensitive to the needs of both its customers and the dedicated Islamic staff, both of whom will be our main priority during the transition.

Orient 1 Limited: Orient 1 Limited is the exclusive provider of Diners Club credit card services in Qatar and Oman. In 2010 Diners Club Services Egypt was successfully divested realising a net profit of QR 4 million.

The underlying performance of Orient 1 continues to improve with the company recording a consolidated net profit of QR 9.7 million for the year ended 31 December 2010.

Orient 1 expanded its Diners Club franchisee business with the introduction of NBO as an issuer of Diners Club cards to its premier banking customers in Oman. Orient 1 continues to undertake card processing services for NBO and Diners Club Services Bahrain W.L.L. and formed an agreement with Gekko LLC to process contactless payment transactions in 2011.

Capital: The Bank's Capital Adequacy Ratio decreased marginally to 18.5% at 31 December 2010 compared with 18.9% at the end of 2009. The Bank's capital position is strong and well above Qatar Central Bank's required minimum level of 10%. During the first half of 2010 the Bank issued 10.3 million new ordinary shares to Qatar Holding, a subsidiary of Qatar Investment Authority.

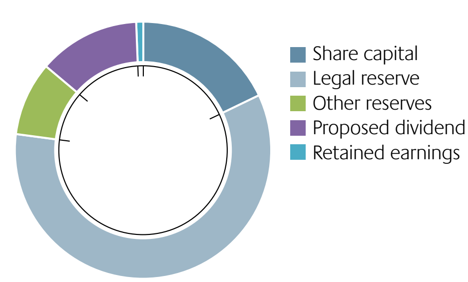


Figure 9: Shareholders' Equity

On 17 January 2011 the Bank received a third subscription of QR 1.6 billion from Qatar Investment Authority which was used to issue new ordinary shares in the Bank's capital following ratification by an Extraordinary General Assembly held on 21 February 2011. The issue increased Qatar Holding's shareholding in Commercialbank from 9.1% to 16.7%.

In pursuit of increasing convenience and expanding our reach to customers, the new Al Rayyan branch was opened housing the Universal Agent concept. At Commercialbank, we understand the need for efficient banking with a personal touch. Our Universal agents take customer relationships to a new level and are able to advise our customers on a host of products and services making their banking experience more efficient. Designed to complement the exclusive residential and commercial environment at Al Rayyan, the new branch will meet the requirements of both retailers and personal banking customers through offering an extensive range of quality products and services including mortgage finance as well as facilitating corporate and retail cash transactions.

Further convenience is provided through the offering of morning and evening opening hours complimented with 24/7 access available through our extensive ATM network and e-banking services. For the Bank’s premium Sadara clientele, the first floor of the new branch provides a dedicated luxury lounge that offers the comfort and privacy essential for a premium relationship banking experience.

Commercialbank's new branch concept is designed to provide an enhanced customer experience; as a consultative space rather than just a retail branch. The interiors have been developed to create areas with a distinctive local flavor – having heritage and culture entwined with rich materials and use of Arabic pattern to add a distinctive element of traditional design and elegant furniture for a comfortable and inviting environment. These branches use technology to remove barriers as well as encourage face to face interaction between customers and staff so as to heighten the personalized banking experience.

Around the clock, around the globe access: Commercialbank's Mobile Banking takes banking convenience to a whole new level giving the customers immediate access to their accounts through any mobile network. Commercialbank's Mobile Banking Service is compatible with all kinds of mobile phones including iPhone, Blackberry and over 1000 different types of Internet enabled phones from Nokia, Sony Ericsson, HTC, Motorola and others brands.

The Board recommended the distribution of a cash dividend of QR 7 per share for the year ended 31 December 2010 which was approved at the Annual General Assembly on 21 February 2011.

Risk Management: The provision of financial services to customers carries with it significant risks and accordingly identification, assessment and mitigation of risk is a strategic priority for Commercialbank. The Bank has a comprehensive risk governance framework in place, covering accountability, oversight, measurement and reporting of risk, encapsulated through the Board approved Risk Charter which also outlines the enterprise-wide risk management activities of the Bank and details high level organisation, authorities and processes relating to all aspects of risk management, including:

Credit risk – being the risk of potential loss from a counterparty's failure to meet obligations as they fall due;
Market risk – being the potential loss in value or earnings arising from changes in external market factors such as interest rates, foreign exchange rates, commodities and equities;
Liquidity risk – being the risk that the Bank does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost;
Operational risk – being risks arising from internal processes, people and systems or from external events;
Strategic risk – being the risk of a potential negative impact on shareholder value as a result of a business decision taken as part of the strategic planning process for both organic growth and the identification of possible acquisitions.

Risk management practices are well embedded and exercised at several levels cascading down from the Board of Directors, sub-committees of the Board, management committee and executive management.

Risk management within Commercialbank is based on the risk appetite and strategy set by the Board of Directors through the Risk, Credit, Audit and Policy & Strategy Committees. The strategy and resultant policies and procedures are implemented through specialist risk functions reporting into the Chief Risk Officer. Risk is provided the required level of independence and works closely with other business units of the Bank to support their activities. The following represent the key objectives of the risk management framework:

- Ensure adherence/compliance of individual and portfolio performance to agreed terms and policies
- Institute prudent risk control mechanisms across the Bank
- Ensure compliance with local legal and regulatory guidelines
- Maintain the primary relationship with local regulators with respect to risk-related issues

Risk has over 60 dedicated staff underlining Commercialbank's commitment to maintaining a strong risk governance and management framework. During 2010, the Bank tightened its internal controls and carried out various process improvements in all areas of risk management.

At a macro-level, Commercialbank's Board is highly involved in risk governance and decision making; through the Board Risk Committee (for enterprise wide risk reviews and portfolio monitoring), Board Executive Committee (for credit decisions and lending strategy), the Policy & Strategy Committee (for risk policies) and the Board Audit Committee (for compliance and internal audit matters). In addition, specific risk focused management committees (Risk, Asset & Liability and Investment) convene monthly or more frequently, as necessary. The Board of Directors or their sub-committees are regularly updated on major risks the Bank faces, including but not limited to credit risk.

Commercialbank is investing in enhanced systems, technology, people and processes to strengthen the risk management framework towards achievement of best practice in all areas of risk management and full compliance with Basel II. During 2010 the Bank established a specialist Risk Infrastructure function responsible for Policy and Basel II framework as well as portfolio management, operational and market risk management. The Bank is in compliance with the provisions of Basel II framework as advised by the Qatar Central Bank. In 2010, the Bank created a special assets team and introduced clear guidelines for timely action on account arrears; early warning signs of account distress are embedded in the day-to-day account relationship management. At 45 days past due, delinquent accounts are transferred to Special Assets Management for intensive handling. Risk, Special Assets and the business work closely to ensure a seamless internal process.

In summary, the governance framework, policies and administrative procedures relating to risk management in Commercialbank align well with global best practices, recommendations of Basel Committee and guidelines of the Central Bank.

Corporate Communications: Corporate Communications provides fully integrated through-the-line campaigns focusing on specific customer needs based on life events for each customer segment category.

There is an increasing focus on direct marketing techniques utilising customer information attained through research and segmentation analysis to allow a targeted approach to customer marketing communications relating to credit cards, personal lending, mortgages and wealth management business, such as direct mail, e-mail shots and SMS media. The aim is to continually facilitate the increase in cross sales and therefore customer retention.

2010 saw a strategic focus on driving transactional business and enquiries to the Banks' electronic banking channels, internet, telephone and mobile phone, using memorable, highly creative campaigns to target relevant customers to both acquire registration and subsequently to use fee based transactions, such as remittances, across these electronic channels.

The drive to promote use of electronic banking channels to reduce transactional business from the branch network and provide customers with increased convenience is a primary initiative for the Bank.

Employees: Commercialbank's employees constitute one of the greatest assets within the organization and the dedication of each member of Commercialbank contributed to the Bank's continued success in 2010. The Bank is committed to ensuring that Qatari nationals have every opportunity to achieve and develop, both personally and professionally, and encourages participation on local and international management trainee programmes. The Bank has developed a tie up with London Metropolitan Business School which has created several avenues for development of Qatari staff evidencing potential.

Today's youth are the statesmen of tomorrow and nurturing a motivated workforce eager to support the growth and development of Qatar is one of Commercialbank's primary aims. The Bank has increased its focus on development of Qatari staff members into leadership roles as well as continuing to attract and develop young Qatari talent through its training programs. In addition, the Bank follows an equal opportunity policy and is dedicated to equipping all employees with proper skills and knowledge through learning and development programs to ensure that each and every member of the Bank is able to exceed customer expectations.

As at the end of December 2010, the Bank had 1,207 staff compared with 1,239 at the end of 2009 with Qatarization ratio within the Bank increasing to 24%.

Community Support: Commercialbank extends its support to a number of local organisations as part of its continuing efforts to inspire the community to uphold the values of solidarity, compassion and cooperation by helping those less fortunate. Such local organisations include Shafallah Centre, Dhreima – Qatar Orphans Foundation, Al Noor Institute for the Blind, Qatar National Cancer Society, Qatar Society for Rehabilitation of People with Special Needs, Qatar Red Crescent, Qatar Charity and other non-profit organisations.

Through its support of these non-profit organizations, the Bank aims to contribute to the development of the community led by active participation in various programmes and extending financial support for worthy causes.

Promoting Sports: Commercialbank dedicates significant efforts to promoting Qatar's sporting ambitions through support of local sports clubs and federations including the Qatar Handball Federation and the Qatar Basketball Federation, recognising their ability to nurture individuals who are committed to achieving their goals.

The Bank is the title sponsor of the Commercialbank Qatar Masters Golf Tournament, a tournament which is part of the European and Asian PGA Tour calendars bringing world class golfing action to Qatar. The tournament is now in its 11th year and grows each year, attracting a bigger and better field of international players, and more spectators. Commercialbank is also the exclusive sponsor of the Commercialbank Grand Prix of Qatar, an event on the MotoGP calendar which revolutionalised racing in 2008 by being the first motorsports world championship grand prix to be held at night under floodlights.

Support of sports events, whether local or international, generates a sense of goodwill and a healthy spirit of competition among individuals and countries, and promotes Qatar as an open, progressive and thriving country that is flourishing and has much to offer the international community.

Education: Commercialbank regularly participates in locally held career fairs of major international universities as well as the annual Qatar Careers Fair. 2010 saw Commercialbank participate in the annual College of the North Atlantic-Qatar (CAN-Q) career fair and the Qatar University career day. Such fairs provide the Bank with the opportunity to meet individuals displaying potential and seeking career opportunities within the banking sector whilst also providing students and graduates with a comprehensive overview of the financial sector in Qatar. Such events enable talented Qatari students to contribute to the growth and development of the country.

Commercialbank, in partnership with Qatar's Ministry of Labour, offers Qatari and non-Qatari high school graduates nominated by the Ministry a one month intensive summer training programme aimed with providing young students with a head-start in their careers. The programme prepares them for a future career in banking whilst generating interest among youth in the diversity of vocational opportunities that exist in the financial sector.

Honouring Cultural Traditions: Commercialbank is committed to supporting activities and programmes that demonstrate pride in the heritage and cultural practices of the communities it serves.

The Bank hosts a Garangao festival each year as part of its broader commitment to celebrating the heritage of Qatar and sharing time-honoured traditions with newer generations. Known widely as the festival of children, Garangao is celebrated each year on the 14th day of the Holy Month of Ramadan and is both an opportunity for the development of societal harmony as well as promoting interaction among people of all ages. Many Bank employees accompany their children to these celebration events whilst also taking part in hosting the festivities.

Celebrating the success of Qatar's financial sector: Commercialbank is committed to being a leading corporate citizen and in line with this vision partnered with a group of the country's leading financial institutions to promote developments in Qatar's financial sector through a special reception held on the sidelines of the Annual Meeting of the International Monetary Fund in Washington DC. The high-level reception provides a platform to meet policymakers, regulators, expert observers and most importantly the leaders of the communities that the Bank serves or may serve in the future.

The receptions, held annually by alternating Qatari banks, aim to promote business relations to benefit Qatar's financial sector and the overall economy, and Commercialbank consistently advocates collaboration and dialogue within the banking sector to generate positive business ideas and opportunities.

Commercialbank continually plays an active role in Qatar's future success by investing in the community in which it operates through supporting charitable foundations, educational programs, cultural projects, International humanitarian works as well as sporting events.

Commercialbank actively pursues opportunities to equip and develop Qatari youth with the necessary experience and expertise to become the future catalysts of Qatar's economic growth, diversification and development. The Bank believes that this approach can help achieve better outcomes for the future of Qatar, through facilitating knowledge transfer to educated youth in a practical and vocational manner, in addition to providing job opportunities for Qataris who wish to have a promising and professional career in the banking sector. Commercialbank staff from the Career Development & Qatarisation Unit participated at the Qatar University Career Day to offer guidance and answer any queries from those wishing to pursue a career in banking.

Commercialbank's specially developed Training and Development program for Qataris provides selected graduates an opportunity for a permanent career with the Bank. The Bank has a strategic partnership with the London Metropolitan Business School and offers training and courses for fresh recruits followed by a two-year program for middle management and a one-year Executive Leadership Program. These courses are designed to individually develop high-flying Qataris for senior leadership roles within the Bank. Fresh graduates, who are selected for the program, benefit immensely from this comprehensively designed development program. Furthermore, Commercialbank also offers summer training programs for secondary school and university students, in line with its efforts to support and train Qataris who wish to pursue a banking career.

As a fully fledged member of the Institute of International Finance (IIF), Commercialbank has long recognised the strategic importance of the meetings and sessions being conducted at the sidelines of the IMF/World Bank Group. This year, over a period of 5 days, from its bespoke and dedicated double suite at the W hotel in Washington overlooking the US treasury, Commercialbank hosted some 50 meetings with a network of financial decision makers, economists, policymakers and senior bankers from around the globe.

As a testament to the increasingly important role the Qatari economy plays on the world stage the level of interest from the international investment community remains huge. In support of this interest and in recognition of the key role that the Qatari banking system has in helping the nation achieve its full potential, Commercialbank Executives discussed a wide range of subject matters with their international peers ranging from the world economy, management of risk, best practices and standards in banking systems and the ever present opportunities for investment in Qatar.

Management Review of Operations Continued

Acknowledgement: Commercialbank has made genuine and sustainable progress in 2010 in challenging market conditions. The positive results are due to the ongoing guidance, contribution and support of the Chairman, Managing Director and the Board of Directors, as well as the efforts of executive management and staff of the Bank. The Bank continues to be held in high regard, earning the reputation as a trusted, secure and reliable regional banking partner.

Guidance and support from the Qatar Central Bank, under the leadership of His Excellency Sheikh Abdullah bin Saud Al Thani, has maintained stakeholder confidence in the Bank and more generally cemented the high regard in which the Qatar banking and financial sector is held in global financial markets.

The economy will continue to be driven by the Public Sector in the early part of 2011 and we will continue to pursue and develop relationships with Government and Semi-Government institutions whilst continuing to focus on enhancing existing customer relationships and seeking new business wins in our chosen market sectors. Sustainable long term growth, proactive management of risk, balance sheet, liquidity and capital, cost management and quality improvement and efficiencies continue to be our primary focus. Inspired by Qatar and committed to its future, the Bank is both well positioned and strongly capitalised to face the challenges that lie ahead to grow its franchise.

Andrew C Stevens
Group Chief Executive Officer

Responsibility Statement

To the best of our knowledge, financial statements prepared in accordance with the International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit of The Commercial Bank of Qatar (Q.S.C.). We confirm that the management review, together with the notes to the financial statements, includes a fair review of development and performance of the business and the position of the group together with a description of the principal risks and opportunities associated with the expected development of the group.

31 March 2011

For and on behalf of the Board of Directors:

Mr. Hussain Ibrahim Alfardan
Managing Director

Mr. A. C. Stevens
Group Chief Executive Officer

Corporate Governance

The Bank is committed to maintaining and following strong corporate governance practices ensuring the effective oversight and management of the Bank in a manner that enhances shareholder value by promoting and mandating compliance with rights and responsibilities of and by the Bank's shareholders, Board and executive management.

The following standards and policies have been approved and adopted by the Board and provide the framework for the Bank's corporate governance as the Bank strives to meet its responsibilities to its stakeholders (being any person who has an interest in the Bank, including shareholders, customers, employees and creditors). These standards are reviewed by the Board periodically to ensure that the Bank maintains best practices in corporate governance, and that these practices provide for the effective oversight and management of the Bank.

Role of the Board and executive management

The Board shall oversee the conduct of the Bank's business and be primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of executive management, approval of business strategies, evaluation of performance and assessment of major risks facing the Bank.

In discharging its obligations the Board must exercise judgment in the best interests of the Bank and may rely on the Bank's executive management to implement approved business strategies, resolve day-to-day operational issues, keep the Board informed, and maintain and promote high ethical standards. The Board may delegate authority in management matters to the Bank's executive management subject to clear instructions in relation to such delegation of authority and the circumstances in which executive management shall be required to obtain Board approval prior to taking a decision on behalf of the Bank.

The Board has established rules in relation to the dealings of the Board and employees in securities issued by the Bank.-

Board composition and Director qualifications

The size of the Board shall be in accordance with the Bank's Articles of Association. The organisation of the Board shall (i) be determined from time to time according to the requirements of the Bank, and (ii) be subject to Director independence provisions set out below. The Board will consist of a balance of Non-Executive and Independent Directors.

The position of Chairman of the Board and Managing Director of the Bank may not be held by the same individual.

The Board shall collectively possess professional knowledge, business expertise, industry knowledge and financial awareness sufficient to enable the Board to carry out its responsibilities and Directors shall have experience and technical skills in the best interests of the Bank.

Electing Directors

The Board shall review the appropriate skills and characteristics required of Directors from time to time and the qualifications of potential nominee Directors, recommending suitable nominees for election to the Board. To be elected to the Board, a nominee Director must receive a simple majority of votes cast in the election.

A Director's membership to the Board shall terminate in the event that, amongst other things, the Director is convicted of an offence of dishonour or breach of trust or is declared bankrupt.

Vacancies on the Board shall be filled in accordance with the Bank's Articles of Association.

Director responsibilities

The responsibilities of the Chairman of the Board shall be as defined in the Bank's Articles of Association.

Directors shall be given appropriate and timely information to enable them to maintain full and effective control over strategic, financial, operational, compliance and governance issues of the Bank.

Directors shall act in accordance with the Bank's Articles of Association and the Commercial Companies Law.

Other than resolutions passed at each Annual General Assembly absolving the Board of Directors from responsibility, and provisions in the Articles of Association requiring that disputes against directors can only be brought in accordance with a resolution by the General Assembly, there are no provisions in effect protecting the Board of Directors and executive management from accountability

Director independence

At least one third of the Board shall comprise Independent Directors and a majority of the Board shall comprise Non-Executive Directors. Directors must notify the Board as soon as reasonably practicable in the event of any change in circumstances which may affect the evaluation of their independence. Non-Executive Directors must be able to dedicate suitable time and attention to the Board and their directorship must not conflict with any other interests of such Directors.

Board meetings

The Board shall hold meetings at least once every two months pursuant to either (i) written notice from the Chairman of the Board at least one week prior to the meeting, or (ii) written request submitted by at least two-thirds of the Directors.

Notice of meetings issued by the Chairman of the Board shall include the meeting agenda. Directors may request that a matter be included on the meeting agenda.

Directors are expected to make every effort to attend, in person, all scheduled Board meetings and meetings of the committees of the Board on which they serve. A Board meeting shall only be validly called if a majority of Directors are in attendance (whether in person or by proxy) and provided that at least four Directors are present in person.

Voting in Board meetings shall be in accordance with the Bank's Articles of Association. Matters considered, and decisions taken, by the Board shall be recorded by means of minutes kept by the secretary of the Board.

Board Committees

Board committee members are appointed by the Board. Each Board committee has its own written terms of reference, duties and authorities as determined by the Board. The standing Board committees are as follows:

Board Risk Committee

The Board Risk Committee comprises three Board Members, currently Sh. Abdullah bin Ali bin Jabor Al Thani, Sh. Ahmed bin Nasser Al Thani and Mr. Omar Hussain Al Fardan.

The Terms of Reference for the Committee provide that the Committee is responsible for (i) all aspects of enterprise risk management including but not limited to credit risk, market risk, operational risk, liquidity risk and reputational risk, and (ii) setting the policy, criteria and control mechanisms on all risk issues and oversight of all Bank risks through the Management Risk Committee (MRC). The Committee is required to meet at least four times per year.

Policy and Strategy Committee

The Policy and Strategy Committee comprises four Board Members, currently H.E. Abdullah bin Khalifa Al Attiyah, Sh. Abdullah bin Ali bin Jabor Al Thani, Mr. Hussain Ibrahim Al Fardan, Mr. Omar Hussain Al Fardan together with Mr. Andrew C. Stevens (Group CEO).

The Terms of Reference for the Committee provide that the Committee is responsible for approving all strategies, plans, budgets/objectives and policies procedures and systems, and for reviewing the performance of the Bank in relation to each of the foregoing. The Committee is also responsible for evaluating the compensation and remuneration of the Board of Directors and Executive Management, having regard to the long term objectives of the Bank. The Committee meets at least four times per year, and at least once in each financial quarter of the year.

Board Executive Committee

The Board Executive Committee comprises four Board Members, currently H.E. Abdullah bin Khalifa Al Attiyah, Sh. Abdullah bin Ali bin Jabor Al Thani, Mr. Hussain Ibrahim Al Fardan and Mr. Omar Hussain Al Fardan.

The Terms of Reference for the Committee provide that the Committee is responsible for (i) handling matters which require review by the Board but arise between Board meetings, (ii) relieving the Board of detailed review of information and operations activities including evaluating and granting credit facilities and approving the Bank's investment activities within authorized limits (as dictated by QCB and Board guidelines), and (iii) generally reviewing all major functions of the Board and coordinating between the Board committees.

Board Audit Committee

The Board Audit Committee comprises three Board Members, currently Mr. Khalifa Abdullah Al Subaey, Sh. Jabor bin Ali bin Jabor Al Thani, and Sh. Ahmed bin Nasser Al Thani with Mr. Abdulla Mohammed Ibrahim Al Mannai as the alternative member:

The Terms of Reference for the Committee provide that the Committee is responsible for (i) setting the policy on all Audit issues, (ii) maintaining oversight of all Bank audit issues, (iii) Compliance & Anti-Money Laundering, and (iv) assisting the Board in fulfilment of its responsibility to oversee the quality and integrity of accounting, auditing, internal control and financial reporting practices of the Bank.

Directors' remuneration

Remuneration of Directors is in accordance with the Bank's Articles of Association and may take the form of (i) fixed salaries, (ii) director's fees, (iii) in-kind benefits, or (iv) a percentage of the Bank's profits. Directors may receive multiple forms of remuneration provided that remuneration by way of a percentage of the Bank's profits shall not, after deduction of expenses, depreciation and reserves and distribution of dividends of not less than 5% of the Bank's capital, exceed 10% of the net profit of the Bank.

Independent advisors

The Board and its committees may retain counsel or consultants with respect to any issue relating to the Bank's affairs. Costs and expenses incurred pursuant to appointment of independent advisors or consultants shall be borne by the Bank.

Board of Directors

As at 31 December 2010, the Board of Directors of the Bank comprised the following members shown in Figure 11, below:

Pursuant to the Bank's Annual General Meeting held on 21 February 2011, each member of the Board of Directors was re-elected for a further period of three years. Further, the status of H.E. Abdullah bin Khalifa Al Attiyah changed to Non-Executive, Independent.

The status of Board Members as Non-Executive, Independent or Non-Independent is determined in accordance with the Central Bank›s Corporate Governance Guidelines for Banks and Financial Institutions.

Details of the education, experience and principal membership in other banks, financial institutions or companies, of Board Members is set out below:

H.E. Abdullah bin Khalifa Al Attiyah
BA in Political Science from USA.

State Minister. Deputy Chairman of Qatar Insurance Company and United Development Company. Chairman of Gulf Publishing and Printing.

Sh. Abdullah bin Ali bin Jabor Al Thani
BA Arts, Social Science.

Director of National Bank of Oman and United Arab Bank. Owner of Vista Trading Company. Partner in Dar Al Manar, Domopan Qatar, Banz Group Qatar, Al Aqili Furnishings, Carpetland and Offices Land.

Figure 11: Board of Directors

Director	Position	First Appointment	Expiry of current Appointment	Status
H.E. Abdullah bin Khalifa Al Attiyah	Chairman	1980	2011	Non-Executive, Non-Independent
Sh. Abdullah bin Ali bin Jabor Al Thani	Vice Chairman	1990	2011	Non-Executive, Non-Independent
Mr. Hussain Ibrahim Al Fardan	Managing Director	1975	2011	Non-Executive, Non-Independent
Mr. Omar Hussain Al Fardan	Member	2002	2011	Non-Executive, Non-Independent
Mr. Jassim Mohammed Jabor Al Mosallam	Member	1975	2011	Non-Executive, Independent
Mr. Khalifa Abdullah Al Subaey	Member	1987	2011	Non-Executive, Independent
Sh. Jabor bin Ali bin Jabor Al Thani	Member	2002	2011	Non-Executive, Independent
Mr. Abdulla Mohammed Ibrahim Al Mannai	Member	1987	2011	Non-Executive, Independent
Sh. Ahmed bin Nasser Al Thani	Member	2009	2011	Non-Executive, Independent

Mr. Hussain Ibrahim Al Fardan
Businessman.

Started career as a banker in Standard Chartered Bank. Chairman of Alfardan Group and United Development Company. Director of Qatar Insurance Company. Founding member and Director of Investcorp Bahrain. Vice Chairman of Gulf Publishing & Printing Company and Qatar Businessmen's Association.

Mr. Omar Hussain Al Fardan
BA in Business Administration and Masters in Finance from Webster University, Geneva.
Businessman.

President and Director of companies comprising Alfardan Group. Director of United Development Company. Deputy Chairman and Director of United Arab Bank. Chairman of National Bank of Oman. President and director of Resorts Development Company. Chairman of Qatar District Cooling Company. Vice Chairman of Qatar Dredging Company. Director of Qatar Red Crescent Society.

Mr. Jassim Mohammed Jabor Al Mosallam
Businessman.

Owner of Al Mosallam Trading Company. Director of Qatar German Medical Devices Company and Qatar Clay Bricks Company.

Mr. Khalifa Abdullah Al Subaey
BA in Economic and Political Science from Central Michigan University.

Started career in Finance Department of Qatar Petroleum. Director of insurance and real estate development companies. President and CEO of Qatar Insurance Company, Qatar. Director of United Development Company.

Sh. Jabor bin Ali bin Jabor Al Thani
Businessman.

Director of Gulf Publishing and Printing WLL. Owner of Al Maha Contracting Co., Partner in Banz Group Qatar.

Mr. Abdulla Mohammed Ibrahim Al Mannai
Businessman.

Owner of AMPEX, Qatar Marble and Islamic Mozaic Company. Member of the Qatar Businessmen's Association.

Sh. Ahmed bin Nasser Al Thani
Businessman. MA in Engineering Management

Director of Commercialbank and United Development Company, representing Nasser Bin Faleh Group W.L.L.

Executive management

Executive Management (defined as the group of persons with operational responsibility for the Bank appointed by the Board) is responsible for overall day-to-day management of the Bank.

As at 31st December 2010, Executive Management of the Bank comprised the following:

Mr. Andrew C. Stevens
Group Chief Executive Officer (CEO)

Mr. Abdulla Al Raisi
Deputy CEO

Mr. Hugh Thompson
Executive General Manager (EGM) and
Group Chief Legal Officer

Mr. Nicholas Coleman
EGM, Group Chief Financial Officer

Mr. Sandeep Chouhan
Group Chief Operating Officer

Mr. Abduljalil Borhani
EGM, Chief Strategic Client Officer

Mr. Rajbushan Budhiraju
EGM, Chief Retail Banking Officer

Mr. Steve Mullins
EGM, Chief Corporate Banking Officer

Mr. Keith McMahon
Head of Organisational Effectiveness

Mr. Pietro Cannizzaro
Chief Operations Officer

Education, experience and affiliations

Mr. Andrew C. Stevens

Andrew C. Stevens was born in Hong Kong in 1959, educated at public school in England and graduated from Birmingham University with B.Com(Hons) in Banking and Finance. He joined Standard Chartered Bank in 1980 as an International Executive and spent the first six months training at one of the Bank's subsidiaries in Dublin, Ireland. In 1981 he was posted to Hong Kong, in 1983 to Bahrain and in 1985 joined a new regional head quarters for Africa, Middle East and South Asia.

In 1987, he was seconded to the African business of Standard Chartered Bank serving in Uganda until his departure from the Bank in 1989. Since, joining Commercial Bank of Qatar in 1989, Mr. Stevens has experienced wholesale changes at both Bank and macro-economic levels. In 1994 Mr. Stevens was appointed as the Bank's first AGM Retail Banking. In 1998, Mr. Stevens was appointed as a Director of Orient 1, a 100% owned subsidiary of Commercial Bank Qatar, setup to manage credit card businesses across the Middle East.

Mr. Stevens was appointed as CEO of Commercial Bank Qatar in April 2001 and GCEO in 2008. In 2005 Mr. Stevens led the acquisition of a 35% stake in the National Bank of Oman and followed this by leading the acquisition of 40% in United Arab Bank, Sharjah, UAE in 2008. He presently serves as a director of both banks.

In addition to these directorships, Mr. Stevens is a director of Qatar Insurance International LLC and on the Global Advisory Board of Diners Club International & Visa›s International Senior Client Council.

He is married with four children.

Mr. Abdulla Al Raisi

Graduated from Portland State University in 1982 with a B.Sc. in Political Science & Social Science. Joined Commercialbank in 1998; Deputy CEO since March 2007. Previously with QAFCO. Over 27 years experience, including extensive banking experience, in Arab Gulf States Folklore Center and Doha Bank Ltd. respectively.

Mr. Hugh Thompson

Graduated from Oxford University (M.A. Hons) with degree in Law. Qualified English solicitor. Joined Commercialbank in January 2004, EGM & Group Chief Legal Officer since 2008. Previously with the law firm Richards Butler in Doha and London. Has 26 years experience as a banking lawyer in London, in both private practice and as an in-house lawyer with National Westminster Bank and Standard Chartered Banking Group, including secondment to the Bank of England. Director of National Bank of Oman, United Arab Bank, Orient 1 Limited and CBQ Finance Limited.

Mr. Nicholas Coleman

Graduated from London Guildhall University with a BA (Hons) in Economics. Fellow of the Institute of Chartered Accountants in England and Wales. Joined Commercialbank as EGM & Group Chief Financial Officer in October 2008. Previously with Morgan Stanley in London. Over 23 years experience as a seasoned banker, including 2 years with The Bank of New York in London, 14 years with National Westminster Bank in London and 3 years with Arthur Young in Kuwait. Director of Orient 1 Limited, Massoun Insurance Services, Asteco Qatar, Gekko LLC and CBQ Finance Limited.

Mr. Sandeep Chouhan

Graduated from National Institute of Technology, India. Joined Commercialbank as Group Chief Operating Officer in June 2008. Previously with Barclays Bank in London. Over 21 years global experience in banking operations and technology, including 5 years with Morgan Stanley and 8 years with Citigroup across EMEA, Asia and USA. Chartered Professional of the British Computer Society. Director of Orient 1 Limited, Gekko LLC and Massoun Insurance Services.

Mr. Abdul Jalil Borhani

Graduated from Northern Arizona University in Business Administration in 1992. Joined Commercialbank in 1993 beginning his career in corporate banking as relationship officer; promoted to EGM - Corporate Banking in January 2009; EGM, Chief Strategic Client Officer since September 2010.

Mr. Rajbushan Budhiraju

Bachelor of Engineering, Petroleum Engineering, Indian School of Mines, Dhanbad, India (1987); M.B.A. Major in Marketing and Finance, Indian Institute of Management, Calcutta, India (1989). Joined Commercialbank as EGM - Retail Banking officer in August 2008. Previously with Arab National Bank, Saudi Arabia as Retail and Consumer Banking Head. Over 21 years banking experience, including 13 years with Citibank in India, Singapore, Hungary and Poland holding positions including Relationship Manager for the high net worth segment, Product Manager for Liabilities, Credit Cards and Loans and Marketing Director for Retail Products including the distribution of mutual funds.

Mr. Steve Mullins

Joined Commercialbank in June 2009 as Group Chief Credit Officer; EGM, Chief Corporate Banking Officer since September 2010. Over 35 years banking experience including 24 years with National Westminster Bank Group, two years with ICICI Bank and eight years as Regional Head of Credit with Nedbank in their regional office In Hong Kong. Associate of the Institute of Bankers.

Mr. Keith McMahon

Graduated from Kent University (B.A. Hons) with a degree in Law. Joined Commercialbank in June 2008 as Business Development Manager, Head of Organisational Effectiveness since November 2009. Has 8 years consulting experience and 16 years banking experience predominantly in debt origination in various markets across Europe, Asia and Australia.

Mr. Pietro Cannizzaro

Graduated from Deakin University with a degree in Accounting. Joined Commercialbank in September 2005, Chief Operating Officer since November 2009. Previously with National Australia Bank in Australia. Over 26 years banking operations related experience across different geographies, including periods with Commonwealth Bank of Australia and State Bank of Victoria.

Director and senior management remuneration

Total remuneration earned by the Board of Commercialbank in 2010 (including fixed and variable remuneration and meeting attendance fees) was QR 39,558 million.

Total remuneration earned by senior management (defined as the 31 most senior members of management) of Commercialbank in 2010 was:

Fixed Remuneration	QR	31.280 million
Discretionary Remuneration	QR	14.604 million
Other Benefits	QR	6.648 million
Total	QR	51.532 million

Anti-Money Laundering

In line with best practice and in accordance with Central Bank regulations, the Bank has implemented effective policies and procedures, together with advanced monitoring systems, to assess and combat money laundering, terrorism financing, insider trading and abusive self-trading. These measures are continuously reviewed by the Bank and approved by the Board to ensure the ongoing application of, and adherence to, best practice.

Policy on promotion

Commercialbank is committed to fostering ongoing education, professional and personal development and career advancement of our employees.

The Bank recognises that, in the course of meeting objectives, the duties and functions of its employees may change in complexity and responsibility and promotions are given pursuant to increased responsibility levels but subject to exceptional past performance. The added benefits of a promotion serve as an incentive for better work performance, enhance morale and create a sense of individual achievement and recognition.

A promotion may occur through:

1 a reclassification of an employee's existing position as a result of the employee performing duties at a higher degree of responsibility and complexity than the current classification calls for; or

2 the filling of a higher level vacancy - in such an event the Bank will first look internally for suitable candidates and no external advertising of the vacancy shall run unless and until exhausting all internal recruitment avenues.

For promotion through the filling of a higher level vacancy, employees need only satisfy the qualifications as specified in the job description for the vacant position (and not the qualities, skills or knowledge of the incumbent) and are eligible for promotion:

- pursuant to successful completion of the probation period specified by the conditions of employment;
- pursuant to exceptional semi-annual and annual performance appraisals; and
- regardless of age, gender, nationality or religion.

Ownership structure

In accordance with Article 7 of the Bank's Articles of Association, no person (whether natural or juridical) shall own at any time more than 5% of the total shares in the Bank by any means other than inheritance, with the exception of (i) Qatar Investment Authority, Qatar Holding LLC or any of their associated companies, and (ii) a custodian or depository bank holding shares in respect of an offering of Global Depositary Receipts.

As at 31st December 2010, 79% of the total number of shares in the Bank were held by Qatari nationals (whether individuals or entities) and 21% of such shares by foreign investors. The largest shareholdings in the Bank, in percentage terms, as at 31 December 2010, were as follows:

Qatar Holding LLC	9.09%
Deutsche Bank AG	4.09%
Al Watani Fund 4	3.65%
Al Watani Fund 3	3.51%
Qatar National Bank SAQ	2.86%
Nats Cumco LLC	2.81%

A final subscription of QR 1.6 billion from Qatar Investment Authority was approved at the Bank's Annual General Meeting held on 21 February 2011. The final subscription will be used to issue 20.2 million new ordinary shares in the Bank and will increase Qatar Holdings shareholding to 16.7%.

Penalties, fines or punishments imposed on the Bank by regulatory authorities

Fines aggregating QR 1,636,000 were imposed on the Bank in 2010 (2009: QR 1,024,250) by Qatar Central Bank in respect of breaches of Central Bank Regulations.

Material issues regarding the Bank's employees and stakeholders

There are no material issues regarding the Bank's employees and stakeholders to be disclosed in this report.

Corporate social responsibility policy

The Bank, as a responsible corporate citizen, recognises its social responsibility to integrate business values and operations to meet the expectations of the Bank's stakeholders.

Commerce + Conscience + Compassion = Corporate Social Responsibility

The Bank is committed to promoting sustainable development; protection and conservation of human life, health, natural resources and the environment; and adding value to the communities in which we operate. In so doing, the Bank recognises the importance of both financial and non-financial commitment and contribution.

Corporate Social Responsibility (CSR) involves assessing all the ways that the Bank's actions and operations may potentially impact others. The Bank's approach to Corporate Social Responsibility is rooted in its core values which shape the way it does business, which are:

1 How the Bank behaves

- Stakeholder Engagement: establishing relationships with stakeholders and communities and soliciting their input and involvement on critical issues.
- Health and Safety: conducting business with a high regard for the health and safety of employees, contractors and the communities including following local and best practice health and safety guidelines and standards.
- Environmental Stewardship: operating in a safe and environmentally responsible manner and minimising the impact of operations on the environment, including by reducing waste.

2 What the Bank invests in

- Community Development: sustainable programmes to improve quality of life in the community.
- Education and Training: programmes and learning opportunities to develop a skilled, competitive workforce.
- Corporate Citizenship: philanthropic, social development and volunteer programs; community service projects; humanitarian works; arts; and sports.

3. What the Bank influences and promotes

- Human Rights: respect and protection of fundamental human and worker rights, including ensuring a discrimination-free work environment; equal opportunities; no racism of any form; no harassment of any form; regulated working hours and paid holidays; fair compensation and the principal of 'equal pay for equal work' for men and women.
- Rule of Law: respect of local laws and promotion of the principles of justice, fairness and equality.
- Transparency: promotion of openness in all business dealings.

- High Performance: high performance team culture and a collaborative, supportive work environment where employees are encouraged to reach their full professional potential.

4 What the Bank believes in

- Code of Business Conduct: conducting business honestly and with integrity; maintaining ethical behavior in all operations, including fighting all forms of corruption; enforcing strict principles of corporate governance; and supporting transparency in all operations.

The Bank supports many charities and NGOs and actively promotes creative projects and activities useful to society. In addition to broad support of Sports, Cultural and Charitable activities, the Bank focuses its CSR program on the promotion of Qatari youth development and related educational activities. In so supporting, the Bank strives to be more than a financial sponsor and is committed to engaging in a broad range of CSR activities to establish a long-standing and sustainable social platform, enabling positive change within the community. The ultimate objective of the Bank's CSR activities is to foster relationships that enhance community spirit in a responsible manner by contributing to the development of the nation and its communities for the benefit of Qatar's future generations.

Environmental policy

Commercialbank is committed to protecting the natural resources and the environments of the communities in which we serve and operate and in minimising the impacts of the Bank's activities on the environment.

The Bank endeavours to ensure that all management and employees comply with the following environmental policies:

- conduct business in an environmentally responsible manner;
- comply with all applicable environmental laws and regulations;
- make environmental concerns an integral part of the planning and decision making process;
- control environmental impacts and the prevention or minimization of pollution, including operating a paperless environment;
- educate management and employees to be accountable for environmental stewardship;
- promote the efficient use of resources and reducing (and where possible eliminating) waste through recycling and pursuing opportunities to reuse waste;
- ensure the proper handling and disposal of all waste;
- assess the environmental condition of property interests acquired by the Bank and appropriately address the environmental impacts caused by these properties;
- support research and development of programmes and technologies aimed at minimizing the environmental impacts of company operations; and
- notify the Board of the Bank of any pertinent environmental issues.

Health policy

The Bank is committed to providing and maintaining a healthy, safe and secure working environment for employees, thereby facilitating employee commitment and dedication, by:

- ensuring the health, safety, security and welfare of all employees whilst at work;
- ensuring that visitors to the Bank's premises are not exposed to risks to their health and safety;
- identifying hazards, assessing risks and managing those risks;
- maintaining arrangements for ensuring the safe use, handling, storage and transport of articles and substances; and
- encouraging the development and maintenance of a positive attitude towards health and safety throughout the Bank.

The Bank maintains comprehensive Fire, Health and Safety policies and provides extensive medical insurance through an internationally recognized insurance provider for the benefit of all permanent staff.

Independent Auditors' Report to the Shareholders of The Commercial Bank of Qatar (Q.S.C.)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Commercial Bank of Qatar (Q.S.C.) (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Central Bank regulations, and for such internal control as board of directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Central Bank regulations.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group and that we are not aware of any contravention by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank Law No.33 of 2006 and amendments thereto and of the Qatar Commercial Companies Law No. 5 of 2002 during the financial year that would materially affect its activities or its financial position.

Firas Qoussous
Ernst & Young
Qatar Auditors' Registry No. 236

23 January 2011
Doha

Shari'ah Supervisory Board Report
Commercial Bank Islamic

The Commercial Bank of Qatar (Q.S.C) For the period ending 31 December 2010.

To the Shareholder of Commercial Bank of Qatar

As per the approved Shari'ah mandate agreed with the management of Commercial Bank Islamic/Commercial Bank of Qatar, we are required to report the following:

We have reviewed the principles followed and contracts related to transactions and activities undertaken Commercial Bank Islamic (the Bank), during the period on which we carried out the necessary review in order to express an opinion as to whether the Bank has undertaken its activities in accordance with Islamic Shari'ah principle and specific Fatwas, resolutions and guidelines issued by us.

It is the responsibility of the Bank's management to ensure that the bank operates in accordance with the rules and principles of Islamic Shari'ah. Our responsibility is restricted to express an independent opinion based on our review of the bank's operations and to report our opinion to you.

Our review included examination of the documentation and procedures adopted by the bank on a sample basis that covered all types of the bank's transactions.

Through the Executive Committee of the Shari'ah Supervisory Board, we have planned and executed our review in a manner that allowed us to obtain all information and explanations that we deemed necessary to provide us with sufficient evidential matter giving reasonable assurance that the Bank did not violate any of the rules or principles of Islamic Shari'ah.

In our opinion:

A. The contracts, operations executed by the Bank during the period ended 31st December 2010 that were reviewed, were carried out in accordance with the rules and principles of Islamic Shari'ah, and the SSB highlights the management cooperation in complying with recommendations and remarks made by the SSB upon topics that were under discussion, to the extent that achieve harmony with the shariah decisions.

B. The Profit and Loss statement and final distribution of profits and rates on the saving and investments accounts complies with the basis approved by us in accordance with the Islamic Shari'ah principles.

C. Since the management of the bank is not authorised to pay Zakat directly, the responsibility paying Zakat is that of the Shareholders.

We ask all Mighty Allah, Most Gracious, to grant us guidance and righteousness.

Abdul Aziz Al Khulaifi
SSB Chairman

Dr. Mohamed Ali Elgari
SSB Member


The Commercial Bank of Qatar (Q.S.C.)
Financial Statements 2010
قطر مصدر إلهامنا

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

Consolidated Statement of Financial Position (“Balance Sheet”)

as at 31 December 2010

	Notes	Figures in thousand Qatar Riyals 2010	2009
ASSETS			
Cash and balances with Central Bank	6	8,702,824	4,374,423
Due from banks and financial institutions	7	4,237,843	5,643,561
Loans, advances and financing activities for customers	8	33,566,666	31,929,268
Financial investments	9	10,023,650	9,747,368
Investments in associates	10	3,839,542	3,759,865
Property and equipment	11	1,069,022	1,029,632
Other assets	12	1,080,527	833,242
Total assets		**62,520,074**	57,317,359
LIABILITIES			
Due to banks and financial institutions	13	3,553,398	7,391,335
Customer deposits	14	29,911,304	24,021,375
Borrowing under repurchase agreements		907,285	367,936
Debt issued and other borrowed funds	15	10,993,562	9,924,358
Other liabilities	16	1,285,310	1,351,999
Total liabilities excluding unrestricted investment accounts		**46,650,859**	43,057,003
Unrestricted investment accounts	17	3,369,358	2,250,173
Total liabilities including unrestricted investment accounts		**50,020,217**	45,307,176
EQUITY			
Share capital	18	2,268,258	2,165,156
Legal reserve	18	7,332,158	6,627,925
Shareholder’s advance	18	-	807,294
General reserve	18	26,500	26,500
Cumulative changes in fair value	18	56,648	(105,864)
Risk reserve	18	648,000	638,300
Other reserves	18	469,706	416,565
Proposed dividend	18	1,587,781	1,299,093
Retained earnings	18	110,806	135,214
Total equity		**12,499,857**	12,010,183
Total liabilities and equity		**62,520,074**	57,317,359

The consolidated financial statements have been approved by the board of directors and signed on their behalf by the following on 23rd January 2011.

HE Abdullah bin Khalifa Al Attiyah
Chairman

Mr. Hussain Ibrahim Alfardan
Managing Director

Mr. A C Stevens
Group Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

Figures in thousand Qatar Riyals

	Notes	2010	2009
Interest income	20	2,828,069	2,908,031
Interest expense	21	(1,132,913)	(1,323,895)
Net interest income		**1,695,156**	1,584,136
Income from Islamic financing and investment activities	22	160,658	208,961
Less: unrestricted investment account holders' share of profit		(78,166)	(132,306)
Net income from Islamic financing and investment activities		**82,492**	76,655
Fee and commission income	23	643,168	778,014
Fee and commission expense		(116,812)	(99,212)
Net fee and commission income		**526,356**	678,802
Dividend income		11,883	62,710
Net gains from dealing in foreign currencies	24	122,697	119,620
Profit from financial investments	25	63,506	36,644
Other operating income	26	59,798	219,055
		257,884	438,029
Net operating income		**2,561,888**	2,777,622
General and administrative expenses	27	(683,414)	(666,711)
Depreciation	11	(103,848)	(92,742)
Impairment losses on loans and advances to customers, net		(166,523)	(461,050)
Impairment losses on financial investments		(127,995)	(181,943)
Impairment losses on other assets		-	(4,521)
Total operating expenses and impairment losses		**(1,081,780)**	(1,406,967)
Profit before share of results of associates		**1,480,108**	1,370,655
Share of results of associates	10	155,173	152,939
Net profit for the year		**1,635,281**	1,523,594
Other comprehensive income			
Share of other comprehensive income of associates		15,299	25,964
Net movement in fair value of available for sale investments		147,213	311,029
Other comprehensive income for the year		162,512	336,993
Total comprehensive income for the year		**1,797,793**	1,860,587
– Basic/diluted earnings per share (QAR)	28	**7.24**	7.08

The attached notes 1 to 34 form part of these consolidated financial statements.

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Share Capital	Legal Reserve
Balance at 1 January 2009	2,062,053	5,923,731
Total comprehensive income for the year	-	-
Dividend from associates for 2008 transferred to retained earnings	-	-
Statutory reserve for Global Card Services	-	3
Share of results of associates	-	-
Dividends for the year 2008	-	-
Increase in share capital	103,103	-
Increase in legal reserve	-	704,191
Shareholder's advance (note 18)	-	-
Proposed cash dividend (note 18)	-	-
Balance at 31 December 2009	2,165,156	6,627,925
Balance at 1 January 2010	2,165,156	6,627,925
Total comprehensive income for the year	-	-
Dividend from associates for 2009 transferred to retained earnings	-	-
Social and sports fund appropriation (note 19)	-	-
Statutory reserve for Global Card Services	-	41
Share of results of associates	-	-
Risk reserve as per QCB regulation	-	-
Dividends for the year 2009	-	-
Dividends waived (note 18)	-	-
Increase in share capital (note 18)	103,102	-
Increase in legal reserve (note 18)	-	704,192
Proposed cash dividend (note 18)	-	-
Balance at 31 December 2010	2,268,258	7,332,158

The attached notes 1 to 34 form part of these consolidated financial statements.

Figures in thousand Qatar Riyals

Share holder's Advance	General Reserve	Cumulative Changes in Fair Value	Risk Reserve	Other Reserves	Retained Earnings: Proposed Dividend	Retained Earnings: Other	Total
-	26,500	(442,857)	638,300	325,933	1,443,437	1,348	9,978,445
-	-	336,993	-	-	-	1,523,594	1,860,587
-	-	-	-	(62,307)	-	62,307	-
-	-	-	-	-	-	(3)	-
-	-	-	-	152,939	-	(152,939)	-
-	-	-	-	-	(1,443,437)	-	(1,443,437)
-	-	-	-	-	-	-	103,103
-	-	-	-	-	-	-	704,191
807,294	-	-	-	-	-	-	807,294
-	-	-	-	-	1,299,093	(1,299,093)	-
807,294	26,500	(105,864)	638,300	416,565	1,299,093	135,214	12,010,183
807,294	26,500	(105,864)	638,300	416,565	1,299,093	135,214	12,010,183
-	-	162,512	-	-	-	1,635,281	1,797,793
-	-	-	-	(102,032)	-	102,032	-
-	-	-	-	-	-	(70,928)	(70,928)
-	-	-	-	-	-	-	41
-	-	-	-	155,173	-	(155,173)	-
-	-	-	9,700	-	-	(9,700)	-
-	-	-	-	-	(1,299,093)	-	(1,299,093)
-	-	-	-	-	-	61,861	61,861
(103,102)	-	-	-	-	-	-	-
(704,192)	-	-	-	-	-	-	-
-	-	-	-	-	1,587,781	(1,587,781)	-
-	26,500	56,648	648,000	469,706	1,587,781	110,806	12,499,857

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

Figures in thousand Qatar Riyals

	Notes	2010	2009
Cash flows from operating activities			
Net profit for the year		1,635,281	1,523,594
Adjustments for:			
Depreciation	**11**	103,848	92,742
Amortisation of transaction cost	**15**	14,579	10,013
Impairment losses on loans and advances, net		166,523	461,050
Impairment losses on financial investments		127,995	181,943
Impairment losses on other assets		-	4,521
Profit from sale of property and equipment		(99)	(170,060)
Profit from sale of other assets		(1,144)	-
Share of results of associates	10	(155,173)	(152,939)
Profit from financial investments		(63,506)	(36,644)
Profit before changes in operating assets and liabilities		**1,828,304**	1,914,220
Net (increase) decrease in operating assets			
Due from banks and financial institutions		(496,521)	617,080
Loans, advances and financing activities for customers		(1,803,921)	(1,266,548)
Proceeds from sale of other assets		2,844	-
Other assets		(221,567)	(129,537)
Net increase (decrease) in operating liabilities			
Due to banks and financial institutions		539,349	(413,290)
Customer deposits		7,009,114	(5,914,326)
Other liabilities		(66,689)	(168,167)
Contribution to Social and Sports Activities Support Fund (Daam)		(38,090)	-
Net cash from (used in) operating activities		**6,752,823**	(5,360,568)
Cash flows from Investing activities			
Purchase of financial investments		(2,029,678)	(3,115,523)
Investment in associates		(11,517)	(1,300)
Dividend received from associates		102,032	62,307
Proceeds from sale/maturity of financial investments		1,803,097	1,082,990
Purchase of property and equipment	**11**	(143,434)	(271,539)
Proceeds from sale of property and equipment		295	451,300
Net cash used in investing activities		**(279,205)**	(1,791,765)
Cash flows from Financing activities			
Proceeds from debt issued other borrowed funds	**15**	1,027,713	5,747,454
Repayment of debt issued other borrowed funds	**15**	-	(1,929,200)
Net proceeds from issue of shares and shareholder's advances	**18**	-	1,614,588
Dividends paid		(1,299,093)	(1,443,437)
Dividends waived	**18**	61,861	-
Net cash (from) used in financing activities		**(209,519)**	3,989,405
Net increase (decrease) in cash and cash equivalents during the year		6,264,099	(3,162,928)
Cash and cash equivalents at 1 January	**33**	1,106,240	4,269,168
Cash and cash equivalents at 31 December	**33**	**7,370,339**	1,106,240
Operational cash flows from interest and dividends:			
Interest/profit paid		1,243,824	2,722,320
Interest/profit received		3,026,446	5,583,333
Dividends received		11,883	62,710

The attached notes 1 to 34 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

At 31 December 2010

1. CORPORATE INFORMATION

The Commercial Bank of Qatar (Q.S.C.) ("the Bank") was incorporated in the State of Qatar in 1975 as a public shareholding company under Emiri Decree No.73 of 1974. The Bank and its subsidiaries (together the "Group") are engaged in conventional banking, Islamic banking services and credit card business and operate through its head office and branches established in the State of Qatar. The Bank also acts as a holding company for its subsidiaries engaged in credit card business in the Sultanate of Oman.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on historical cost basis, except for available-for-sale investments and derivative financial instruments, that have been measured at fair value. The carrying values of recognised liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Qatar Riyals (QAR), and all values are rounded to the nearest QAR thousand except when otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the applicable provisions of Qatar Central Bank regulations.

The Group presents its statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement within 12 months after the balance sheet date ("current") and more than 12 months of the balance sheet date ("non-current") is presented in Note 3.4.3.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

The Group sponsors the formation of special purpose entities (SPE's), primarily for the purpose of debt issuance and to accomplish certain specific and well defined objectives. The Group consolidates those SPEs if the substance of its relationship with them indicates that it has control over them. The consolidated financial statements of the Group include the financial statements of the Bank and its subsidiaries (listed below) fully owned by the Group:

Name of subsidiaries	Country of Incorporation	Share Capital
Orient 1 Limited	Bermuda	US$ 20,000,000
Global Card Services LLC	Sultanate of Oman	OMR 500,000
CBQ Finance Limited	Bermuda	US$ 1,000

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the except for the following standards effective for the annual period beginning on or after 1 January 2010.

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

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

IFRS 3, 'Business combinations'

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

IAS 27, 'Consolidated and separate financial statements'

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

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

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

Changes to income statement presentation format

Based on the clarifications received from Qatar Central Bank, the Group has elected to present one single statement of comprehensive income.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

Issued in April 2009
IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

Issued in April 2009

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 34 Interim Financial Reporting
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

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

Standard/Interpretation	Content
IFRS 1	First time Adoption of IFRS – Additional Exemption
IFRS 2	Group Cash-settled Share-based Payment Arrangements
IFRIC 17	Distributions of Non-cash Assets to Owners
IAS 19	Employee Benefits

Standards, amendments and interpretations issued but not adopted

The following standard, amendment and interpretation have been issued but are mandatory for accounting periods beginning on or after 1 January 2011 or later periods and are not expected to be relevant to the Group:

Standard/Interpretation	Content	Effective date
IFRIC 14	Prepayments of a minimum funding requirement (Amendment)	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2011
IAS 24	Related Party Disclosures (Revised)	1 January 2011
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues (Amendment)	1 January 2011
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013

The Group did not early adopt new or amended standards in 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies

Investment in Associates

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence but not control.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associates. The Group determines at the end of the reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Interest in a joint venture

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake activities typically, however not necessarily, through entities that are subject to joint control. As investments in associates, the Group recognises interests in a jointly controlled entity using the equity method. The explanations given above therefore apply for joint ventures.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors of the Bank as its chief operating decision maker.

All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining operating segment performance.

Foreign currency translation

(a) Functional and presentation currency
The consolidated financial statements are presented in Qatar Riyals, which is Group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

(b) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain and losses on revaluation of foreign currency non-monetary available-for-sale investments are recognised in the consolidated statement of changes in equity.

(c) Group companies
As at the reporting date, the assets and liabilities of subsidiaries are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date, and their statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of income.

Financial Instruments – initial recognition and subsequent measurement
The Group classifies its financial instruments in the following categories. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Management determines the classification of its financial instruments at initial recognition.

(a) Due from banks and financial institutions and Loans and advances to customers ("LaR")
Due from banks and Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Islamic financing such as Murabaha, Ijara and Musawama are stated at their gross principal amount less any amount received, allowance for impairment and unearned profit. Subsequent to initial measurement, due from banks and financial institutions and loans and advances are carried at amortised cost using the effective interest rate method (EIR) less allowance for impairment.

(b) Held-to-maturity financial investments ("HTM")
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Held-to-maturity financial investments are carried at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

Financial Instruments – initial recognition and subsequent measurement (continued)

(c) Available-for-sale investments ("AFS")
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available for sale investments include equity and debt securities.

The Group uses trade date accounting for regular way contracts when recording financial assets and liabilities. Financial assets are initially recognised at fair value plus transaction costs.

Available-for-sale financial investments are carried at fair value subsequent to initial recognition.

Gains and losses arising from changes in the fair value of available-for-sale financial investments are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in consolidated statement of income. However, interest or profit calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available- for-sale are recognised in the consolidated statement of income.

(d) Debt issued and other borrowed funds
Financial instruments or their components issued by the Group, which are not designated at fair value through profit or loss, are classified as liabilities under 'Debt issued and other borrowed funds', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the EIR.

Derecognition of financial assets and financial liabilities
Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Fair values
The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group's derivative trading instruments includes forward foreign exchange contracts and interest rate swaps. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the balance sheet date and the corresponding fair value changes is taken to the consolidated statement of income.

Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate and foreign currency risks. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the consolidated statement of income. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated statement of income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Repurchase agreements
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized on the statement of financial position as 'Borrowings under repurchase agreements', reflecting its economic substance as a loan to the Group. The differences between the sale and repurchase prices are treated as interest expense and are accrued over the life of the agreement using the effective interest rate method.

Unrestricted investment accounts
Profit distribution among unrestricted investment account holders and shareholders of Islamic Branch is guided by Qatar Central Bank regulations. All income and expenses of Islamic branch for the financial year are taken into consideration for profit distribution. The unrestricted investment account holders' share of profit is calculated on the basis of their daily deposit balances over the year, after deducting the pre-agreed and declared Mudaraba fee.

Expenses or losses which arise out of misconduct on the part of the Bank due to non compliance of regulatory instructions or sound banking norms, are not borne by the unrestricted investment account holders. In case of Islamic branch results at end of a financial year is a net loss, the unrestricted investment account holders are not charged with any share of such loss, except as approved by Qatar Central Bank who holds judgment authority on all such matters.

Leasing
The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Revenue recognition

a) Interest income and expense

   Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading, are recognized within 'interest income' and 'interest expense' in the consolidated statement of income using the effective interest method.

   Income from financing and investment contracts under Islamic banking principles are recognized within 'income from Islamic finance and investment activities' in the consolidated statement of income using a method that is analogous to the effective 'yield' rate.

   Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

b) Fees and commission income
Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided. Performance linked fees or fee components are recognized when the performance criteria are fulfilled.

c) Dividend income
Dividends are recognized in the consolidated statement of income when the entity's right to receive payment is established.

Impairment of financial assets

a) Financial assets carried at amortised cost
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:
- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are significant, and individually or collectively for financial assets that are not significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

a) Financial assets carried at amortised cost (continued)
The amount of loan loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The resulting provision is not materially different from that resulting from the application of the Qatar Central Bank guidelines. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of income in impairment charge for loans and advances.

b) Financial assets classified as available-for-sale
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated statement of income is removed from equity and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through the consolidated statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

c) Renegotiated loans
Renegotiated loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

Intangible Assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. The recognition and measurement criteria for intangible assets are as follows:

1. Intangible assets identified during acquisitions
Intangible assets identified upon acquisition of subsidiaries or associates are included at fair value and amortised over the useful life of the intangible assets.

2. Franchise rights
Franchise rights have a finite useful life and are carried at cost less accumulated amortisation and impairment if any. Amortisation is calculated using the straight-line method to allocate the cost of franchise over the franchise period. The Group annually carries out impairment tests on the carrying value of the franchise rights.

Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings 20 years,
- Furniture and equipment 3 - 8 years,
- Motor vehicles 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income/expenses in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties acquired against settlement of customers' debts

Properties acquired against settlement of customers' debts are stated in the consolidated statement of financial position under the item "Other assets" at their acquisition value net of allowance for impairment.

According to Qatar Central Bank instructions, the Group should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended after obtaining approval from Qatar Central Bank.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances maturing within three months' from the date of placement, including cash and non-restricted balances with Qatar Central Bank and Due from/ Due to Banks.

Provisions

Provisions for legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The Group creates provisions charging the consolidated statement of income for any potential claim, taking into consideration the value of the potential claim and its likelihood.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the consolidated statement of income the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Defined benefit plan
The Group makes provision for end of service benefits payable to its expatriate employees on the basis of the employees's length of service in accordance with the employment policy of the Group and the applicable provisions of Labour Law. This provision is included in other provisions as part of other liabilities in the consolidated statement of financial position. The expected costs of these benefits are accrued over the period of employment.

Defined contribution plans
Also the Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the personnel cost under the general administration expenses in the consolidated statement of income. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized when they are due.

Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporates and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

Off-balance sheet

Off-balance sheet items include Group's obligations with respect to forward foreign exchange contracts, interest rate swaps and others. These do not constitute actual assets or liabilities at the balance sheet date except for assets and obligations relating to fair value gain or loss on these derivative financial instruments.

3.1 Financial instruments

Definition and classification

Financial instruments comprise the Group's financial assets and liabilities. Financial assets include cash and balances with Central bank, due from banks and financial institutions, loans and advances, financial investments, derivative financial assets and certain other assets and financial liabilities include customer deposits, borrowings under repurchase agreements and due to banks and other financial institutions, debt issued and other borrowed funds, derivative financial liabilities and certain other liabilities. Financial instruments also include rights and commitments included in off- balance sheet items.

Note 2 describes the accounting policies followed by the Group in respect of recognition and measurement of the key financial instruments and their related income and expense.

Risk management

The Group derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Risk management (continued)
Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations. Market risk, which also includes foreign currency, interest rate risks and other price risks, is the risk of fluctuation in asset and commodity values caused by changes in market prices and yields. Liquidity risk results in the inability to accommodate liability maturities and withdrawals, fund asset growth or otherwise meet contractual obligations at reasonable market rates. Operational risk is the potential for loss resulting from events involving people, processes, technology, legal issues, external events or execution or regulatory issues.

The Group's Market Risk and Structural Risk Management policies envisage the use of interest rate derivative contracts and foreign exchange derivative contracts as part of its asset and liability management process.

Risk committees

The governance structure of the Group is headed by the Board of Directors. The Board of Directors evaluates risk utilising the Group Chief Executive Officer and the following Board and Management committees:

1. Board Risk Committee is responsible for all aspects of Enterprise Risk Management including but not restricted to credit risk, market risk, and operational risk. This committee sets the policy on all risk issues and maintains oversight of all Group risks through the Management Risk Committee.

2. Board Audit Committee is responsible for setting the policy on all Audit issues and maintains oversight of all Bank audit issues through the Management Audit Committee. In addition, it is also be responsible for Compliance & Anti-Money Laundering.

3. Policy and Strategy Committee is a Board committee which is responsible for all policies and strategies of the business.

4. Board Executive Committee is responsible for evaluating and granting credit facilities and to approve the Group's investment activities within authorized limits as per Qatar Central Bank and Board of Directors' guidelines.

5. Management Credit Committee is the highest management level authority on all counterparty risk exposures product programmes, associated expenditure programmes there under and underwriting exposures on syndications and securities transactions.

6. Management Risk Committee is the highest management authority on all risk related issues at the Group and its subsidiaries and affiliates in which it has strategic investments. This committee provides recommendations on all risk policy and portfolio issues to the Board Risk Committee.

7. Asset Liability Committee (ALCO) is a management committee which is a decision making body for developing policies relating to all asset and liability management (ALM) matters.

8. Shari'ah Supervisory Board is an independent committee comprising three renowned external Islamic Scholars and Specialists in Islamic banking, to ensure that the activities, products and transactions of the Islamic branches are in compliance with Islamic principles (Shari'ah). The Shari'ah Board discharge their responsibilities by conducting periodical audits. All new Islamic products require Shari'ah board pre-approval.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit risk is attributed to both on-statement of financial position financial instruments such as loans, overdrafts, debt securities and other bills, Islamic finances, investments, and acceptances and credit equivalent amounts related to off-balance sheet financial instruments. The Group's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into the business management processes. Policies and procedures, which are communicated throughout the organisation, guide the day-to-day management of credit exposure and remain an integral part of the business culture. The goal of credit risk management is to evaluate and manage credit risk in order to further enhance this strong credit culture.

3.2.1 Credit risk management

(a) Loans and Advances

The Group has significantly enhanced its loan mix. This improvement is being achieved through a strategy of reducing exposure to non-core client relationships while increasing the size of the consumer portfolio comprising of consumer loans, vehicle loans, credit cards and residential mortgages, which have historically recorded very low loss rates. In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

(i) The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Group are segmented based on a 10 point scale into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Group's internal ratings scale and mapping of external ratings

Group's rating	Description of the grade	External rating: Standard & Poor's equivalent
Grade A	Low risk – excellent	AAA, AA+, AA-, A+, A-
Grade B	Standard/Satisfactory risk	BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-
Grade C	Sub-standard – watch	CCC to C
Grade D	Doubtful	D
Grade E	Bad debts	E

The ratings of the major rating agency shown in the table above are mapped to Group's rating grades based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2.1 Credit risk management (continued)

(a) Loans and Advances (continued)

(iii) Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by Group Treasury for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.2.2 Risk limit control and mitigation policies

(a) Portfolio Diversification

Portfolio diversification is an overriding principle, therefore, the credit policies are structured to ensure that the Group is not over exposed to a given client, industry sector or geographic area. To avoid excessive losses if any single counter-party is unable to fulfil its payment obligations, large exposure limits have been established per credit policy. Limits are also in place to manage exposures to a particular country or sector. These risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

(b) Collateral

In order to proactively respond to credit deterioration the Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Islamic banking division manages its credit risk exposure by ensuring that its customer's meet the minimum credit standards as defined by the Credit Risk Management (CRM) process of the Group.

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2.2 Risk limit control and mitigation policies (continued)

(c) Credit-related commitments (continued)
Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(d) Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honours its obligation but the counterparty fails to deliver the counter-value.

3.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position including derivatives. The maximum exposure is shown gross, before the effect of any mitigation through the use of any collateral held or other credit enhancements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Figures in thousand Qatar Riyals

	2010	2009
Credit risk exposures relating to the on-balance sheet assets are as follows:		
Due from banks and financial institutions	4,237,843	5,643,561
Loans, advances and financing for customers:		
Retail loans	4,574,143	4,593,100
Corporate loans	26,355,949	25,036,954
Islamic finance	2,636,574	2,299,214
Financial investments	8,884,236	8,856,215
Other assets	710,244	739,159
On balance sheet total as at 31 December	**47,398,989**	47,168,203
Credit risk exposures relating to the off-balance sheet are as follows:		
Acceptances	91,583	135,619
Guarantees	8,532,654	11,220,436
Letter of credit	3,950,492	4,964,947
Unutilised credit facilities	6,376,592	4,717,558
Off balance sheet total as at 31 December	**18,951,321**	21,038,560
Total	**66,350,310**	68,206,763

Balances with Central bank are not included in the credit risk exposures as these attract a sovereign risk weight of zero.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2.4 Risk concentration for maximum exposure to credit risk by Sector

An industry sector analysis of the group's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

Figures in thousand Qatar Riyals

	2010 Gross maximum exposure	2009 Gross maximum exposure
Funded		
Government	8,284,555	8,963,007
Government institutions & semi-government	4,936,911	1,952,609
Industry	1,435,102	1,515,348
Commercial	3,704,427	4,216,655
Financial services	9,238,190	10,134,891
Contracting	2,655,493	3,730,024
Real estate	6,878,398	6,449,380
Consumers	6,433,652	5,742,045
Other sectors	3,832,261	4,464,244
Total funded	47,398,989	47,168,203
Un-funded		
Government institutions & semi-government	498,343	340,677
Financial services	4,032,395	4,977,544
Commercial and others	14,420,583	15,720,339
Total un-funded	18,951,321	21,038,560
Total	**66,350,310**	68,206,763

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables
- For retail lending, mortgages over residential properties.

The Group also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

Total maximum exposure net of collateral is QAR 41 billion (2009: QAR 47 billion). The main types of collateral obtained are cash 3% (2009: 3%), mortgages 47% (2009: 53%), equity and debt securities 3% (2009: 2%), Government guarantees 21% (2009: 13%) and other tangible securities 26% (2009: 28%) of the total collateral.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2.5 Credit quality of financial assets with credit risk exposure

(a) The following table sets out the credit qualities of its loans and advances portfolio as per the Group's internal ratings.

Figures in thousand Qatar Riyals

	Neither past due nor impaired	Past due but not impaired	Impaired	Gross Total
31 December 2010				
Risk Grading				
A: Low risk – excellent	12,839,890	17,470	-	12,857,360
B: Standard/satisfactory risk	19,281,373	1,315,753	-	20,597,126
C: Sub-standard – watch	-	-	141,966	141,966
D: Doubtful	-	-	61,155	61,155
E: Bad debts	-	-	888,882	888,882
Gross	32,121,263	1,333,223	1,092,003	34,546,489
Less: allowance for impairment – (specific)				(899,785)
Less: allowance for impairment – (collective)				(80,038)
Net				**33,566,666**
31 December 2009				
Risk Grading				
A: Low risk – excellent	11,638,995	71,137	-	11,710,132
B: Standard/satisfactory risk	18,155,051	2,061,685	-	20,216,736
C: Sub-standard – watch	-	-	-	-
D: Doubtful	-	-	-	-
E: Bad debts	-	-	724,842	724,842
Gross	29,794,046	2,132,822	724,842	32,651,710
Less: allowance for impairment – (specific)				(718,107)
Less: allowance for impairment – (collective)				(4,335)
Net				31,929,268

(b) Due from banks and financial institutions

Exposures to due from banks and financial institutions are either of Low Risk (grade A) or Standard risk (grade B). There are no past due or impaired balances in the portfolio as at 31 December 2010 (2009: -nil-).

(c) Financial investments (debt securities)

Figures in thousand Qatar Riyals

	2010	2009
Held to maturity	6,166,900	7,383,251
Available for sale	3,000,640	1,744,742
Less allowance for impairment	(283,304)	(271,778)
Total	**8,884,236**	8,856,215

Exposures to financial investment include QAR 7.9 billion to Qatari Government bonds which are “AA-” rated.

(d) Other assets

There are no past due or impaired balances as at 31 December 2010 (2009: nil).

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2.5 Credit quality of financial assets with credit risk exposure (continued)

(e) Loans, advances and financing to customers which are past due but not impaired
Loans and advances to customer less than 90 days as at 31 December 2010 (2009:less than 180 days) past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

Figures in thousand Qatar Riyals

	Conventional		Commercial		
	Corporate	Retail	Islamic	2010	2009
Past due upto 30 days	200,826	133,100	84,535	418,461	714,717
Past due 31 – 60 days	646,973	63,056	49,131	759,160	669,854
Past due 61 – 90 days	95,757	57,105	2,740	155,602	310,797
Past due 91 – above days	-	-	-	-	437,454
Total	**943,556**	**253,261**	**136,406**	**1,333,223**	2,132,822

The Group has collateral in the form of blocked deposit, pledge of shares or legal mortgage against the past dues loans.

The aggregate collateral is QAR 108 million (2009: QAR 122 million) for past due up to 30 days, QAR 29 million (2009: QAR 393 million) for past due from 31 to 60 days and QAR 34 million (2009: QAR 82 million) for past due from 61 to 90 days.

In 2010 the Bank changed its methodology for recognition of its non-performing loans, advances and financing activities to a basis of above 90 days (previously it was above 180 days). If the new methodology had been in place at 31 December 2009, total non-performing loans, advances and financing activities would have represented 3.56% of total loans, advances and financing activities (refer to note 8(i)).

(f) Impaired loans, advances and financing to customer
Impairment is identified by individual assessment of each loan as per local regulators regulations and IFRS. The impaired loans and advances to customers before taking into consideration the cash flows from collateral held is QAR 1,092 million (2009: QAR 725 million) Breakdown of the gross amount of impaired loans by operating segment are as follows:

Figures in thousand Qatar Riyals

	2010	2009
Individually impaired loans		
– Corporate	304,078	187,686
– Retail	705,142	517,040
– Islamic	82,783	20,116
Total	**1,092,003**	724,842

(g) Loans and advances to customers renegotiated
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. Total value of renegotiated loans and advances as at 31 December 2010 was QAR 1,329 million.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.3 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into trading portfolios.

The Group's proprietary investments are managed according to the Group's internal investment policy, which has been approved by the Board of Directors and drafted in accordance with the Qatar Central Bank guidelines. The Group's trading activities are conducted by Treasury and Investments Division. These activities are subject to business line guidelines and policies. The Group employs several techniques to measure and control activities including sensitivity analysis and position limits. The maximum limit of the Group's total proprietary investments (i.e. total of fair value through profit and loss, held to maturity and available for sale investment) portfolios is restricted to 70% of the Group's capital and reserves (Tier 1 capital). However the individual limit for the held for trading investment portfolio is 10% of capital and reserves (Tier 1 capital) with a maximum permissible loss to carry for a single script and for whole trading portfolio at any given time. Investment policy is reviewed by the Board of Directors annually and day to day limits are independently monitored by the Risk Management department.

Investment decisions are driven by the investment strategy, which is developed by the business line under ALCO oversight and approved by the Board.

3.3.1 Foreign exchange risk

Foreign currency risk is the risk of loss that results from changes in foreign exchange rates. The Group's exposure to foreign currency risk is limited and is strictly controlled by the market risk and structural risk management policies established by the Group which govern the maximum trading and exposure limits that are permitted.

Figures in thousand Qatar Riyals

	Qatar Riyal	US Dollars	Euro	GBP	Other Currencies	Total
As at 31 December 2010						
On – balance sheet						
Assets	43,676,663	14,581,882	186,821	133,641	3,941,067	62,520,074
Liabilities	(44,406,865)	(16,615,492)	(184,216)	(132,463)	(1,181,038)	(62,520,074)
Net currency position	(730,202)	(2,033,610)	2,605	1,178	2,760,029	-
Off – balance sheet						
Credit commitments Contingent liabilities)	11,234,124	6,842,013	669,975	22,578	182,631	18,951,321
As at 31 December 2009						
On - balance sheet						
Assets	38,290,591	14,732,054	170,087	162,071	3,962,556	57,317,359
Liabilities	(38,948,236)	(17,840,849)	(152,924)	(149,007)	(226,343)	(57,317,359)
Net currency position	(657,645)	(3,108,795)	17,163	13,064	3,736,213	-
Off – balance sheet						
Credit commitments (Contingent liabilities)	12,732,111	6,507,218	1,495,901	27,288	276,042	21,038,560

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.3.1 Foreign exchange risk (continued)

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR, with all other variables held constant, on the consolidated statement of income. An equivalent decrease in each of the below currencies against the QAR would have resulted in an equivalent but opposite impact.

	Change in currency rate in %	Effect on consolidated statement of income 2010	2009
GBP	15%	177	1,960
EUR	10%	261	1,716
Others	5%	138,001	186,811

3.3.2 Interest/Profit rate risk

a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

The Asset Liability Management ("ALM") process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Group's non-trading financial instruments.

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

b) Profit rate risk

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

1. For financing at fixed rate profit, a security margin to cover the expected future appreciation of profit rate is added to the deal profit rate.
2. Longer tenor and high value transactions and deals are subject to periodical profit rate revisions.
3. Financing in short term assets or include a profit rate revisionary clause in financing deal agreement.

The following table summarises the interest / profit rate sensitivity position at 31 December, by reference to the re-pricing period of the Group's assets, liabilities and off- balance sheet exposures:

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Figures in thousand Qatar Riyals

	Up to 3 months	3-12 Months	Above 1 Year	Non-interest/ profit sensitive	Total
As at 31 December 2010					
Cash and balances with Central Bank	6,751,926	-	-	1,950,898	8,702,824
Due from banks and financial institutions :					
- Conventional	3,074,703	158,340	251,160	-	3,484,203
- Islamic	703,640	50,000	-	-	753,640
Loans, advances and financing activities for customers:					
- Conventional	18,369,784	12,557,808	2,500	-	30,930,092
- Islamic	585,062	197,195	1,854,317	-	2,636,574
Financial investments	1,146,285	456,309	7,281,642	1,139,414	10,023,650
Investment in associates	-	-	-	3,839,542	3,839,542
Property and equipment and other assets	513,588	47,858	-	1,588,103	2,149,549
Total assets	**31,144,988**	**13,467,510**	**9,389,619**	**8,517,957**	**62,520,074**
Due to banks and financial institutions	3,553,398	-	-	-	3,553,398
Customer deposits	21,455,851	3,084,172	87,660	5,283,621	29,911,304
Borrowing under repurchase agreement	907,285	-	-	-	907,285
Debt issued and other borrowed funds	1,817,807	2,363,686	6,812,069	-	10,993,562
Other liabilities	399,326	36,440	301	849,243	1,285,310
Unrestricted investment accounts	-	-	-	3,369,358	3,369,358
Equity	-	-	-	12,499,857	12,499,857
Total liabilities and equity	**28,133,667**	**5,484,298**	**6,900,030**	**22,002,079**	**62,520,074**
Interest rate sensitivity gap	3,011,321	7,983,212	2,489,589	(13,484,122)	-
Cumulative interest rate sensitivity gap	**3,011,321**	**10,994,533**	**13,484,122**	**-**	**-**
As at 31 December 2009					
Cash and balances with Central bank	2,755,000	-	-	1,619,423	4,374,423
Due from banks and financial institutions :					
- Conventional	4,512,755	18,200	172,900	-	4,703,855
- Islamic	867,866	-	71,840	-	939,706
Loans, advances and financing activities for customers:					
- Conventional	18,782,751	10,447,752	399,551	-	29,630,054
- Islamic	93,040	791,537	1,414,637	-	2,299,214
Financial investments	1,556,864	1,033,297	6,266,054	891,153	9,747,368
Investment in associates	-	-	-	3,759,865	3,759,865
Property and equipment and other assets	571,824	52,953	-	1,238,097	1,862,874
Total assets	**29,140,100**	**12,343,739**	**8,324,982**	**7,508,538**	**57,317,359**
Due to banks and financial institutions	7,391,335	-	-	-	7,391,335
Customer deposits	17,055,921	2,348,215	42,147	4,575,092	24,021,375
Borrowing under repurchase agreement	367,936	-	-	-	367,936
Debt issued and other borrowed funds	1,815,223	2,361,681	5,747,454	-	9,924,358
Other liabilities	501,664	36,882	18,441	795,012	1,351,999
Unrestricted investment accounts	-	-	-	2,250,173	2,250,173
Equity	-	-	-	12,010,183	12,010,183
Total liabilities and equity	**27,132,079**	**4,746,778**	**5,808,042**	**19,630,460**	**57,317,359**
Interest rate sensitivity gap	2,008,021	7,596,961	2,516,940	(12,121,922)	-
Cumulative interest rate sensitivity gap	**2,008,021**	**9,604,982**	**12,121,922**	**-**	**-**

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

c) Interest Rate Sensitivity

The following table demonstrates the sensitivity to reasonable possible changes in interest rates, with all other variables held constant, of the Group's statement of income.

The sensitivity of the statement of income is the effect of the assumed changes in interest rate on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases as shown below on the consolidated statement of income and equity.

Figures in thousand Qatar Riyals

	Change in basis points Increase (decrease)	Sensitivity of consolidated net interest income		Sensitivity of consolidated equity	
		2010	2009	**2010**	2009
Currency					
QAR	25bp	(44,137)	(35,239)	3,800	1,300
USD/Others	25bp	(20,605)	(20,820)	3,809	2,729

3.3.3 Equity Price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available-for-sale. A 10 per cent and 15 per cent increase in the Qatar Exchange and Abu Dhabi stock exchange market index, respectively, at 31 December 2010 would have increased equity by QAR 18 million (2009: QAR 6 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

Figures in thousand Qatar Riyals

Market indices	Change in equity indices	Effect on equity	
		2010	2009
Qatar Exchange	10%	11,557	-
Abu Dhabi Stock Exchange	15%	6,224	6,138

3.4 Liquidity Risk

Liquidity is the ongoing ability to accommodate liability maturities, fund asset growth and meet other contractual obligations in a timely and cost effective fashion. Liquidity management involves the maintenance of an ample and diverse funding capacity, liquid assets and other source of cash to cushion fluctuations in asset and liability levels arising from unanticipated events or market turbulence.

3.4.1 Liquidity risk management process

The management of liquidity risk is governed by the Group's liquidity policy. The primary objective of liquidity risk management; over which ALCO has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behaviour or abnormal market conditions. ALCO emphasises the maximisation and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements. ALCO has in place a contingency plan, which is periodically reviewed. The Group's ability to raise wholesale and/or long term funding at competitive costs is directly impacted by our credit ratings, which are as follows:

Moody's	:	Long Term A1, Short Term P-1 and Financial strength C-, outlook stable.
Fitch	:	Long Term A, Short Term F1 and Financial strength C, outlook stable.
Standard & Poor's	:	Long Term A-, Short Term A-2, outlook stable.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4.2 Funding approach

Sources of liquidity are regularly reviewed by ALCO of the Group to maintain a wide diversification by currency, geography, provider, product and term.

3.4.3 Non-derivative cash flows

The following table sets out the maturity profile of the Group's major assets and liabilities. The contractual/expected maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

The Bank is subject to certain prudential requirements as per Qatar Central Bank regulations. At 31 December 2010 the liquidity ratio was 124.38% (2009: 112.26%). The minimum ratio limit determined by Qatar Central Bank is 100%.

Figures in thousand Qatar Riyals

On balance sheet items	During 1 month	1-3 Months	3-12 Months	Subtotal 1 Year	Above 1 Year	No maturity	Total
As at 31 December 2010							
Cash and balances with Central Bank	6,751,926	-	-	6,751,926	-	1,950,898	8,702,824
Due from banks and financial institutions	3,456,091	261,120	208,340	3,925,551	251,160	61,132	4,237,843
Loans, advances and financing activities for customers	4,436,155	1,440,081	1,424,017	7,300,253	26,266,413	-	33,566,666
Financial investments	1,078,469	7,908	341,164	1,427,541	7,456,695	1,139,414	10,023,650
Investment in associates	-	-	-	-	-	3,839,542	3,839,542
Property, equipment and other assets	385,966	127,622	47,858	561,446	-	1,588,103	2,149,549
Total assets	16,108,607	1,836,731	2,021,379	19,966,717	33,974,268	8,579,089	62,520,074
Due to banks and financial institutions	3,008,238	545,160	-	3,553,398	-	-	3,553,398
Customer deposits	19,763,273	5,987,785	4,072,586	29,823,644	87,660	-	29,911,304
Borrowing under repurchase agreement	-	907,285	-	907,285	-	-	907,285
Debt issued and other borrowed funds	-	-	1,817,807	1,817,807	9,175,755	-	10,993,562
Other liabilities	328,035	71,291	36,440	435,766	301	849,243	1,285,310
Unrestricted investment accounts	1,800,291	1,054,281	514,786	3,369,358	-	-	3,369,358
Total liabilities	24,899,837	8,565,802	6,441,619	39,907,258	9,263,716	849,243	50,020,217
Maturity gap	(8,791,230)	(6,729,071)	(4,420,240)	(19,940,541)	24,710,552	7,729,846	12,499,857

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4.3 Non-derivative cash flows (continued)

Figures in thousand Qatar Riyals

On balance sheet items	During 1 month	1-3 Months	3-12 Months	Subtotal 1 Year	Above 1 Year	No maturity	Total
As at 31 December 2009							
Cash and balances with Central Bank	2,755,000	-	-	2,755,000	-	1,619,423	4,374,423
Due from banks and financial institutions	5,117,081	200,200	18,200	5,335,481	244,740	63,340	5,643,561
Loans, advances and financing activities for customers	6,218,769	688,848	1,944,208	8,851,825	23,077,443	-	31,929,268
Financial investments	1,538,664	18,200	1,033,297	2,590,161	6,266,054	891,153	9,747,368
Investment in associates	-	-	-	-	-	3,759,865	3,759,865
Property, equipment and other assets	430,619	141,205	52,953	624,777	-	1,238,097	1,862,874
Total assets	16,060,133	1,048,453	3,048,658	20,157,244	29,588,237	7,571,878	57,317,359
Due to banks and financial institutions	7,081,935	309,400	-	7,391,335	-	-	7,391,335
Customer deposits	16,569,060	4,241,485	3,168,683	23,979,228	42,147	-	24,021,375
Borrowing under repurchase agreement	-	367,936	-	367,936	-	-	367,936
Debt issued and other borrowed funds	-	-	-	-	9,924,358	-	9,924,358
Other liabilities	417,616	84,048	36,882	538,546	18,441	795,012	1,351,999
Unrestricted investment accounts	1,151,704	752,580	285,983	2,190,267	59,906	-	2,250,173
Total liabilities	25,220,315	5,755,449	3,491,548	34,467,312	10,044,852	795,012	45,307,176
Maturity gap	(9,160,182)	(4,706,996)	(442,890)	(14,310,068)	19,543,385	6,776,866	12,010,183

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4.3 Non-derivative cash flows (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

Figures in thousand Qatar Riyals

	During 1 month	Up to 3 months	3-12 Months	Above 1 Year	Total
As at 31 December 2010					
Due to banks and financial institutions	3,024,018	548,020	-	-	3,572,038
Customer deposits	20,175,961	6,112,819	4,157,628	89,490	30,535,898
Borrowing under repurchase agreement	-	915,082	-	-	915,082
Debt issued and other borrowed funds	-	-	1,830,092	11,536,454	13,366,546
Unrestricted investment accounts	1,822,072	1,054,281	576,437	20,549	3,473,339
Total Liabilities	25,022,051	8,630,202	6,564,157	11,646,493	51,862,903
As at 31 December 2009					
Due to banks and financial institutions	7,157,525	312,702	-	-	7,470,227
Customer deposits	17,099,335	4,377,229	3,270,093	43,496	24,790,153
Borrowing under repurchase agreement	-	370,766	-	-	370,766
Debt issued and other borrowed funds	-	-	-	10,306,194	10,306,194
Unrestricted investment accounts	1,179,753	752,580	350,342	81,359	2,364,034
Total Liabilities	25,436,613	5,813,277	3,620,435	10,431,049	45,301,374

3.4.4 Derivative financial instruments

Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

Figures in thousand Qatar Riyals

	Up to 1 Year	1 - 3 Years	Over 3 Years	Total
As at 31 December 2010				
Derivatives Held for Trading:				
Forward foreign exchange contracts				
- Outflow	(886,200)	-	-	(886,200)
- Inflow	886,044	-	-	886,044
Interest rate swaps				
- Outflow	(32,990)	(59,543)	(219,698)	(312,231)
- Inflow	34,410	61,593	221,822	317,825
Derivatives Held as Fair Value Hedges:				
Cross currency interest rate swaps				
- Outflow	(29,371)	(58,741)	(1,088,047)	(1,176,159)
- Inflow	32,101	64,202	1,130,762	1,227,065
Total outflow	(948,561)	(118,284)	(1,307,745)	(2,374,590)
Total inflow	952,555	125,795	1,352,584	2,430,934

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4.4 Derivative financial instruments (continued)

Figures in thousand Qatar Riyals

	Up to 1 Year	1 - 3 Years	Over 3 Years	Total
As at 31 December 2009				
Derivatives Held for Trading:				
Forward foreign exchange contracts				
- Outflow	(1,867,181)	-	-	(1,867,181)
- Inflow	1,871,959	-	-	1,871,959
Interest rate swaps				
- Outflow	(11,947)	(42,392)	(278,213)	(332,552)
- Inflow	25,599	46,920	267,412	339,931
Total outflow	(1,879,128)	(42,392)	(278,213)	(2,199,733)
Total inflow	1,897,558	46,920	267,412	2,211,890

3.4.5 Off-balance sheet items

The table below summarises the maturity profile of the Group's off balance sheet financial instruments based on the earliest contractual maturity date.

Figures in thousand Qatar Riyals

	Below 1 Year	Above 1 Year	Total
As at 31 December 2010			
Loan commitments	3,770,007	2,606,585	6,376,592
Guarantees, acceptances and other financial facilities	10,050,816	2,523,913	12,574,729
Capital commitments	263,100	206,900	470,000
Total	**14,083,923**	**5,337,398**	**19,421,321**
As at 31 December 2009			
Loan commitments	870,842	3,846,716	4,717,558
Guarantees, acceptances and other financial facilities	11,907,148	4,413,854	16,321,002
Capital commitments	36,100	-	36,100
Total	12,814,090	8,260,570	21,074,660

3.5.1 Fair value of financial assets and liabilities

Based on the methods used to determine the fair value of financial instruments explained in note 2, following are the financial assets and liabilities:

Figures in thousand Qatar Riyals

	Carrying value		Fair value	
	2010	2009	**2010**	2009
Financial assets				
Balances with Central Bank excluding cash	8,305,716	4,012,329	8,305,716	4,012,329
Due from banks and financial institutions	4,237,843	5,643,561	4,237,843	5,643,561
Loans, advances and financing activities for customers	33,566,666	31,929,268	33,566,666	31,929,268
Financial investments	10,023,650	9,747,368	10,622,413	10,307,409

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.5.1 Fair value of financial assets and liabilities (continued)

Figures in thousand Qatar Riyals

	Carrying value		Fair value	
	2010	2009	**2010**	2009
Financial liabilities				
Due to banks and financial institutions	3,553,398	7,391,335	3,553,398	7,391,335
Customer deposits	29,911,304	24,021,375	29,911,304	24,021,375
Borrowings under repurchase agreements	907,285	367,936	907,285	367,936
Debt issued and other borrowed funds	10,993,562	9,924,358	11,464,033	9,807,547
Unrestricted investment accounts	3,369,358	2,250,173	3,369,358	2,250,173

i) Due from banks and financial institutions

Due from banks includes inter-bank placements and lending to banks and financial institutions. The fair values of these financial instruments are not different from its carrying value as the total portfolio has a very short duration and are re-priced frequently.

ii) Loans, advances and financing activities for customers

Loans and advances are net of allowance for impairment. The estimated fair value of loans and advances is not significantly different from its carrying value, as a significant portion of the portfolio is subject to frequent re-pricing in line with market rates.

iii) Financial investments

Financial investments includes held to maturity, available for sale and held for trading investments. Investments classified as available for sale and held for trading are measured at fair value. Fair value for held-to-maturity investment is primarily based on market prices, where ever market price is not available, the Group establishes the fair value using valuation techniques that includes discounted cash flow analysis, recent arms length transactions and other valuation techniques commonly used by market participants. The fair values of held to maturity investments are stated in note 9.

iv) Due to banks and financial institutions

Due to banks includes interbank takings, short term borrowing, overnight and term deposits. The fair values of these financial instruments are not different from its carrying value as the total portfolio has a very short term duration and are re-priced frequently.

v) Debt issued and other borrowed funds

The estimated fair value of other borrowed funds represents the discounted value of estimated future cash flow expected to be paid using current market rates for similar loan facilities. The fair value of borrowed funds is disclosed in note 15.

vi) Customer deposits

The estimated fair value of non-interest bearing deposits approximate carrying value. The estimated fair value of interest bearing deposits is also not different from the carrying values on the balance sheet date, as almost the total portfolio maturity is of very short duration and is re-priced at market rates.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.5.2 Classes of financial instrument

The table below shows the financial instruments held by the Group by IAS 39 category

Figures in thousand Qatar Riyals

Financial assets	HFT	LaR	HTM	AFS	Total
31 December 2010					
Balances with Central Bank excluding cash	-	8,305,716	-	-	8,305,716
Due from banks and financial institutions	-	4,237,843	-	-	4,237,843
Loans and advances to customers	-	33,566,666	-	-	33,566,666
Financial investments	-	-	6,023,907	3,999,743	10,023,650
Positive fair value of derivatives	242,391	-	-	-	242,391
31 December 2009					
Balances with Central Bank excluding cash	-	4,012,329	-	-	4,012,329
Due from banks and financial institutions	-	5,643,561	-	-	5,643,561
Loans and advances to customers	-	31,929,268	-	-	31,929,268
Financial investments	-	-	7,244,664	2,502,704	9,747,368
Positive fair value of derivatives	271,764	-	-	-	271,764

Figures in thousand Qatar Riyals

Financial liabilities	At amortised cost	At fair value	HFT	Total
31 December 2010				
Due to banks and financial institutions	3,553,398	-	-	3,553,398
Customer deposits	29,911,304	-	-	29,911,304
Borrowings under repurchase agreements	907,285	-	-	907,285
Debt issued and other borrowed funds	9,938,937	1,054,625	-	10,993,562
Unrestricted investment accounts	3,369,358	-	-	3,369,358
Negative fair value of derivatives	-	-	212,373	212,373
31 December 2009				
Due to banks and financial institutions	7,391,335	-	-	7,391,335
Customer deposits	24,021,375	-	-	24,021,375
Borrowings under repurchase agreements	367,936	-	-	367,936
Debt issued and other borrowed funds	9,924,358	-	-	9,924,358
Unrestricted investment accounts	2,250,173	-	-	2,250,173
Negative fair value of derivatives	-	-	265,754	265,754

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.5.3 Fair value disclosures

The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Figures in thousand Qatar Riyals

	31-Dec-10	Level 1	Level 2
Financial assets			
Financial investments available-for-sale			
Quoted investments :			
Qatar Government debt securities	479,762	-	479,762
Other debt securities	441,362	-	441,362
Equities	181,109	181,109	-
Unquoted investments :			
Qatar Government debt securities	1,520,060	-	1,520,060
Other debt securities	396,253	-	396,253
Islamic debt securities	22,892	-	22,892
Equities	408,046	-	1,528
Investment funds	550,259	60,242	427,186
	3,999,743	**241,351**	**3,289,043**
Derivative instruments			
Interest rate swaps	214,779	-	214,779
Forward foreign exchange contracts	194	-	194
Cross currency interest rate swap	27,418	-	27,418
	242,391	**-**	**242,391**
Financial liabilities			
Derivative instruments			
Interest rate swaps	212,316	-	212,316
Forward foreign exchange contracts	57	-	57
	212,373	**-**	**212,373**

During the reporting period 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements. All unquoted available for sale equities and investment funds are recorded at fair value except for investments with a carrying value of QR 469 million (2009: QR 454 million), which are recorded at cost since their fair value cannot be reliably estimated.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.5.3 Fair value disclosures (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Figures in thousand Qatar Riyals

	31-Dec-09	Level 1	Level 2
Financial assets			
Financial investments available-for-sale			
Quoted investments :			
Qatar Government debt securities	432,352	-	432,352
Other debt securities	125,927	-	125,927
Equities	68,937	68,937	-
Unquoted investments :			
Qatar Government debt securities	520,060	-	520,060
Other debt securities	504,571	-	504,571
Islamic debt securities	28,641	-	28,641
Equities	420,849	-	78,245
Investment funds	401,367	-	289,821
	2,502,704	**68,937**	**1,979,617**
Derivative instruments			
Interest rate swaps	256,077	-	256,077
Forward foreign exchange contracts	15,687	-	15,687
	271,764	**-**	**271,764**
Financial liabilities			
Derivative instruments			
Interest rate swaps	253,434	-	253,434
Forward foreign exchange contracts	12,320	-	12,320
	265,754	**-**	**265,754**

During the reporting period 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements. All unquoted available for sale equities and investment funds are recorded at fair value except for investments with a carrying value of QR 454 million, which are recorded at cost since their fair value cannot be reliably estimated.

3.6 Capital management

The Group's objectives in managing capital, which is a broader concept than the 'equity' on the face of balance sheet, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities of the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.6 Capital management (continued)

The capital adequacy ratio of the Group is calculated in accordance with the Basel Committee guidelines as adopted by Qatar Central Bank, using the deduction method for its investments in associates.

Capital Adequacy

Figures in thousand Qatar Riyals

	2010	2009
Tier I Capital	8,293,545	8,298,722
Tier II Capital	918,365	801,200
Total Capital	**9,211,910**	9,099,922
Risk weighted assets	**49,820,521**	48,239,705
Tier I Capital ratio	16.65%	17.20%
Total Capital ratio	**18.49%**	18.86%

Tier I capital includes share capital, legal reserve, general reserve, other reserves, shareholder's advance and retained earnings including current year profit and excluding proposed dividend.

Tier II capital includes risk reserve (up to 1.25% of the risk weighted assets) and fair value reserve (45% if positive and 100% if negative) and subordinated debt.

The minimum ratio limit determined by Qatar Central Bank is 10% and the Basel Committee requirement is 8%.

3.7 Risk management in relation to others' investments

The Group is managing customers' investments either directly or in the form of investment portfolios. The management of these investments by the Group could lead to some legal and operational risks. Accordingly, the Group takes necessary measures to control these risks.

Management of client's investment portfolios are guided by the terms and conditions recorded in written agreements signed by the respective clients. These portfolios are primarily invested in fixed income, capital guaranteed or coupon paying structures. Proper books of records for such portfolios are maintained as per Qatar Central Bank guidelines.

3.8 Operational risk

Operational risk is the risk of direct or indirect loss that may result from inadequate or failed technology, human performance, process or external events. The Group endeavours to minimise operational losses by ensuring that effective infrastructure, controls, system and individuals are in place throughout the organisation.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Impairment of available-for-sale investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates amongst other factors, the normal volatility in share price. The Group reviews its debt securities classified as available-for-sale debt instruments at each balance sheet date. This requires similar judgement as applied to the individual assessment of loans and advances. In addition, impairment may be relevant when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. If any such evidence of impairment for available-for-sale financial assets exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in statement of income is removed from equity and recognized in the statement of income.

(c) Held-to-maturity investments

The Group follows the guidance contained in International Accounting Standard 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

(d) Impairment of held to maturity investments

For held-to-maturity investments, the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(f) Useful lives of property and equipment
The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

(g) Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

5. SEGMENT INFORMATION

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

Conventional Banking:

- Corporate Banking provides an extensive range of conventional (non-Islamic) funded and non-funded credit facilities, demand and time deposit services, investment advisory and brokerage services, currency exchange facilities, interest rate swaps and other derivative trading services, loan syndication and structured financing services to Corporate, Commercial and Multinational Customers. Money Market funds and proprietary investment portfolio are also managed by this business segment.

- Retail Banking provides personal current, savings, time and investment accounts services, credit card and debit card services, consumer loans and residential mortgage services, custodial services to retail and individual customers.

Islamic Banking: provides Islamic principle (Shari'ah) compliant banking services such as current, savings, time and investment account services, consumer and finance leasing, trade finances to retail, corporate and commercial customers.

Orient 1 – a subsidiary of the Bank provides credit card services in the Sultanate of Oman.

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

5. SEGMENT INFORMATION (continued)

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

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

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses are attributed in line with the assets and liabilities ownership. The following table summarizes performance of the operating segments:

(a) By operating segment

Figures in thousand Qatar Riyals

	Conventional						
	Corporate Banking	Retail Banking	Total	Islamic Banking	Orient 1	Unallocated	Total
31 December 2010							
Net interest/similar income	1,418,358	277,235	1,695,593	82,492	2,930	(3,367)	**1,777,648**
Other income	528,283	189,049	717,332	15,759	7,386	43,763	**784,240**
Segmental revenue	1,946,641	466,284	2,412,925	98,251	10,316	40,396	**2,561,888**
Impairment losses on loans and advances, net of recovery	(73,898)	(62,228)	(136,126)	(30,827)	430	-	**(166,523)**
Impairment losses on financial investments	(118,654)	-	(118,654)	(9,341)	-	-	**(127,995)**
Segmental profit			**1,438,682**	**26,596**	**9,659**	**5,171**	**1,480,108**
Share of results of associates						**155,173**	**155,173**
Net profit for the year							**1,635,281**
Other information							
Assets	47,385,860	5,158,064	52,543,924	4,363,747	87,307	1,685,554	**58,680,532**
Investments in associates							**3,839,542**
Liabilities	36,674,645	8,934,583	45,609,228	4,039,151	2,459	369,379	**50,020,217**
Contingent items	18,154,724	602,528	18,757,252	194,069	-	-	**18,951,321**

- Intra-group transactions are eliminated from this segmental information (Assets: QAR 157 million, Liabilities: QAR 85 million).

5. SEGMENT INFORMATION (continued)

(a) By operating segment (continued)

Figures in thousand Qatar Riyals

	Conventional						
	Corporate Banking	Retail Banking	Total	Islamic Banking	Orient 1	Unallocated	Total
31 December 2009							
Net interest/similar income	1,253,809	329,642	1,583,451	76,655	3,519	(2,834)	1,660,791
Other income	701,829	166,499	868,328	32,167	6,784	209,552	1,116,831
Segmental revenue	1,955,638	496,141	2,451,779	108,822	10,303	206,718	2,777,622
Impairment losses on loans and advances, net of recovery	(266,019)	(182,042)	(448,061)	(13,057)	68	-	(461,050)
Impairment losses on financial investments	(154,498)	-	(154,498)	(27,445)	-	-	(181,943)
Impairment losses on other assets	-	(99)	(99)	-	(4,422)	-	(4,521)
Segmental profit			1,235,602	34,747	1,531	98,775	1,370,655
Share of results of associates						152,939	152,939
Net profit for the year							1,523,594
Other information							
Assets	43,487,361	5,194,909	48,682,270	3,532,414	77,906	1,264,904	53,557,494
Investments in associates							3,759,865
Liabilities	34,285,435	7,495,200	41,780,635	3,199,666	2,619	324,256	45,307,176
Contingent items	20,011,770	1,026,790	21,038,560	-	-	-	21,038,560

- Intra-group transactions are eliminated from this segmental information (Assets: QAR 141 million, Liabilities: QAR 68 million)

5. SEGMENT INFORMATION (continued)

(b) By geography

Geographically, the Group operates in Qatar. Its subsidiaries and associates are in Qatar, Sultanate of Oman and United Arab Emirates.

Figures in thousand Qatar Riyals

Statement of financial position	Qatar	Other GCC countries	Europe	North America	Others	Total
As at 31 December 2010						
Cash and balances with central bank	8,702,819	-	-	-	5	8,702,824
Due from banks and financial institutions	3,451,732	490,220	229,330	16,793	49,768	4,237,843
Loans, advances and financing activities for customers	30,847,589	2,153,127	273,000	91,000	201,950	33,566,666
Financial investments	6,751,537	1,740,018	345,454	1,054,659	131,982	10,023,650
Investment in associates	13,330	3,826,212	-	-	-	3,839,542
Property and equipment and other assets	2,149,237	-	-	-	312	2,149,549
Total assets	**51,916,244**	**8,209,577**	**847,784**	**1,162,452**	**384,017**	**62,520,074**
Due to banks and financial institutions	670,350	2,629,671	56,183	89,931	107,263	3,553,398
Customer deposits	23,675,873	3,081,989	2,808,617	-	344,825	29,911,304
Borrowing under repurchase agreements	-	-	907,285	-	-	907,285
Debt issued and other borrowed funds	-	2,363,686	8,629,876	-	-	10,993,562
Other liabilities	1,282,475	-	-	-	2,835	1,285,310
Unrestricted investment accounts	3,369,358	-	-	-	-	3,369,358
Equity	12,499,857	-	-	-	-	12,499,857
Total liabilities and equity	**41,497,913**	**8,075,346**	**12,401,961**	**89,931**	**454,923**	**62,520,074**
As at 31 December 2009						
Cash and balances with central bank	4,374,418	-	-	-	5	4,374,423
Due from banks and financial institutions	4,216,617	436,517	804,664	106,839	78,924	5,643,561
Loans, advances and financing activities for customers	28,794,489	2,490,146	273,000	91,000	280,633	31,929,268
Financial investments	8,253,253	251,731	354,436	752,696	135,252	9,747,368
Investment in associates	4,215	3,755,650	-	-	-	3,759,865
Property and equipment and other assets	1,855,517	-	-	-	7,357	1,862,874
Total assets	47,498,509	6,934,044	1,432,100	950,535	502,171	57,317,359
Due to banks and financial institutions	5,203,480	1,604,633	445,065	6,615	131,542	7,391,335
Customer deposits	19,697,768	1,081,723	2,659,929	-	581,955	24,021,375
Borrowing under repurchase agreements	-	-	367,936	-	-	367,936
Debt issued and other borrowed funds	-	2,361,681	7,562,677	-	-	9,924,358
Other liabilities	1,349,556	-	-	-	2,443	1,351,999
Unrestricted investment accounts	2,250,173	-	-	-	-	2,250,173
Equity	12,010,183	-	-	-	-	12,010,183
Total liabilities and equity	40,511,160	5,048,037	11,035,607	6,615	715,940	57,317,359

5. SEGMENT INFORMATION (continued)

(b) By geography (continued)

Geographically, the Group operates in Qatar. Its subsidiaries and associates are in Qatar, Sultanate of Oman and United Arab Emirates.

Figures in thousand Qatar Riyals

Statement of Income	Qatar	Other GCC countries	Europe	North America	Others	Total
Year ended 31 December 2010						
Interest/similar income	2,809,549	136,150	21,965	7,523	13,540	2,988,727
Interest/similar expense	(1,047,148)	(73,556)	(80,068)	(289)	(10,018)	(1,211,079)
Net interest/similar income	1,762,401	62,594	(58,103)	7,234	3,522	1,777,648
Fee, commission and other income	765,290	(435)	1,205	8,268	9,912	784,240
Net operating income	2,527,691	62,159	(56,898)	15,502	13,434	2,561,888
General and administrative expenses	(682,331)	-	-	-	(1,083)	(683,414)
Depreciation	(103,844)	-	-	-	(4)	(103,848)
Impairment losses on loans and advances to customers, net	(139,348)	(27,605)	-	-	430	(166,523)
Impairment losses on financial investments	-	(18,574)	(65,006)	(37,118)	(7,297)	(127,995)
Profit before share of results of associates	1,602,168	15,980	(121,904)	(21,616)	5,480	1,480,108
Share of results of associates	(554)	155,727	-	-	-	155,173
Net profit for the year	**1,601,614**	**171,707**	**(121,904)**	**(21,616)**	**5,480**	**1,635,281**
Year ended 31 December 2009						
Interest/similar income	2,900,373	144,676	42,575	14,659	14,709	3,116,992
Interest/similar expense	(1,145,994)	(164,188)	(138,568)	(6,532)	(919)	(1,456,201)
Net interest/similar income	1,754,379	(19,512)	(95,993)	8,127	13,790	1,660,791
Fee, commission and other income	1,104,542	1,678	813	2,810	6,988	1,116,831
Net operating income	2,858,921	(17,834)	(95,180)	10,937	20,778	2,777,622
General and administrative expenses	(662,412)	-	-	-	(4,299)	(666,711)
Depreciation	(92,623)	-	-	-	(119)	(92,742)
Impairment losses on loans and advances to customers, net	(461,118)	-	-	-	68	(461,050)
Impairment losses on financial investments	(22,754)	(54,565)	(12,628)	(84,472)	(7,524)	(181,943)
Impairment losses on other assets	(99)	-	-	-	(4,422)	(4,521)
Profit before share of results of associates	1,619,915	(72,399)	(107,808)	(73,535)	4,482	1,370,655
Share of results of associates	(1,885)	154,824	-	-	-	152,939
Net profit for the year	1,618,030	82,425	(107,808)	(73,535)	4,482	1,523,594

6. CASH AND BALANCES WITH CENTRAL BANK

Figures in thousand Qatar Riyals

	2010	2009
Cash	397,108	362,094
Cash reserve with Qatar Central Bank*	1,553,790	1,257,329
Other balances with Qatar Central Bank	6,751,926	2,755,000
Total	**8,702,824**	4,374,423

*The cash reserve with Qatar Central Bank is not available for use in the Group's day to day operations.

7. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

Figures in thousand Qatar Riyals

	2010	2009
Demand accounts	61,518	63,859
Placements:		
- Conventional	3,158,785	4,534,365
- Islamic	700,000	782,000
Loans to banks and financial institutions	317,540	263,337
Total due from banks and financial institutions	**4,237,843**	5,643,561

8. LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS

Figures in thousand Qatar Riyals

i) By industry	**Conventional**	**Islamic**	**2010 Total**	2009 Total
Government	414,163	-	414,163	962,499
Government and semi-government agencies	4,879,822	-	4,879,822	1,897,852
Industry	975,453	483,808	1,459,261	1,499,097
Commercial	3,341,042	402,281	3,743,323	4,403,869
Services	4,294,427	291,195	4,585,622	4,298,050
Contracting	2,647,846	67,996	2,715,842	3,730,024
Real estate	6,296,488	479,792	6,776,280	6,316,246
Consumption	6,305,631	753,971	7,059,602	6,276,802
Other	2,707,110	205,464	2,912,574	3,267,271
Sub Total	31,861,982	2,684,507	34,546,489	32,651,710
Allowance for impairment	(931,890)	(47,933)	(979,823)	(722,442)
Net loans and advances	30,930,092	2,636,574	33,566,666	31,929,268

In 2010 the Bank changed its methodology for recognition of its non-performing loans, advances and financing activities to a basis of above 90 days (previously it was above 180 days). The total non-performing loans, advances and financing activities at 31 December 2010 amounted to QAR 1,092 million, representing 3.16% of the total loans, advances and financing activities (2009: QAR 725 million representing 2.22% of the total loans, advances and financing activities on a 180 days recognition basis). If the new methodology had been in place at 31 December 2009, total non-performing loans, advances and financing activities would have represented 3.56% of total loans, advances and financing activities.

During 2009, as part of Government of Qatar's programme of initiatives to support the banking sector, Commercial bank had sold loans and advances to customers and other exposures to the Government amounting to QAR 3,043 million. The Government paid QAR 188 million in cash and provided QAR 2,855 million in Government bonds in consideration for the sold assets.

Interest in suspense of QAR 270 million (2009: QAR 173 million) is, for the purpose of the Qatar Central Bank regulatory requirements, effectively included in the impairment allowance amount.

Islamic financing is carried at net of deferred profit QAR 540 million (2009: QAR 433 million).

8. LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (continued)

ii) By type

Figures in thousand Qatar Riyals

	2010	2009
Loans	29,717,548	27,429,102
Overdrafts	2,075,148	2,813,176
Bills discounted	69,286	94,026
Islamic financing activities	2,684,507	2,315,406
Sub Total	34,546,489	32,651,710
- Allowance for impairment	(979,823)	(722,442)
Net loans, advances and financing activities	33,566,666	31,929,268

iii) Movement in allowance for impairment

Figures in thousand Qatar Riyals

	Conventional	Islamic	2010 Total	2009 Total
Balance at 1 January	706,250	16,192	722,442	286,725
Allowance for individually impairment made during the year	365,316	32,699	398,015	560,802
Allowance for collective impairment made during the year	75,703	-	75,703	4,335
Amounts recovered during the year	(187,503)	(900)	(188,403)	(20,050)
Net allowance for impairment during the year *	253,516	31,799	285,315	545,087
Allowance for impairment used during the year for write off's	(27,876)	(58)	(27,934)	(109,370)
Balance at 31 December	**931,890**	**47,933**	**979,823**	**722,442**

*This includes net interest suspended during the year QAR 119 million (2009: QAR 84 million).

9. FINANCIAL INVESTMENTS

Figures in thousand Qatar Riyals

	2010	2009
Investments comprise the following		
a) Available-for-sale investments	3,999,743	2,502,704
b) Investments held-to-maturity	6,023,907	7,244,664
Balance at end of the year	**10,023,650**	9,747,368

i) Available-for-sale investments ("AFS")

By type

Figures in thousand Qatar Riyals

	2010		2009	
At fair value	**Listed**	**Unlisted**	Listed	Unlisted
Equities	181,109	408,046	68,937	420,849
Qatar Government bonds in USD	479,762	-	432,352	-
Qatar Government bonds in QAR	-	1,520,060	-	520,060
Other debt securities - Fixed rate	441,362	180,405	125,927	123,394
Other debt securities - Floating rate	-	215,848	-	381,177
Islamic sukuk - Fixed rate	-	5,602	-	10,441
Islamic sukuk - Floating rate	-	17,290	-	18,200
Investment funds	-	550,259	401,367	
Total	**1,102,233**	**2,897,510**	627,216	1,875,488

Allowance for impairment during the year QAR 124 million (2009: QAR 137 million).

9. FINANCIAL INVESTMENTS (continued)

During March 2009, the Bank took up the Government's offer to buy the Qatar DSM equity investment portfolios of local banks, and had sold its entire portfolio of Qatar equities which had a net book value of QAR 937.9 million. The Government paid QAR 417.8 million in cash and provided a five-year bond amounting to QAR 520.1 million that was included in the available-for-sale investment portfolio.

ii) Held-to-maturity investments ("HTM")

By type

Figures in thousand Qatar Riyals

	2010		2009	
At amortised cost	**Listed**	**Unlisted**	Listed	Unlisted
Qatar Government bonds in USD	753,976	-	760,062	-
Qatar Government bonds in QAR	-	3,811,568	-	4,783,926
Securities issued by Central Bank	-	1,305,027	-	1,504,108
Other debt securities	-	89,944	-	107,235
Islamic bonds	-	63,392	-	89,333
Total *	**753,976**	**5,269,931**	760,062	6,484,602
By nature of income				
Fixed rate	753,976	5,119,734	760,062	6,291,551
Floating rate	-	150,197	-	193,051
Total *	**753,976**	**5,269,931**	760,062	6,484,602

* The fair value of held to maturity investments amounted to QAR 6,623 million at 31 December 2010 (2009: QAR 7,805 million).

Other debt securities are net of impairment losses of QAR 143 million (2009: QAR 139 million), QAR 4 million was provided during the year.

The carrying value of financial investments pledged under Repo agreements is QAR 1,102 million (2009: QAR 420 million).

Investments held-to-maturity included the bonds provided by the Government in settlement of sold loans and advances to customers and other exposures during 2009 as stated in note 8.

10. INVESTMENTS IN ASSOCIATES

The Group's investments in associates are as follows:

Figures in thousand Qatar Riyals

			Carrying value	
Name	**Country of incorporation**	**% interest held**	**2010**	2009
a) National Bank of Oman SAOG	Oman	**34.90%**	1,499,145	1,474,714
b) United Arab Bank PJSC	UAE	**40.00%**	2,328,621	2,282,821
c) Asteco LLC	Qatar	**30.00%**	2,181	2,330
d) GEKKO LLC	Qatar	**50.00%**	-	-
e) Massoun Insurance Services LLC	Qatar	**50.00%**	9,595	-
Total			**3,839,542**	3,759,865

10. INVESTMENTS IN ASSOCIATES (continued)

Further breakup of associates movements are as follows:

	Figures in thousand Qatar Riyals	
	2010	2009
Balance at 1 January	3,759,865	3,641,486
Add: acquired during the period	11,517	1,300
Less : dividend received	(102,032)	(62,307)
Share of results of associate net of tax	**155,173**	152,939
Exchange difference	(280)	483
Add : share of post acquisition fair value reserve	15,299	25,964
Balance at 31 December	**3,839,542**	3,759,865

a) National Bank of Oman SAOG (NBO)

Shares of National Bank of Oman SAOG (NBO) are listed on the Muscat Securities Market and the quoted price as at 31 December 2010 was OMR 0.354. The estimated fair value of the investment based on this price is QAR 1,262 million (2009: QAR 1,147 million). Investment in associates for NBO at 31 December 2010 includes goodwill of QAR 574 million (2009: QAR 574 million). At 31 December 2010, the Group conducted a value in use analysis to determine impairment, if any, and no impairment was noted. The value in use model considered all reasonable possible changes to the inputs.

Under a separate management agreement with NBO, the Group is responsible for the day to day management of NBO affairs subject to the overall supervision of NBO Board. The Group does not however control NBO as only 4 out of 11 members of the board of NBO are represented by the Group.

In compliance with the International Financial Reporting Standards 3, Bank has carried out one time ‘purchase price allocation (PPA)’ exercise of the value paid for the acquisition of 34.90% shares of NBO. PPA identifies the value paid for the tangible assets, intangible assets and the premium/goodwill arising on the acquisition. Derived values of intangible assets are QR 104 million amortized over the useful life of the intangible assets.

b) United Arab Bank (UAB)

Shares of United Arab Bank PJSC (UAB) are listed on the Abu Dhabi Securities Market and the quoted price as at 31 December 2010 was AED 5.43. The estimated fair value of the investment based on this price as at 31 December 2010 is QAR 2,144 million (2009: QAR 2,527 million). Investment in associates for UAB at 31 December 2010 includes goodwill of QAR 1.4 billion (2009: QR 1.4 billion). At 31 December 2010, the Group conducted a value in use analysis to determine impairment, if any, and no impairment was noted. The value in use model considered all reasonable possible changes to the inputs.

Under a separate management service agreement signed with UAB, the Bank would be responsible for the day to day management of UAB affairs subject to overall supervision of the UAB board. However the Group does not control UAB as only 4 out of 9 members of the board of UAB are represented by the Group.

In compliance with the International Financial Reporting Standards 3, Bank has carried out one time ‘purchase price allocation (PPA)’ exercise of the value paid for the acquisition of 40.00% shares of UAB. PPA identifies the value paid for the tangible assets, intangible assets and the premium/goodwill arising on the acquisition. Derived values of intangible assets are QR 280 million amortized over the useful life of the intangible assets.

c) Asteco LLC

Asteco is a locally incorporated entity primarily engaged in property management and sales.

10. INVESTMENTS IN ASSOCIATES (continued)

d) GEKKO LLC

GEKKO is a locally incorporated entity primarily engaged in the establishment of an electronic payment infrastructure in Qatar.

e) Massoun Insurance Services LLC

Massoun is a joint venture company incorporated in Qatar engaged in Insurance Brokerage business.

11. PROPERTY AND EQUIPMENT

Figures in thousand Qatar Riyals

	Land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Capital work-in-progress	Total
At 31 December 2010						
Cost:						
Balance at 1 January	771,051	72,218	462,272	7,567	123,545	1,436,653
Additions	15,099	82	13,222	-	115,031	143,434
Disposals	-	(4,044)	(2,764)	(661)	-	(7,469)
Transfers	2,673	1,856	17,560	-	(22,089)	-
Exchange differences	-	-	71	9	-	80
	788,823	70,112	490,361	6,915	216,487	1,572,698
Depreciation						
Balance at 1 January	111,859	44,433	245,658	5,071	-	407,021
Charge for the year	26,539	11,712	64,540	1,057	-	103,848
Disposals	-	(4,044)	(2,696)	(533)	-	(7,273)
Exchange differences	-	-	71	9	-	80
	138,398	52,101	307,573	5,604	-	503,676
Net carrying amount	650,425	18,011	182,788	1,311	216,487	**1,069,022**
At 31 December 2009						
Cost:						
Balance at 1 January	705,339	62,145	387,227	7,130	289,208	1,451,049
Additions	63,545	6,227	12,507	539	188,721	271,539
Disposals	(285,600)	-	(256)	(102)	-	(285,958)
Transfers	287,767	3,846	62,771	-	(354,384)	-
Exchange differences	-	-	23	-	-	23
	771,051	72,218	462,272	7,567	123,545	1,436,653
Depreciation						
Balance at 1 January	86,667	35,360	188,784	4,165	-	314,976
Charge for the year	25,552	9,073	57,109	1,008	-	92,742
Disposals	(360)	-	(256)	(102)	-	(718)
Exchange differences	-	-	21	-	-	21
	111,859	44,433	245,658	5,071	-	407,021
Net carrying amount	659,192	27,785	216,614	2,496	123,545	1,029,632

Capital work in progress includes QAR 45 million for Umm Lokhba branch, QAR 22 million for Rayan Data Center, QAR 15 million for Plaza parking, QAR 12 million for Rayan Super branch, QAR 11 million for AlJazeera branch, QAR 53 million other branch renovations and QAR 58 million for various IT projects.

12. OTHER ASSETS

	Figures in thousand Qatar Riyals	
	2010	2009
Accrued income	319,055	353,013
Prepaid expenses	10,156	7,358
Accounts receivable	115,232	77,066
Net value of the properties acquired in settlement of debts (i)	295,628	1,700
Franchise rights	-	4,991
Derivatives with a positive fair value (Note 30)	242,391	271,764
Clearing cheques	33,566	37,316
Sundry assets	64,499	80,034
Balance at 31 December	**1,080,527**	833,242

(i) This represents the value of the properties acquired in settlement of debts which are stated at their acquisition value net of any provision required for impairment. The estimated market value of these properties as at 31 December 2010 are not materially different from its carrying value, as the projects are under construction.

13. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Figures in thousand Qatar Riyals	
	2010	2009
Due to Central Bank	-	23,172
Current accounts	277,447	84,860
Placements	3,275,951	7,283,303
Balance at 31 December	**3,553,398**	7,391,335

14. CUSTOMER DEPOSITS

	Figures in thousand Qatar Riyals	
	2010	2009
i) By Type		
Demand and call deposits	7,207,024	6,758,278
Savings deposits	2,740,572	2,256,777
Time deposits	19,550,515	14,600,939
Islamic branches – demand deposits	413,193	405,381
Balance at 31 December	**29,911,304**	24,021,375
ii) By sector		
Government	2,717,045	1,687,363
Government and semi-government agencies	5,067,320	3,500,900
Individuals -		
– Conventional	8,716,500	7,196,214
– Islamic branches	196,320	147,816
Corporate -		
– Conventional	12,997,246	11,231,517
– Islamic branches	216,873	257,565
Balance at 31 December	**29,911,304**	24,021,375

Accounts held as collateral included in customer deposits QAR 3,114 million (2009: QAR 668 million).

15. DEBT ISSUED AND OTHER BORROWED FUNDS

Syndicated Loans: This represents term borrowings raised through syndicated loan facilities from consortiums of international and regional banks, to support the general funding needs of the Group as follows:

- In April 2007, the Group obtained a syndicated loan for an amount of US$ 650 million or QAR 2,366 million for a five year period to refinance two short term loans totalling US$ 490 million or QAR 1,784 million that were fully repaid in January 2007. This is an unsecured bullet repayment loan facility with a floating rate of interest linked to US$ LIBOR plus a margin of 27.5 basis points per annum. The fair value of the loan as at 31 December 2010 is QAR 2.39 billion (2009: QAR 2.41 billion).

EMTN programme: The Group established access to international capital markets through a listing of a US$ 1.5 billion or QAR 5,460 billion Euro Medium Term Note (EMTN) programme on the London Stock Exchange. The EMTN programme structure allows flexibility for the Group to issue both senior and subordinated instruments, across a wide range of tenors and currencies.

- The Group completed on 12 October 2006 its debut international bond issue under the EMTN programme, the first by a Qatari financial institution. The US$ 500 million or QAR 1,820 million senior Floating Rate Notes (FRN) pay a floating rate of interest coupon of 40 basis points over 3 month US$ LIBOR, and are payable in full on final maturity of 5 years. The FRNs are listed and traded on the London Stock Exchange, with settlement through Euro clear or Clearstream in Luxembourg. The estimated fair value of the bonds as at 31 December 2010 was QAR 1.80 billion (2009: QAR 1.76 billion).

Senior and Subordinated Notes: On 18 November 2009, the Commercial Bank of Qatar through CBQ Finance Limited, a wholly-owned subsidiary completed the issuance of the following notes:

- **Senior Notes:** US$ 1,000 million or QAR 3,640 million five-year Senior Notes paying a fixed coupon of 5.00% per annum. Interest is payable semi-annually in arrears and the principal is payable in full at maturity of five years. The estimated fair value of the Senior Notes as at 31 December 2010 was QAR 3.80 billion (2009: QAR 3.52 billion).

- **Subordinated Notes:** US$ 600 million or QAR 2,184 million ten-year Subordinated Notes paying a fixed coupon of 7.50% per annum. Interest is payable semi-annually in arrears and the principal is payable in full at maturity of ten years. The estimated fair value of the Subordinated Notes as at 31 December 2010 was QAR 2.43 billion (2009: QAR 2.12 billion).

These notes have been irrevocably guaranteed by the Commercial Bank of Qatar and are listed and traded on the London Stock Exchange.

- **CHF denominated Fixed Rate Bond:** On 7 December 2010, the Bank through CBQ Finance Limited, a wholly-owned subsidiary, completed the issuance of CHF 275 million five year bond paying a fixed coupon of 3.0% per annum. Interest and 0.01% agency commission is payable annually in arrears and the principal is payable in full at maturity on 7 December 2015. This bond have been irrevocably guaranteed by the Commercial Bank of Qatar and are listed and traded on the 'SIX' Swiss Exchange AG, Zurich.

  The Group entered into cross currency interest rate swaps to convert its CHF 275 million borrowing into a USD denominated borrowing and pay a floating rate of USD 3 month LIBOR plus applicable margins on the USD notional amount and receive a coupon of 3% per annum on the CHF denominated notional amount.

15. DEBT ISSUED AND OTHER BORROWED FUNDS (continued)

Figures in thousand Qatar Riyals

	2010	2009
Syndicated loans	2,363,686	2,361,681
EMTN (Bonds)	1,817,807	1,815,223
Senior Notes	3,607,278	3,599,858
Subordinated Notes	2,150,166	2,147,596
CHF Fixed Rate Bonds	1,054,625	-
Balance at 31 December	**10,993,562**	9,924,358

Movements in debt issued and other borrowed funds are analysed as follows:

Figures in thousand Qatar Riyals

	2010	2009
Balance at beginning of the year	9,924,358	6,096,091
Additions to borrowings	1,027,713	5,747,454
Repayments of borrowings	-	(1,929,200)
Fair value adjustment	26,912	-
Amortisation of discount and transaction cost	14,579	10,013
Balance at 31 December	**10,993,562**	9,924,358

The table below shows the maturity profile of debt issued and other borrowed funds:

Figures in thousand Qatar Riyals

	2010	2009
Up to 1 year	1,817,807	-
Between 1 and 3 years	2,363,686	4,176,904
Over 3 years	6,812,069	5,747,454
Balance at 31 December	**10,993,562**	9,924,358

16. OTHER LIABILITIES

Figures in thousand Qatar Riyals

	2010	2009
Deferred income	81,220	88,123
Accrued expenses	223,694	291,234
Other provisions –(note (i) below)	130,167	119,831
Derivatives with negative fair values (note 30)	212,373	265,754
Cash margins	147,565	156,850
Accounts payable	291,403	255,062
Directors' remuneration	36,000	23,625
Social responsibility fund	7,833	10,637
Unpaid Social and Sports Activities Support Fund (Daam)	32,838	-
Dividend payable	7,950	8,194
Managers' cheque and payment order	18,494	8,298
Unclaimed balances	7,816	8,007
Sundry liabilities	87,957	116,384
Total	**1,285,310**	1,351,999

16. OTHER LIABILITIES (continued)

i) OTHER PROVISIONS

Figures in thousand Qatar Riyals

	Provident fund (a)	Pension fund (b)	Total 2010	Total 2009
Balance at 1 January	119,107	724	119,831	96,860
Provisions made during the year - Bank contribution	7,662	4,294	11,956	23,162
Earnings of the fund	2,240	-	2,240	1,830
Provident fund - staff contribution	8,181	2,186	10,367	9,944
Transferred to State retirement fund authority	-	(6,476)	(6,476)	(5,910)
Payments during the year	(7,751)	-	(7,751)	(6,055)
Balance at 31 December	**129,439**	**728**	**130,167**	119,831

(a) The provident fund includes the Group's obligations for end of service benefits to expatriate staff per Qatar labour law and the employment contracts.

(b) Pension fund contributions in respect of the national staff are paid to the State administered retirement fund at the end of each month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized when they are due.

17. UNRESTRICTED INVESTMENT ACCOUNTS

Figures in thousand Qatar Riyals

	2010	2009
i) By Type		
Savings deposits	192,401	167,042
Call deposits	191,905	24,828
Investment deposits	2,985,052	2,058,303
Balance at 31 December	**3,369,358**	2,250,173
ii) By Sector		
Individual	756,266	645,879
Corporate	2,613,092	1,604,294
Balance at 31 December	**3,369,358**	2,250,173

Following are the profit distribution rates for the investment account holders.

	2010 (%)	2009 (%)
1 year term	3.47	3.50
6 months term	2.93	3.00
3 months term	2.71	2.75
1 month term	2.48	2.50
Savings account	1.25	2.25
Special deposits	3.35	5.39
Call account	1.20	1.50

18. EQUITY

Share capital

Issued, paid up capital and shareholder's advance

The issued, subscribed and paid up capital of the Bank is QAR 2,268,258,420 (2009: QAR 2,165,155,770) divided into 226,825,842 (2009: 216,515,577) ordinary shares of QAR 10 each.

On 30 December 2009 the Bank received, in advance, the second tranche of the private placement proceeds from Qatar Holding LLC, QAR 807.29 million being the value of 10,310,265 ordinary shares, with an issue price of QAR 78.30 per share including a premium of QAR 68.30 per share. Further to the approval at the Extraordinary General Assembly of the Bank, held on 9 February 2010, 10,310,265 new ordinary shares were issued in February 2010 and the nominal value of QAR 10 per ordinary share was credited to paid up share capital.

On 17 January 2011, the Bank received funds from Qatar Holding LLC which are to be used to subscribe for a further issue of shares in the capital of the Bank. The proposed issue would involve a placement of 20,620,530 additional ordinary shares at a price of QAR 78.30 per share, being the price at which previous placements to the Qatar Holding LLC have been made, and would increase the Qatar Holding's shareholding in the Bank to 16.7% (2009:4.8%). The placement is subject to ratification of the General Assembly of the Shareholders. The proposed new shares would not have any entitlement to dividend or other profit distribution in respect of the 2010 financial year.

Legal reserve

The proceeds of the additional 10,310,265 new ordinary shares issued during the year was credited to share capital (nominal value) at QAR 10 per ordinary share and to legal reserve (share premium) at QAR 68.30 per ordinary share, as per Article 154 of Commercial Companies Law no. 5 of 2002. There was no directly attributable cost for this transaction.

In accordance with the Central Bank Law, 10% 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 Commercial Companies Law No. 5 of 2002 and after approval of Qatar Central Bank. Legal reserve also includes the share premium arising on rights issues from the date of incorporation.

General reserve

As per the Bank's Articles of Association, the general reserve may only be used in accordance with a resolution from the General Assembly upon the Board of Directors recommendation and after obtaining Qatar Central Bank approval.

Cumulative changes in fair value

The fair value reserve arises from the revaluation of the available-for-sale investments, change of post acquisition fair value reserve of its associates and exchange gain or loss on consolidation of subsidiaries and associates financial statements. The movement in fair value reserve during the year is as follows:

Figures in thousand Qatar Riyals

	2010	2009
Balance at 1 January	(105,864)	(442,857)
Gain on revaluation	177,910	315,146
Transferred to statement of income, net	(30,652)	(4,179)
Share of other comprehensive income of associates	15,299	25,964
Adjustment for exchange rate fluctuations	(45)	62
Balance at 31 December	**56,648**	(105,864)

Balance at 31 December 2010 includes negative fair value of QAR 7 million (2009: QAR 163 million), including nil (2009: QAR 28 million) being the bank's share of negative fair value of its associate.

18. EQUITY (continued)

Risk reserve

This represents a general reserve as per the regulation of Qatar Central Bank to cover a minimum 2% of the loan portfolio excluding specific provision, interest in suspense, deferred profits of Islamic branch, lending to Ministry of Finance of the State of Qatar, guaranteed by Ministry of Finance and lending against cash collaterals. This amount is not available for distribution without the prior approval of Qatar Central Bank.

Other reserves

This represents Group's share of profit from investment in associates net of cash dividend received. The movement in other reserves during the year is as follows:

Figures in thousand Qatar Riyals

	2010	2009
Balance at 1 January	416,565	325,933
Less : Dividend received from associates transferred to retained earnings	(102,032)	(62,307)
Add : Share of result of associates for the year	155,173	152,939
Balance at 31 December	**469,706**	416,565

Proposed dividend

The Board of Directors has proposed a cash dividend of 70% (or QAR 7.0 per share) for the year 2010 (2009: QAR 6.0 per share). This is subject to approval at the Annual General Assembly.

Qatar Holding LLC waived its dividend entitlement of QAR 62 million for 2009 and this is reflected in the current year's retained earnings in the Statement of Changes in Equity.

19. CONTRIBUTION TO SOCIAL AND SPORTS ACTIVITIES SUPPORT FUND (DAAM)

Pursuant to Law No. 13 of 2008 and further clarification of the law issued in 2010, the Bank made appropriation of QAR 70.9 million from retained earnings for its contribution to the social and Sports Activities Support Fund (Daam) of Qatar. This amount represents 2.5% of the net profit earned from Bank's Qatar Operations during the years ended 31 December 2010 and 31 December 2009.

20. INTEREST INCOME

Figures in thousand Qatar Riyals

	2010	2009
Banks and financial institutions	111,436	118,131
Financial investments	398,788	297,173
Loans and advances to customers	2,317,845	2,492,727
Total	**2,828,069**	2,908,031

21. INTEREST EXPENSE

Figures in thousand Qatar Riyals

	2010	2009
Due to banks and financial institutions	31,671	124,674
Customer deposits	706,462	1,057,276
Debt issued and other borrowed funds	394,780	141,945
Total	**1,132,913**	1,323,895

22. INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES

Figures in thousand Qatar Riyals

	2010	2009
Financing to customers	153,858	184,923
Banks and financial institutions	6,034	17,655
Financial investments	766	6,383
Total	**160,658**	208,961

23. FEE AND COMMISSION INCOME

Figures in thousand Qatar Riyals

	2010	2009
Loans and financing advisory service	268,496	374,677
Indirect credit facilities	134,985	180,214
Credit card	185,417	139,297
Banking and other operations	39,268	65,171
Investment activities for customers	15,002	18,655
Total	**643,168**	778,014

24. NET GAINS FROM DEALING IN FOREIGN CURRENCIES

Figures in thousand Qatar Riyals

	2010	2009
Profits from foreign currency transactions	124,244	122,310
Losses from revaluation of assets and liabilities	(1,547)	(2,690)
Total	**122,697**	119,620

25. PROFIT FROM SALE OF FINANCIAL INVESTMENTS

Figures in thousand Qatar Riyals

	2010	2009
Available-for-sale	63,051	36,669
Held to maturity	455	-
Held for trading	-	(25)
Total	**63,506**	36,644

26. OTHER OPERATING INCOME

Figures in thousand Qatar Riyals

	2010	2009
Management fees from associates	2,095	3,956
Rental income	36,720	34,559
Gain on sale of property and equipment and other income	20,983	180,540
Total	**59,798**	219,055

27. GENERAL AND ADMINISTRATIVE EXPENSES

Figures in thousand Qatar Riyals

	2010	2009
Salaries and other benefits	409,051	412,697
Bank's contribution to provident fund and Qatari pension fund (note 16(i))	11,956	23,162
Training programmes costs	2,324	5,422
Marketing and promotional expenses	43,533	43,215
Legal and professional charges	44,286	31,322
Communication, utilities and insurance	31,718	21,206
Occupancy, IT Consumables and maintenance	70,336	65,625
Travel and entertainment expenses	2,542	2,129
Supplies	6,557	8,978
Directors' remuneration and meeting attendance fees	37,830	24,605
Others operating expenses	23,281	28,350
Total	**683,414**	666,711

28. EARNINGS PER SHARE

	2010	2009
Basic and diluted		
Net profit for the period in thousand QAR	1,635,281	1,523,594
Weighted average number of shares in thousands	225,723	215,187

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

	2010	2009
Qualifying shares at the beginning of the year	216,515	206,205
Effect of share issued to Qatar Holding (QH)	9,208	8,982
Total	**225,723**	215,187
Basic and diluted earnings per share (QAR)	**7.24**	7.08

29. OFF-BALANCE SHEET ITEMS

Figures in thousand Qatar Riyals

	2010	2009
a) Contingent liabilities		
Acceptances	91,583	135,619
Guarantees	8,532,654	11,220,436
Letter of credit	3,950,492	4,964,947
Un-utilized credit facilities granted to customers	6,376,592	4,717,558
	18,951,321	21,038,560
b) Other undertakings and commitments		
Foreign exchange contracts and derivatives at notional value	6,051,807	7,105,215
Guaranteed investment funds	-	1,165
Capital commitments	470,000	36,100

30. DERIVATIVE INSTRUMENTS

The table below shows the positive and negative fair values of derivative financial instruments together with the notional amounts analysed by the term to 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 and the credit and market risk, which can be identified from the derivatives fair value.

Figures in thousand Qatar Riyals

	Positive fair value	Negative fair value	Notional Amount	Within three months	3 - 12 months	1 – 5 years	More than 5 years
As at 31 December 2010							
Derivatives – Held for Trading							
Interest rate swaps and forward foreign exchange contracts	214,973	212,373	5,022,501	1,783,144	86,554	2,059,228	1,093,575
Derivatives – Held for Fair Value Hedges							
Cross currency interest rate swaps	27,418	-	1,029,306	-	-	1,029,306	-
As at 31 December 2009							
Derivatives for customers							
Interest rate swaps and forward foreign exchange contracts	271,764	265,754	7,105,215	1,363,280	2,451,158	319,347	2,971,430

The bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the bank (i.e. assets) which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counter-parties.

31. INVESTMENT CUSTODIAN

On the balance sheet date the Group holds QAR 156 million (2009: QAR 158 million) worth of international investment securities on behalf of its customers'. Out of this amount, investment securities with a value of QAR 113 million equivalent to USD 31 million (2009: QAR 105 million equivalent to USD 29 million) are held with an international custody and settlement house. The remaining investment securities are held with the financial institutions through whom the securities were purchased. These financial institutions are industry leaders in their respective fields. The Group has established maximum limits for such holding with each financial institution according to its risk management policy.

32. TRANSACTIONS WITH RELATED PARTIES

The Group carries out various transactions with subsidiaries and associate companies and with members of the Board of Directors, the executive management or companies in which they have significant interest or any other parties of important influence in the Group's financial or operations decisions. The balances at the year-end with these accounts were as follows:-

Figures in thousand Qatar Riyals

	2010	2009
Board members		
- Loans, advances and financing activities (a)	1,823,191	1,633,654
- Deposits	259,602	281,523
- Contingent liabilities, guarantees and other commitments	21,529	22,462
- Interest income earned from facilities granted to board members	44,929	77,165
- Other fee income earned from transactions with board members	782	2,126
- Interest paid on deposits accounts of board members	20,424	75,507
- Fixed remuneration and meeting attendance fees paid to board members	39,558	26,333

32. TRANSACTIONS WITH RELATED PARTIES (continued)

	Figures in thousand Qatar Riyals 2010	2009
Associated companies		
- NBO's deposit with the Group	109,957	255,184
- Bank's deposit with NBO	663	672
- NBO's contingent liabilities to the Group:		
• Letter of Guarantee	58,846	8,143
• Un-utilized credit facilities	254,800	254,800
• Interest rate swap (notional amount)	28,364	42,545
• Interest rate swap (fair value)	1,516	2,769
- UAB's deposit with the Group	309,796	249,149
- Bank's deposit with UAB	146,001	182,000
- UAB's contingent liabilities to the Group:		
• Letter of Guarantee	29,536	16,724
- Letter of Credit	339	-
- Asteco's deposit with the Group	7,311	6,698
- GEKKO's deposit with the Group	335	2,202
- Massoun's deposit with the Group	19,089	-
- Interest income earned from Associates	23	237
- Interest income incurred to Associates	3,633	2,752
Senior management compensation		
- Fixed remuneration	31,280	34,593
- Discretionary remuneration	14,604	17,624
- Fringe benefits	6,648	9,322

Additional Information

a) A significant portion of the loans, advances and financing activities' balance at 31 December with the members of the Board and the companies in which they have significant influence are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities' are performing satisfactorily with all obligations honored as arranged. The pricing of any such transactions are primarily based on the banker customer relationship at the prevailing market rates.

33. CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

	Figures in thousand Qatar Riyals 2010	2009
Cash and balances with Central Bank *	7,149,034	3,117,094
Due from banks and financial institutions up to 90 days	3,774,703	5,380,481
Due to banks and financial institutions up to 90 days	(3,553,398)	(7,391,335)
Balance at end of the year	**7,370,339**	1,106,240

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

34. EVENTS AFTER THE REPORTING PERIOD

On 17 January 2011, the Bank received funds from Qatar Holding LLC which are to be used to subscribe for a further issue of shares in the capital of the Bank. The proposed issue would involve a placement of 20,620,530 additional ordinary shares at a price of QAR 78.30 per share, being the price at which previous placements to the Qatar Holding LLC have been made, and would increase the Qatar Holding's shareholding in the Bank to 16.7%. The placement is subject to ratification of the General Assembly of the Shareholders. The proposed new shares would not have any entitlement to dividend or other profit distribution in respect of the 2010 financial year.

Supplementary Information at 31 December 2010

(A) FINANCIAL STATEMENTS FOR THE PARENT BANK

Figures in thousand Qatar Riyals

Parent Bank Balance Sheet

As at 31 December 2010	2010	2009
ASSETS		
Cash and balances with Central Bank	8,702,819	4,374,418
Due from banks and financial institutions	4,237,457	5,643,042
Loans, advances and financing activities for customers	33,564,739	31,927,596
Financial investments	10,096,454	9,820,172
Investments in associate	3,402,532	3,391,015
Property and equipment	1,069,016	1,029,555
Other assets	1,080,221	825,962
Total assets	**62,153,238**	57,011,760
LIABILITIES		
Due to banks and financial institutions	3,553,398	7,391,159
Customers' deposits	29,995,985	24,089,263
Borrowing under repurchase agreement	907,285	367,936
Debt issued and other borrowed funds	10,993,562	9,924,358
Other liabilities	1,282,475	1,349,556
Total liabilities excluding unrestricted investment accounts	**46,732,705**	43,122,272
Unrestricted investment accounts	3,369,358	2,250,173
Total liabilities including unrestricted investment accounts	**50,102,063**	45,372,445
EQUITY		
Share capital	2,268,258	2,165,156
Legal reserve	7,331,982	6,627,791
Shareholder's advance	-	807,294
General reserve	26,500	26,500
Cumulative changes in fair value	59,621	(87,639)
Risk reserves	648,000	638,300
Proposed dividend	1,587,781	1,299,093
Retained earnings	129,033	162,820
Total equity	**12,051,175**	11,639,315
Total liabilities and equity	**62,153,238**	57,011,760

Supplementary Information (continued)

At 31 December 2010

(A) FINANCIAL STATEMENTS FOR THE PARENT BANK (continued)

Figures in thousand Qatar Riyals

Parent Bank Statement of Income

For the year ended 31 December 2010	2010	2009
Interest income	2,827,593	2,907,634
Interest expense	(1,135,367)	(1,327,017)
Net interest income	**1,692,226**	1,580,617
Income from Islamic financing and investment activities	160,658	208,961
Less unrestricted investment account holders' share of profit	(78,166)	(132,306)
Net income from Islamic financing and investment activities	**82,492**	76,655
Fees and commission income	642,775	775,196
Fees and commission expense	(116,696)	(98,077)
Net fees and commissions income	**526,079**	677,119
Dividend income	11,883	62,710
Net gains from dealing in foreign currencies	122,655	119,311
Profit from financial investments	63,506	36,644
Other operating income	52,731	214,263
	250,775	432,928
Net operating income	**2,551,572**	2,767,319
General and administrative expenses	(682,331)	(662,412)
Depreciation	(103,844)	(92,623)
Impairment losses on loans and advances to customers, net	(166,953)	(461,118)
Impairment losses on financial investments	(127,995)	(181,943)
Impairment losses on other assets	-	(99)
Total operating expenses and impairment losses	**(1,081,123)**	(1,398,195)
Net profit for the year	**1,470,449**	1,369,124

Supplementary Information (continued)

At 31 December 2010

(B) FINANCIAL STATEMENTS FOR THE COMMERCIAL BANK ISLAMIC

Figures in thousand Qatar Riyals

Commercial Bank Islamic - Balance Sheet

As at 31 December 2010	2010	2009
ASSETS		
Cash and balances with Central Bank	174,465	137,860
Due from banks and financial institutions	753,640	853,840
Due from customers for financing activities	2,636,574	2,299,214
Financial investments	86,284	117,974
Due from parent bank	684,752	85,866
Property and equipment	24,707	30,572
Other assets	3,325	7,088
Total assets	**4,363,747**	3,532,414
LIABILITIES		
Due to banks and financial institutions	191,300	500,000
Customers' current accounts	413,193	405,381
Other liabilities	65,300	44,113
Total liabilities excluding unrestricted investment accounts	**669,793**	949,494
Unrestricted investment accounts	3,369,358	2,250,173
Total liabilities including unrestricted investment accounts	**4,039,151**	3,199,667
CAPITAL FUNDING		
Capital funding from parent	250,000	250,000
Risk reserve	48,000	48,000
Current year's profit	26,596	34,747
Total capital funding	**324,596**	332,747
Total liabilities and capital funding	**4,363,747**	3,532,414

(B) FINANCIAL STATEMENTS FOR THE COMMERCIAL BANK ISLAMIC

Figures in thousand Qatar Riyals

Commercial Bank Islamic - Statement of Income

For the year ended 31 December 2010	2010	2009
Income from financing activities	153,859	184,922
Income from investment activities	6,799	24,039
Total income from financing and investment activities	**160,658**	208,961
Fee and commission income	15,595	29,996
Fee and commission expense	(185)	(165)
Net fee and commission income	**15,410**	29,831
Dividend income	-	-
Net gains from dealing foreign currencies	349	2,316
Net gains from financial investment	-	20
	349	2,336
Operating income	**176,417**	241,128
General and administrative expenses	(24,282)	(29,033)
Depreciation	(7,205)	(4,540)
Impairment losses on loans and advances to Customers (net)	(30,827)	(13,057)
Impairment losses on financial investments	(9,341)	(27,445)
Net profit	**104,762**	167,053
Less unrestricted investment account holder's share of profit	(78,166)	(132,306)
Net profit for the year attributable to owners	**26,596**	34,747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