DOHA BANK (Q.S.C.)
DOHA - QATAR

CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2007
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

DOHA BANK (Q.S.C.)
DOHA – QATAR

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders
Doha Bank Q.S.C
Doha – Qatar.

We have audited the accompanying consolidated financial statements of Doha Bank Q.S.C. (the "Bank"), which comprise of the consolidated balance sheet as at December 31, 2007 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements of the Bank for the year ended December 31, 2006 were audited by other auditors whose report dated February 11, 2007 expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and Qatar Central Bank Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the consolidated 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 auditor considers 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 give a true and fair view of the financial position of the Bank as of December 31, 2007 and of its financial performance and its cash flows for the year then ended in accordance with **International Financial Reporting Standards** and **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 Bank and that we are not aware of any contravention by the Bank of its Articles of Association, the Qatar Commercial Companies Law No. 5 of 2002 and Decree Law No. 33 of 2006 and Qatar Central Bank regulations during the financial year that would materially affect its activities or its financial position.

For **Deloitte & Touche**

Doho – Qatar
February 6, 2008

Muhammad Bahemia
License No. 103

DOHA BANK (Q.S.C.)
DOHA – QATAR

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2007

	Notes	2007	2006
		QR'000	QR'000
ASSETS			
Cash and balances with Central Banks	**4**	1,883,708	647,621
Due from banks and other financial institutions	**5**	5,228,040	4,466,222
Loans and advances and financing activities to customers	**6**	19,169,914	13,630,059
Financial investments	**7**	3,103,874	2,597,620
Investment in associate company	**7**	10,256	--
Property and equipment	**8**	298,784	181,224
Other assets	**9**	393,536	173,514
Total Assets		**30,088,112**	**21,696,260**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	**10**	4,370,915	1,950,984
Customer deposits	**11**	19,676,657	14,602,291
Subordinated debt	**12**	1,231,317	1,231,910
Other liabilities	**13**	823,546	555,327
		26,102,435	**18,340,512**
Absolute investment depositors' accounts	**15**	366,705	587,754
Shareholders' Equity			
Share capital	**16 a**	1,248,175	1,248,175
Statutory reserve	**16 b**	1,248,175	1,244,967
Risk reserve	**16 c**	280,431	146,532
Fair value reserve	**16 d**	52,834	65,912
Proposed dividends	**16 e**	499,270	62,408
Proposed Bonus Shares	**16 e**	249,635	--
Retained earnings		40,452	--
Total Shareholders' Equity		**3,618,972**	**2,767,994**
Total Liabilities and Shareholders' Equity		**30,088,112**	**21,696,260**

Fahad Bin Mohammad Bin Jabor Al Thani
Chairman

Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director

Raghavan Seetharaman
Chief Executive Officer

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

DOHA BANK (Q.S.C.)
DOHA – QATAR

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007

	Notes	2007 QR'000	2006 QR'000
Interest income	**17**	1,676,990	1,063,259
Interest expense	**18**	(993,163)	(539,803)
Net Interest Income		**683,827**	**523,456**
Income from Islamic financing and investment activities		**178,116**	**34,572**
Fees and commission income	**19**	301,574	239,385
Fees and commission expense		(4,120)	(3,489)
Net Fees and Commission Income		**297,454**	**235,896**
Gross written premium		408	--
Premium ceded		(329)	--
Net Premium		**79**	--
Dividend income	**20**	22,353	9,349
Net gain on foreign exchange activities	**21**	74,999	35,100
Net gain on sale of financial investments		210,756	217,535
Income from associate company	**22**	444	--
Net gain on derivatives	**23**	676	3,324
Other operating income	**24**	25,562	13,864
Total Operating Income		**1,494,266**	**1,073,096**
General and administration expenses	**25**	(453,653)	(273,447)
Depreciation of property and equipment	**8**	(33,712)	(24,890)
Impairment losses on financial investments		(37,236)	(43,375)
(Provision) recovery for impairment of loans and advances	**6**	(20,885)	34,540
Proceeds received from BCCI	**26**	7,098	--
Absolute investment depositors' share of profit and risk reserve		(29,083)	(21,434)
Net Profit Before Taxes		**926,795**	**744,490**
Income Tax expense		(331)	(521)
Net Profit for the Year		**926,464**	**743,969**
BASIC AND DILUTED EARNINGS PER SHARE (QR)	**27**	**7.42**	**5.96**

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

DOHA BANK (Q.S.C.)
DOHA – QATAR

CONSOLIDATED STATEMENT OF CHAGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	Share capital	Statutory reserve	Risk reserve	Fair value reserve	Proposed dividends	Proposed bonus shares	Retained earnings	Total
		QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2007		**1,248,175**	**1,244,967**	**146,532**	**65,912**	**62,408**	**--**	**--**	**2,767,994**
Proposed dividends paid 2006	**16 e**	--	--	--	--	(62,408)	--	--	(62,408)
Net movement in risk reserve		--	--	133,899	--	--	--	(133,899)	--
Net movement in fair value reserve		--	--	--	(13,078)	--	--	--	(13,078)
Total changes in reserves recognised directly in equity		--	--	133,899	(13,078)	--	--	(133,899)	(13,078)
Net profit transferred for the year		--	--	--	--	--	--	926,464	926,464
Total recognised income and expense for the year		--	--	133,899	(13,078)	--	--	792,565	913,386
Transfer to statutory reserve	**16 c**	--	3,208	--	--	--	--	(3,208)	--
Proposed dividend for 2007		--	--	--	--	499,270	--	(499,270)	--
Bonus shares proposed for 2007	**16 e**	--	--	--	--	--	249,635	(249,635)	--
Balance at December 31, 2007		**1,248,175**	**1,248,175**	**280,431**	**52,834**	**499,270**	**249,635**	**40,452**	**3,618,972**

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

DOHA BANK (Q.S.C.)
DOHA – QATAR

STATEMENT OF CHAGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	Share capital	Statutory reserve	Other reserves	Risk reserve	Fair value reserve	Proposed dividends	Proposed bonus shares	Retained earnings	Total
		QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2006		693,430	439,466	159,652	80,614	425,723	--	554,745	33,206	2,386,836
Bonus shares issued for 2005		554,745	--	--	--	--	--	(554,745)	--	--
Social contributions paid for 2005		--	--	--	--	--	--	--	(3,000)	(3,000)
Net movement in risk reserve		--	--	--	65,918	--	--	--	(65,918)	--
Net movement in fair value reserve		--	--	--	--	(359,811)	--	--	--	(359,811)
Total changes in reserves recognised directly in equity		--	--	--	65,918	(359,811)	--	--	(65,918)	(359,811)
Net profit transferred for the year		--	--	--	--	--	--	--	743,969	743,969
Total recognised income and expense		--	--	--	65,918	(359,811)	--	--	678,051	384,158
Transfer to statutory reserve	**16 c**	--	805,501	(159,652)	--	--	--	--	(645,849)	--
Proposed dividends	**16 e**	--	--	--	--	--	62,408	--	(62,408)	--
Balance at December 31, 2006		**1,248,175**	**1,244,967**	--	**146,532**	**65,912**	**62,408**	--	--	**2,767,994**

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

DOHA BANK (Q.S.C.)
DOHA – QATAR

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007	2006
		QR'000	QR'000
Cash Flow From Operating Activities:			
Net profit before taxes		926,795	744,490
Adjustments for:			
Depreciation of property and equipment		33,712	24,890
Amortisation of financing costs		766	52
Provision for impairment of loans and advances		20,885	(34,540)
Profit on sale of furniture and equipment		(12,216)	(98)
Profit on sale of financial investments		(209,611)	(217,535)
Provision for impairment of investments		37,236	43,375
Net gain on derivatives		(1,589)	(3,312)
Profits before changes in operating assets and liabilities		795,978	557,322
Net increase in assets			
Due from banks and other financial institutions		(1,464,718)	(103,440)
Loans and advances and financing activities to customers		(5,560,740)	(5,300,801)
Other assets		(220,022)	(58,506)
Net increase in liabilities			
Due to banks and other financial institutions		2,419,931	566,988
Customer deposits		4,862,163	4,141,200
Other liabilities		259,373	159,151
Cash Generated by (Used in) Operating Activities		**1,091,965**	**(38,086)**
Tax paid		(331)	(521)
Directors' remuneration paid		--	(14,000)
Social contributions paid		--	(3,000)
Net Cash Generated by (Used in) Operating Activities		**1,091,634**	**(55,607)**
Cash Flow From Investing Activities:			
Purchase of financial investments		(4,845,011)	(1,781,203)
Proceeds from sale of financial investments		4,425,620	1,527,065
Purchase of property and equipment		(153,570)	(89,452)
Proceeds from sale of property and equipment		14,514	98
Proceeds from disposal of derivatives		--	5,477
Net Cash Used in Investing Activities		**(558,447)**	**(338,015)**
Cash Flow From Financing Activities:			
Net proceeds from subordinated debt issued		--	1,231,858
Net Cash From Financing Activities		**--**	**1,231,858**
Net increase in cash and cash equivalents during the year		533,187	838,236
Cash and cash equivalents – Beginning of the year		4,120,861	3,282,625
Cash and Cash Equivalents – End of the Year	**32**	**4,654,048**	**4,120,861**
Operational cash flows from interest and dividend			
Interest paid		984,628	504,974
Interest received		1,607,948	1,021,608
Dividend received		22,353	9,349

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

1. Corporate Information:

Doha Bank (Q.S.C.) ("the Bank") was incorporated on March 15, 1979, in the State of Qatar, as a Joint Stock Company under Emiri Decree No. 51 of 1978, with its registered office at Doha.

The Bank is engaged in commercial and Islamic banking activities and operates through its head office in Doha and 32 local branches including four Islamic branches, two overseas branches in the United States of America and United Arab Emirates and representative offices in: Singapore, Turkey, China and Japan. In addition, the Bank owns 100% of the issued share capital of Doha Bank Assurance Company W.L.L, an insurance company registered under the Qatar Financial Centre and Dbank Tech L.L.C, an information technology company with operations in United Arab Emirates.

The Bank is listed on Doha Securities Market.

The consolidated financial statements for the year ended December 31, 2007 were authorised for issue in accordance with a resolution of the Board of Directors on February 6, 2008.

2. Significant Accounting Policies:

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

2.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost basis, except for available-for-sale investments and derivative financial instruments which are measured at fair value. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations and Qatar Central Bank regulations.

The consolidated financial statements have been presented in Qatari Riyals (QR) the functional currency and all values are rounded to the nearest QR thousand except when otherwise indicated.

2.2 Adoption of new and revised Standards

In the current year, the Bank has adopted IFRS 7 – Financial Instruments: "Disclosures" which is effective for annual reporting periods beginning on or after January 1, 2007 and the consequential amendments to IAS 1 – Presentation of Financial Statements. The impact of adoption of the above standards has been to expand the disclosures provided in the financial statements.

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment*. The adoption of these Interpretations has not led to changes in the Bank's accounting policies.

2.3 New standards and interpretations issued but not yet effective

At the time of authorisation of these consolidated financial statements, the following accounting standards and interpretations were in issue but not yet effective.

- IAS 23 Borrowing Costs - Revised
- IFRS 8 Operating Segments
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19–The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Bank.

2.4 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Bank in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the asset transferred. The accounting polices of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

The consolidated financial statements of the Bank include the financial statements of Doha Bank and its controlled subsidiaries listed below.

Company Name	Country of Incorporation	Capital QR'000	Share %	Principal Activity
Doha Bank Assurance Company W.L.L	Qatar	100,000	100%	General Insurance
Dbank Tech L.L.C	UAE	400	100%	Information Technology

(b) Associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not control or have joint control over those policies.

The Bank's share of its associate's post-acquisition profit or loss is recognised in the statement of income; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Bank and its associate are eliminated to the extent of the Bank's interest in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Bank.

The consolidated financial statements of the Bank include the associate stated below.

Name of associate	Principal activity	Place of incorporation and operation	Ownership interest 2007 %	Ownership interest 2006 %
Doha Brokerage and Financial Services Limited	Brokerage and assets management	India	49%	--

2.5 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Islamic banking

The Bank opened its first Islamic branch on 15 June 2005. Islamic branches carry out Islamic banking services through various Islamic modes of financing. The activities of the Islamic Branches are conducted in accordance with Islamic Shari'a, as determined by the Shari'a Control Board. Islamic branches' accounts are prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and as per the Qatar Central Bank regulations

(b) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into Qatari Riyals at the rates of exchange ruling at the balance sheet date. Any resultant exchange gains or losses are taken to the statement of income under 'Net gain on foreign exchange activities'.

2.5 Summary of significant accounting policies (continued)

(b) Foreign currency transactions (continued)

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

(c) Financial instruments

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the settlement date. Deposits, amounts due to banks and customers and loans are recognised when the cash is received by the Bank or advanced to the customers.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Derivatives

Derivatives include interest rate swaps and forward foreign exchange contracts. Derivatives are remeasured at fair value at each reporting date and included in other assets when the fair value is positive and in other liabilities when their fair value is negative. The resultant gains or losses arising from the changes in fair value of derivatives held for trading purposes are included in the statement of income.

For the purpose of hedge accounting, hedges are classified as either fair value or cash flow hedges. Fair value hedges hedge the exposure to changes in the fair value of a recognised asset or liability. Cash flow hedges will hedge exposure to the variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction.

In relation to cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in shareholders' equity. The gains or losses on cash flow hedges initially recognised in shareholders' equity are transferred to the statement of income in the period in which the hedged transaction impacts the statement of income. Where the hedged transaction results in the recognition of an asset or a liability, the associated gains or losses that had initially been recognised in shareholders' equity are included in the initial measurement of the cost of the related asset or liability. In relation to fair value hedges, any gains or losses arising from changes in the fair value of the hedging instrument is taken directly to the statement of income for the period together with any changes in the fair value of the hedged item attributable to the hedged risk.

2.5 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derivatives

Hedge accounting is discontinued when the hedging instrument expires, is terminated or exercised, or no longer qualifies for hedge accounting. For effective fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in shareholders' equity is held therein until the forecasted transaction occurs. When the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' equity is transferred to the statement of income.

(iv) Loans and advances and financing activities to customers

Loans and advances and financing activities to customers are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. This accounting policy relates to the balance sheet captions 'Due from Banks and financial institutions' and 'Loans and advances and financing activities to customers.' After initial measurement, the loans and advances and financing activities are subsequently measured at amortised cost less any provision for the impairment and interest in suspense.

(v) Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. They may be sold in response to liquidity needs or changes in market conditions. They include equity instruments and other debt instruments.

After initial measurement, available-for sale financial investments are subsequently measured at fair value on an individual basis. Unrealised gains and losses are recognised directly in equity under the 'Fair value reserve'. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of income in 'Net gain on sale of financial investments'. Interest earned whilst holding available-for-sale financial investments are reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the statement of income as 'Dividend income' when the right to receive dividend has been established.

(vi) Held to Maturity Financial Investments

Held to maturity investments are measured at amortized cost, less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on the issue and any other related costs. In cases where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognized in the statement of income as a provision for impairment of investments.

(vii) Subordinated debt

After initial measurement, subordinated debt issued is subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

2.5 Summary of significant accounting policies (continued)

(d) Derecognising of financial assets and financial liabilities

(i) Financial assets

A financial asset is derecognised where:

- the right to receive cash flows from the asset have expired or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and
- either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of income.

(e) Determination of fair value

The fair value for financial instruments traded in organised financial markets is determined by reference to quoted market prices (bid price for long positions and ask price for short positions) on a regulated exchange at the close of business on the balance sheet date.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist or internal pricing and valuation models.

(f) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5 Summary of significant accounting policies (continued)

(f) Impairment of financial assets (continued)

(i) Loans and advances and financing activities to customers

Specific provisions for the impairment of loans and advances are calculated based on the difference between the book value of the loans and advances and their recoverable amount, being the net present value of the expected future cash flows, discounted at the original interest rates. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. 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 the costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Islamic financing activities such as Murabaha which is a sale of goods with an agreed upon profit mark up and Ijara which is the transfer of ownership of a service or leased assets for an agreed upon consideration, are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and unearned profit.

The loss arising from impairment of loans and advances and financing activities to customers are recognised in the statement of income in 'Provision for impairment of loans and advances'. Loans and advances due from financing activities to customers are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted. Recoveries from previously written off loans and advances and financing activities are written back to the income.

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In case of equity investments classified as available-for-sale, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the statement of income is removed from equity and recognised in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income.

2.5 Summary of significant accounting policies (continued)

(g) Revenue recognition

Revenues are recognised on an accrual basis. Interest income and expense are recognised using the effective yield method. Interest on non-performing loans is suspended when realisation of such interest or the principal amount becomes doubtful.

Revenues on Islamic financing transactions are recognised under the accrual basis using the reducing installment method. Income on non-performing financing accounts is suspended when it is not certain that the Bank will receive it.

Management fees and commission income on syndicated loans are amortised over the period of the transaction using the effective yield method, if applicable. Fees and commission income on other services are accounted on the date of the transaction giving rise to that income. Income from dividends and investment funds are recognised when the right to receive the amounts have been established.

(h) Property acquired against settlement of customer debts

Property acquired by the Bank against settlement of debts is stated in the balance sheet under "other assets" at their net acquired values. Unrealised losses due to the diminution in the fair value of these assets appear in the statement of income. Future unrealised gains on such property is taken to the statement of income to the extent of unrealised losses previously recognised.

In accordance with the Qatar Central Bank instructions, all the properties acquired against settlement of debts must be sold within three years. Any extension or transfer to fixed assets must be with Qatar Central Bank approval.

(i) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated. The cost of property and equipment is depreciated using the straight-line method over the following estimated useful lives of the assets:

Buildings	20 years
Leasehold improvements, furniture and equipment	3-7 years
Vehicles	5 years

An item of property and equipment is derecognised upon disposal and when no future economic benefits are expected from its use or disposal. Any gain or loss resulting on derecognition of the asset is recognised in other operating income in the statement of income in the year that asset is derecognised.

(j) Employees' end of service benefits and pension fund

The Bank provides for end of service benefits in accordance with the employment policies of the Bank. The provision is calculated on the basis of individual's final salary and the period of service at the balance sheet date. This provision is included in other provisions within other liabilities.

With respect to Qatari employees, the Bank makes contribution to the Qatari Pension Fund calculated on a percentage of the employees' salaries, in accordance with the Retirement and Pension Law No. 24 of 2002. The Bank's obligations are limited to these contributions.

2.5 Summary of significant accounting policies (continued)

(k) Other provisions

The Bank recognises provisions in the statement of income for any expected financial liability where the Bank has an obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

(l) Contingent liabilities and other commitments

At the balance sheet date, contingent liabilities and other commitments do not represent actual assets and liabilities.

(m) Absolute investment depositors' share of profit

Islamic branches profit for the year is distributed among absolute investment depositors and shareholders in accordance with Qatar Central Bank's instructions, which are summarised as follows:

The profit arrived at after taking into account all income and expenses at the end of the financial year is distributed between absolute investment depositors and shareholders. The share of profit of the absolute investment depositors is calculated on the basis of their daily deposit balances over the year, after reducing the agreed and declared Mudaraba fee.

In case of any expense or loss, which arise out of misconduct on the part of the Bank due to non-compliance with Qatar Central Bank's regulations and instructions, then such expenses or loss shall not be borne by the absolute investment depositors. Such matter is subject to Qatar Central Bank's decision.

Where the Islamic banking operational results at the end of a financial year is a net loss, it would be Qatar Central Bank evaluate the Bank's management responsibility for the loss according to the rules of Islamic Sharia'.

The absolute investment depositors' accounts carry preferential rights over others in respect of utilization of funds towards financing and investment activities.

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash and balances with Central Banks other than mandatory cash reserve and balances with banks and other financial institutions with an original maturity of three months or less as disclosed in Note 32.

(o) Taxes

Taxes are calculated based on applicable tax laws or regulations or in the other countries in which the Bank operates. The provision for taxation is made based on the evaluation of the expected tax liability. Currently there is no corporate tax applicable for the bank in the State of Qatar.

(p) Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the Balance Sheet.

3. Risk Management of Financial Instruments:

(a) Definition and classification

Financial instruments represent all the financial assets and liabilities of the Bank. Financial assets include cash balances, on demand balances and placements with banks and other financial institutions, investments and loans and advances to customers and banks. Financial liabilities include customer deposits and due to banks. Financial instruments also include contingent liabilities and commitments included in off-balance sheet items.

The significant accounting policies adopted by the Bank in respect of recognition and measurement of the key financial instruments and their related income and expenses are disclosed in Note 2 “Accounting policies”.

(b) Fair value of financial instruments

Floating rate financial instruments
For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months), or repriced frequently the carrying amounts approximate their fair value.

Fixed rate financial instruments
For financial assets and liabilities with fixed rate of interest / profit carried at amortised cost (mainly Islamic Banking products), the fair value is estimated by comparing market rates when they were first recognised with current market rates offered for similar financial instruments.

According to management, the fair value of these assets and liabilities are not materially different from their carrying amount.

(c) Risk Management Framework

Risk is inherent in the Bank’s activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Bank is exposed to credit risk, liquidity risk, operating risk and market risk, which include trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank’s strategic planning process.

Risk management structure
The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies such as the internal audit committee, the credit committee, assets and liabilities committee responsible for managing and monitoring those risks.

Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

As part of its overall risk management, the Bank also uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of authority within the Bank.

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation in full. The Bank manages its credit risk exposure through diversification of its investments, money markets and lending activities to avoid undue concentration of risks with individuals or groups or customers in specific locations or businesses. It also obtains security where appropriate.

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

Note 6 to the consolidated financial statements disclose the distribution of the loans and advances and financing activities by economic sectors. Note 30 to the consolidated financial statements discloses the geographical distribution of the Bank's assets and liabilities.

Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	2007 QR'000	2006 QR'000
ASSETS:		
Cash and balances with Central Banks (excluding cash on hand)	1,474,835	397,435
Due from banks and other financial institutions	5,228,040	4,466,222
Loans and advances and financing activities to customers	19,169,914	13,630,059
Investments	3,114,130	2,597,620
Other assets	393,536	173,514
	29,380,455	**21,264,850**
Contingent liabilities	11,892,501	8,517,426
Total credit exposure	**41,272,956**	**29,782,276**

The fair values of derivatives shown on the balance sheet included in other assets represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in fair values.

The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. The bank also follows the guidelines issued by Qatar Central Bank with regard to the granting of loans which limits exposure to counterparties.

3. Risk Management of Financial Instruments (continued):

(e) Interest rate risk

The Bank's interest sensitivity position of assets, liabilities and off balance sheet items as at December 31, 2007 and 2006 based on the earlier of contract re-pricing or maturity is as follows:

December 31, 2007	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non interest sensitive	Total	Effective interest rate
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	
Cash and balances with Central Banks	--	--	--	--	1,883,708	1,883,708	--
Due from banks and other financial institutions	3,760,895	491,692	975,453	--	--	5,228,040	5.3%
Loans and advances and financing activities to customers	4,694,045	2,834,702	9,352,592	--	2,288,575	19,169,914	8.5%
Financial Investments	110,833	286,414	1,673,300	--	1,043,583	3,114,130	5.7%
Property and equipment	--	--	--	--	298,784	298,784	--
Other assets	--	--	--	--	393,536	393,536	--
Total Assets	**8,565,773**	**3,612,808**	**12,001,345**	**--**	**5,908,186**	**30,088,112**	
Due to banks and other financial institutions	4,366,818	4,097	--	--	--	4,370,915	4.8%
Customer deposits	14,956,454	1,436,180	282,264	--	3,001,759	19,676,657	4.5%
Subordinated debt	1,231,317	--	--	--	--	1,231,317	6.3%
Other liabilities	--	--	--	--	823,546	823,546	--
Absolute investment depositors' account	--	--	--	--	366,705	366,705	--
Shareholder's equity	--	--	--	--	3,618,972	3,618,972	--
Total Liabilities and Shareholders' Equity	**20,554,589**	**1,440,277**	**282,264**	**--**	**7,810,982**	**30,088,112**	**--**
On Balance sheet gap	(11,988,816)	2,172,531	11,719,081	--	(1,902,796)	--	--
Off Balance sheet gap	(72,830)	(2,039,240)	--	--	--	(2,112,070)	--
Total Interest Rate Sensitivity Gap	**(12,061,646)**	**133,291**	**11,719,081**	**--**	**(1,902,796)**	**(2,112,070)**	**--**
Cumulative Interest Rate Sensitivity Gap	**(12,061,646)**	**(11,928,355)**	**(209,274)**	**(209,274)**	**--**	**--**	**--**

3. Risk Management of Financial Instruments (continued):

(e) Interest rate risk (continued)

December 31, 2006	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non interest sensitive	Total	Effective interest rate
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	
Cash and balances with Central Banks	--	--	--	--	647,621	647,621	--
Due from banks and other financial institutions	3,618,313	847,909	--	--	--	4,466,222	5.0%
Loans and advances and financing activities to customers	3,206,876	2,618,478	2,697,914	3,936,977	1,169,814	13,630,059	8.3%
Financial investments	70,334	204,264	1,012,532	394,502	915,988	2,597,620	5.2%
Property and equipment	--	--	--	--	181,224	181,224	--
Other assets	--	--	--	--	173,514	173,514	--
Total Assets	**6,895,523**	**3,670,651**	**3,710,446**	**4,331,479**	**3,088,161**	**21,696,260**	
Due to banks and other financial institutions	1,367,889	583,095	--	--	--	1,950,984	4.5%
Customer deposits	11,323,982	816,887	219,702	--	2,241,720	14,602,291	4.7%
Subordinated debt	1,231,910	--	--	--	--	1,231,910	6.2%
Other liabilities	--	--	--	--	555,327	555,327	--
Absolute investment depositors' account	--	--	--	--	587,754	587,754	--
Shareholder's equity	--	--	--	--	2,767,994	2,767,994	--
Total Liabilities and Shareholders' Equity	**13,923,781**	**1,399,982**	**219,702**	**--**	**6,152,795**	**21,696,260**	
On Balance sheet gap	(7,028,258)	2,270,669	3,490,744	4,331,479	(3,064,634)	--	
Total Interest Rate Sensitivity Gap	**(7,028,258)**	**2,270,669**	**3,490,744**	**4,331,479**	**(3,064,634)**	**--**	
Cumulative Interest Rate Sensitivity Gap	**(7,028,258)**	**(4,757,589)**	**(1,266,845)**	**3,064,634**	**--**	**--**	

3. Risk Management of Financial Instruments (continued):

(e) Interest rate risk (continued)

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Bank measures and manages interest rate risk by establishing levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods and matching the re-pricing of assets and liabilities through risk management strategies including the use of various off- balance sheet instruments, primarily interest rate swaps.

Assuming that the financing and size of the interest sensitive assets / liability remain the same, the bank will incur a loss of about QR. 1.2 million with the increase of 1 bp in interest rate. In case the interest rate declines by 1 bp the bank will benefit by the same amount.

(f) Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the bank's short, medium and long-term funding and liquidity management requirements. To mitigate this risk, the Bank has diversified funding sources and assets are managed with liquidity in mind in order to maintain a healthy balance of cash, cash equivalents and readily marketable securities.

The table below summarises the maturity profile of the Bank's major assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. The Bank routinely monitors assets and liabilities maturity profiles to ensure adequate liquidity is maintained.

3. Risk Management of Financial Instruments (continued):

(f) Liquidity risk (continued)

	In 1 month	1 to 3 months	3 months to 1 year	1 to 5 Years	Over 5 years	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
As at December 31, 2007						
Cash and balances with Central Banks	808,873	84,280	364,883	--	625,672	1,883,708
Due from banks and other financial institutions	126,520	3,634,375	491,692	975,453	--	5,228,040
Loans and advances and financing activities to customers	4,359,007	334,364	2,834,702	5,686,735	5,955,106	19,169,914
Financial Investments	23,817	--	3,642	2,178,559	908,112	3,114,130
Property and equipment	--	--	--	--	298,784	298,784
Other assets	393,536	--	--	--	--	393,536
Total Assets	**5,711,753**	**4,053,019**	**3,694,919**	**8,840,747**	**7,787,674**	**30,088,112**
Due to banks and other financial institutions	2,979,576	112,717	4,097	1,274,525	--	4,370,915
Customer deposits	14,167,081	3,791,132	1,436,180	282,264	--	19,676,657
Subordinated debt	--	--	--	--	1,231,317	1,231,317
Other liabilities	823,546	--	--	--	--	823,546
Absolute investment depositors' account	337,837	15,876	12,992	--	--	366,705
Shareholders' equity	--	--	--	--	3,618,972	3,618,972
Total Liabilities and Shareholders' Equity	**18,308,040**	**3,919,725**	**1,453,269**	**1,556,789**	**4,850,289**	**30,088,112**
Net Liquidity Gap	(12,596,287)	133,294	2,241,650	7,283,958	2,937,385	--

3. Risk Management of Financial Instruments (continued):

(f) Liquidity risk (continued)

	In 1 month	1 to 3 months	3 months to 1 year	1 to 5 Years	Over 5 years	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
As at December 31, 2006						
Cash and balances with Central Banks	250,373	--	--	--	397,248	647,621
Due from banks and other financial institutions	30,399	3,840,089	595,734	--	--	4,466,222
Loans and advances and financing activities to customers	2,663,338	635,684	2,670,630	3,374,478	4,285,929	13,630,059
Financial investments	832,547	--	--	1,168,660	596,413	2,597,620
Property and equipment	--	--	--	--	181,224	181,224
Other assets	173,514	--	--	--	--	173,514
Total Assets	**3,950,171**	**4,475,773**	**3,266,364**	**4,543,138**	**5,460,814**	**21,696,260**
Due to banks and other financial institutions	1,114,011	253,878	36,870	546,225	--	1,950,984
Customer deposits	10,050,075	3,522,782	809,709	219,725	--	14,602,291
Subordinated debt	--	--	--	--	1,231,910	1,231,910
Other liabilities	370,363	1,860	10,724	30,748	141,632	555,327
Absolute investment depositors' account	129,828	203,451	254,475	--	--	587,754
Shareholders' equity	--	--	--	--	2,767,994	2,767,994
Total Liabilities and Shareholders' Equity	**11,664,277**	**3,981,971**	**1,111,778**	**796,698**	**4,141,536**	**21,696,260**
Net Liquidity Gap	**(7,714,106)**	**493,802**	**2,154,586**	**3,746,440**	**1,319,278**	**--**

3. Risk Management of Financial Instruments (continued):

(g) Currency risk

The Bank is exposed to fluctuations in foreign currency exchange rates. The Board of Directors sets limits on the level of exposure by currency, and in total for both overnight and intra-day positions, which are monitored daily. The Bank had the following significant net exposures:

	Qatar Riyals QR'000	US Dollar QR'000	Euro QR'000	Pound Sterling QR'000	Other currencies QR'000	Total QR'000
As at December 31, 2007						
Assets	18,815,664	9,110,278	151,576	806,230	1,204,364	30,088,112
Liabilities and shareholders' equity	(18,474,430)	(10,161,734)	(152,234)	(809,665)	(490,049)	(30,088,112)
Net currency position	341,234	(1,051,456)	(658)	(3,435)	714,315	--
As at December 31, 2006						
Assets	12,922,406	7,244,347	197,932	47,300	1,284,275	21,696,260
Liabilities and shareholders' equity	(13,261,332)	(7,961,045)	(198,817)	(69,700)	(205,366)	(21,696,260)
Net currency position	(338,926)	(716,698)	(885)	(22,400)	1,078,909	--

(g) Currency risk (continued)

Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to a percentage increase or decrease in the Qatari Riyals against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the impact of a change in the exchange rates are as follows:

Currency	Percentage	Profit / (loss) 2007 QR'000	Profit / (loss) 2006 QR'000
USD	+/- 3%	31,554	21,501
GBP	+/- 3%	10	67
EURO	+/- 3%	20	26
KWD	+/- 2%	8,957	19,015
YEN	+/- 2%	1,403	77

(h) Market Risk

The Bank's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and market conditions. The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risks.

The Bank applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Bank has a set of limits on the value of risk that may be accepted, which is monitored on a daily basis.

There has been no change to the Bank's exposure to market risks or the manner in which it manages and measures the risk.

Price risk is the risk that the market value increases / decreases as a result of volatility in the price. The effect on the shareholders' equity of a possible price change in quoted investments, with all other variables held constant is as follows:

	2007 Change in Price %	2007 Effect on Equity QR'000	2006 Change in Price %	2006 Effect on Equity QR'000
Quoted investments	+/-10%	229,810	+/- 10%	177,806

3. Risk Management of Financial Instruments (continued):

(j) Capital adequacy

The Bank maintains an actively managed capital base to cover the risks inherent in the business. The adequacy of the Bank's capital is monitored using among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Qatar Central Bank.

During the past year, the Bank had complied in full with all the external imposed capital requirements.

The primary objective of the Bank's capital management is to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders or issue capital securities.

Regulatory capital

	2007	**2006**
	QR'000	**QR'000**
Tier 1 capital	2,786,437	2,493,142
Tier 2 capital	1,535,524	1,408,102
Total capital	**4,321,961**	3,901,244
Risk weighted assets	**27,807,332**	21,127,669
Tier 1 Capital ratio	10.02%	11.80%
Total Capital ratio	15.54%	18.47%

Effective 1 January 2006, the Bank started calculating the capital adequacy ratio under Basel II requirements.

Regulatory capital consists of Tier 1 capital which comprises share capital, statutory reserve, other reserves and retained earnings including current year profit. The other component of regulatory capital is Tier 2 capital which includes subordinated debt, risk reserve and 45% of the fair value reserve.

The minimum accepted capital adequacy ratio is 10% under the Qatar Central Bank requirements and 8% under Basel Committee on Banking Supervision requirements.

(k) Customers' investment management risks

The Bank undertakes management of customers' investments either directly through their instructions or in the form of managed investment portfolios. The management by the Bank of these investments in whatever form entails certain legal, ethical and operating risks. The Bank controls these risks through a comprehensive risk management system.

(l) Operational and other risks

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an operational risk impact. The Bank seeks to minimise actual or potential losses from operational risk failures through the operations risk management department by having a framework of policies and procedures to control and manage risks. In addition an independent internal audit function identifies, assesses and submits reports on these risks.

Other risks to which the Bank is exposed are regulatory risk, legal risk and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through the regular examination of issues that are considered to have reputational repercussions for the Bank, with guidelines and policies being issued as appropriate.

4. Cash and Balances with Central Banks:

	2007	2006
	QR'000	QR'000
Cash and bank balances	333,772	250,186
Cash reserve with Qatar Central Bank	625,566	392,487
Cash reserve with other Central Banks	106	4,761
Other balances with Central Banks	924,264	187
	1,883,708	**647,621**

The cash reserve with Qatar Central Bank amounting to QR 625.6 million (2006: QR 392.5 million) and balances with other central banks representing the cash reserve with the Federal Reserve Bank of New York & Central bank of UAE amounting to QR 0.106 million (2006: QR 4.8 million) are mandatory reserves and are not available for use in the Bank's day-to-day operations.

5. Due From Banks and Other Financial Institutions

	2007	2006
	QR'000	QR'000
Current accounts	34,704	29,396
Deposits	3,704,175	3,529,177
Loans to banks	1,489,161	907,649
	5,228,040	**4,466,222**

6. Loans and Advances and Financing Activities to Customers:

	2007	2006

6.a By Type

		QR'000	QR'000
(i) Conventional banking loans and advances			
Loans		15,990,041	11,121,136
Overdrafts		1,362,118	2,016,134
Discounted notes		143,253	24,379
Gross loans and advances		17,495,412	13,161,649
Specific provision for impairment of loans		(324,370)	(345,701)
Interest in suspense		(232,658)	(241,927)
Net conventional loans and advances	(i)	16,938,384	12,574,021
(ii) Islamic Financing activities to customers			
Murabaha and Musawama		1,374,787	829,424
Istisna		121,078	50,298
Ijara		1,003,153	299,567
Mudaraba & Musharaka		25,129	1,154
Others		1,771	--
Islamic Gross financing activities to customers		2,525,918	1,180,443
Less: Deferred income		(292,160)	(124,405)
Less: Profit in suspense		(674)	--
Less: Provision for bad and doubtful debt		(1,554)	--
Net Islamic financing activities to customers	(ii)	2,231,530	1,056,038
Net loans and advances and financing activities to customers	(i) + (ii)	**19,169,914**	**13,630,059**

The aggregate amount of non-performing loans and advances as at 31 December 2007 amounted to QR 626 million representing 3.12% (2006: QR 609.5 million 4.25%) of the total gross loans and advances and financing activities to customers.

6. Loans and Advances and Financing Activities to Customers (continued):

6. b.1 By Sector

	2007				2006			
	Loans	Overdrafts	Discounted notes	Total	Loans	Overdrafts	Discounted notes	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Government	--	65,590	--	65,590	13,005	914,528	--	927,533
Government agencies	535,974	--	--	535,974	695,197	1,361	--	696,558
Industry	354,593	90,903	1,403	446,899	328,937	80,414	--	409,351
Commercial	3,212,741	351,018	125,105	3,688,864	1,324,341	327,555	15,499	1,667,395
Services	743,080	84,948	272	828,300	477,458	50,706	547	528,711
Contracting	1,654,070	299,752	14,691	1,968,513	832,336	220,493	--	1,052,829
Real estate	2,896,783	51,136	--	2,947,919	1,521,207	39,497	5,039	1,565,743
Personal	8,845,689	375,023	1,104	9,221,816	6,675,192	360,120	3,294	7,038,606
Others	271,258	45,519	678	317,455	432,752	22,614	--	455,366
	18,514,188	**1,363,889**	**143,253**	**20,021,330**	**12,300,425**	**2,017,288**	**24,379**	**14,342,092**

Total loans and advances includes both conventional banking and Islamic banking gross figures before subtracting specific provision for impairment of loans and interest in suspense.

6. Loans and Advances and Financing Activities to Customers (continued):

6.b.2 Supplementary Information

Distribution of Retail, Corporation and Real Estate Portfolio

As at December 31, 2007

Business Sector	Performing Loans	Non-Performing Loans	Total	Provisions	Interest in Suspense	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Corporate	8,716,101	404,308	9,120,409	202,386	197,219	399,605
Retail	7,742,902	221,651	7,964,553	120,649	36,113	156,762
Real Estate	2,936,368	--	2,936,368	2,889	--	2,889
Total	**19,395,371**	**625,959**	**20,021,330**	**325,924**	**233,332**	**559,256**

As at December 31, 2006

Business Sector	Performing Loans	Non-Performing Loans	Total	Provisions	Interest in Suspense	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Corporate	6,429,023	484,388	6,913,411	268,255	219,920	488,175
Retail	5,742,761	125,085	5,867,846	77,446	22,007	99,453
Real Estate	1,560,835	--	1,560,835	--	--	--
Total	**13,732,619**	**609,473**	**14,342,092**	**345,701**	**241,927**	**587,628**

6. Loans and Advances and Financing Activities to Customers (continued):

6.c Movement in provisions

	2007			2006		
	Specific	Interest in Suspense	Total	Specific	Interest in suspense	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
At 1 January	345,701	241,927	587,628	516,777	253,334	770,111
Net provisions during the year	20,885	31,052	51,937	(34,540)	31,604	(2,936)
Provisions made during the year	78,602	67,447	146,049	63,913	57,357	121,270
Recoveries during the year	(57,717)	(36,395)	(94,112)	(98,453)	(25,753)	(124,206)
Written off during the year	(40,662)	(39,647)	(80,309)	(136,536)	(43,011)	(179,547)
At 31 December	**325,924**	**233,332**	**559,256**	**345,701**	**241,927**	**587,628**

6. Loans and Advances and Financing Activities to Customers (continued):

(d) Analysis of Impaired Financial Assets

The following table presents the age with analysis of the Bank's impaired loans, advances and financing activities to customers and the corresponding value of collateral:

	2007		2006	
Classification	**Net Exposure QR'000**	**Collateral QR'000**	**Net Exposure QR'000**	**Collateral QR'000**
90 - 180 days	209,769	128,938	142,944	71,981
180 to 365 days	41,450	60,642	36,063	63,595
Above 365 days	374,740	146,224	430,466	139,202
	625,959	**335,804**	**609,473**	**274,778**

The past due but not impaired loans and advances and financing activities to customers at the end of the year were QR. 130 million.

(e) Renegotiated Loans and Advances and Financing Activities to Customers

	2007	2006
	QR'000	**QR'000**
Corporate lending	44,658	70,244
Retail lending	15,072	15,152
	59,730	**85,396**

7. Financial Investments:

(i) Available-for-sale and held to maturity investments

	2007	2006
	QR '000	**QR '000**
Available-for-sale investments (a)	3,080,361	2,597,620
Held to maturity investments (b)	23,513	--
Total	**3,103,874**	**2,597,620**

(a) Available for sale investments

	2007			2006		
	Quoted QR'000	**Unquoted QR'000**	**Total QR'000**	**Quoted QR'000**	**Unquoted QR'000**	**Total QR'000**
Equities	438,266	22,286	460,552	409,439	15,205	424,644
State of Qatar debt securities	928,571	782,944	1,711,515	642,938	782,944	1,425,882
Other debt securities	325,261	--	325,261	255,751	--	255,751
Mutual funds	582,489	544	583,033	469,937	21,406	491,343
	2,274,587	**805,774**	**3,080,361**	**1,778,065**	**819,555**	**2,597,620**

7. Financial Investments (continued):

Fixed rate debt securities and floating rate debt securities amounted to QR 1,671 million and QR. 380 million respectively as at December 31, 2007 (December 31, 2006 : QR 1,432 million and QR 250 million respectively).

Included in equities are securities with a market value of QR15.1 million (2006: QR 25.5 million) restricted due to the Bank holding directorships in investee companies and securities with a market value of QR 34.3 million (2006: QR 24.4 million) restricted due to contractual agreement with the investee company.

(b) Held to maturity investments

	2007			2006		
	Quoted QR'000	**Unquoted QR'000**	**Total QR'000**	**Quoted QR'000**	**Unquoted QR'000**	**Total QR'000**
Debt security	23,513	--	23,513	--	--	---

(ii) Investment in Associate

	2007	2006
	QR '000	**QR '000**
Investment in Associate	**10,256**	**--**
The movement of investment in associate is as follows:		
Acquisition during the year	9,812	--
Share of net profit after tax	444	--
Balance at the end of the year	**10,256**	**--**

Summarised financial information in respect of the Bank's associates is set out below:

	2007	2006
	QR '000	**QR '000**
Total assets	28,806	**--**
Total liabilities	(19,743)	**--**
Net assets	9,063	**--**
Bank's share of net assets of associate	**4,441**	**--**
Total Revenue	10,983	**--**
Net Profit for the period	1,254	**--**
Bank's share of post acquisition profit (Date of Acquisition: June 16, 2007)	**444**	**--**

8. Property and Equipment:

	Land and Buildings	Leasehold Improvements	Furniture and Equipment	Vehicles	Total
	QR'000	**QR'000**	**QR'000**	**QR'000**	**QR'000**
At December 31, 2007:					
Cost:					
Balance at January 1,	138,226	68,547	124,898	6,884	338,555
Additions	93,002	19,765	39,298	1,505	153,570
Disposals	(2,297)	--	(240)	(6)	(2,543)
	228,931	88,312	163,956	8,383	489,582
Accumulated depreciation:					
Balance at January 1,	33,286	30,144	91,058	2,843	157,331
Depreciation for the year	3,538	9,356	19,643	1,175	33,712
Disposals	--	--	(239)	(6)	(245)
	36,824	39,500	110,462	4,012	190,798
Net Book Value	**192,107**	**48,812**	**53,494**	**4,371**	**298,784**

Land and buildings include capital work in progress at December 31, 2007 amounting to QR 93 million (2006: QR 58.1 million).

8. Property and Equipment (continued):

	Land and Buildings	Leasehold Improvements	Furniture and Equipment	Vehicles	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
At December 31, 2006:					
Cost:					
Balance at January 1,	91,829	46,533	107,612	3,911	249,885
Additions	46,397	22,014	17,765	3,276	89,452
Disposals	--	--	(479)	(303)	(782)
	138,226	68,547	124,898	6,884	338,555
Accumulated depreciation:					
Balance at January 1,	30,591	23,562	76,766	2,304	133,223
Depreciation for the year	2,695	6,582	14,771	842	24,890
Disposals	--	--	(479)	(303)	(782)
	33,286	30,144	91,058	2,843	157,331
Net Book Value	**104,940**	**38,403**	**33,840**	**4,041**	**181,224**

9. Other Assets:

	2007 QR'000	2006 QR'000
Interest receivable	135,722	66,680
Advance payments	59,434	24,809
Accounts receivable	6,308	1,586
Positive fair value of derivatives	9,406	185
Others	182,666	80,254
	393,536	**173,514**

10. Due to Banks and Other Financial Institutions:

	2007 QR'000	2006 QR'000
Due to Qatar Central Bank	63,997	89,719
Demand and call deposits	652,623	442,918
Term deposits	80,508	190,721
Borrowings from banks	3,573,787	1,227,626
	4,370,915	**1,950,984**

11. Customer Deposits:

	2007 QR'000	2006 QR'000
(a) By type		
(i) Conventional banking customer deposits		
Current and call accounts	4,361,608	3,729,929
Savings accounts	631,273	429,792
Term deposits	14,219,839	10,181,485
	19,212,720	14,341,206
(ii) Islamic banking current accounts	463,937	261,085
	19,676,657	**14,602,291**

Customer deposits include QR 397.03 million held as margin for direct and indirect facilities (2006 : QR 346.1 million).

	2007 QR'000	2006 QR'000
(b) By sector		
Government	2,124,868	1,003,708
Government agencies	5,421,481	4,593,558
Corporate	6,035,724	4,394,756
Individuals	6,094,584	4,610,269
	19,676,657	**14,602,291**

12. Subordinated Debt:

	2007 QR'000	2006 QR'000
Subordinated notes		
Nominal value	1,238,110	1,238,110
Less: Un-amortised portion of financing costs	(6,793)	(6,200)
Amortised cost at December 31,	**1,231,317**	**1,231,910**

On December 12, 2006, the Bank issued US$ 340 million subordinated floating rate step up notes at a nominal value of US$ 100,000 per note. The notes mature 10 years from the issue date at the nominal value and carry interest at three months US$ LIBOR plus 0.82 percent per annum payable quarterly for the first 5 years and three months US$ LIBOR plus 1.32 percent per annum payable quarterly for the remaining period until maturity. The notes are callable at the option of the Bank after 5 years from the issue date at the nominal value.

13. Other Liabilities:

	2007 QR'000	2006 QR'000
Payment orders issued	79,304	74,258
Interest payable	100,481	91,946
Cash margins	152,758	49,801
Accounts payable	69,497	38,835
Provision for end of service benefits (Note 14)	58,070	38,212
Staff provident fund	26,994	21,214
Accrued expenses	36,355	23,928
Other payables	103,019	67,044
Deferred insurance commission	170,718	149,916
Negative fair value of derivatives	26,350	173
	823,546	**555,327**

The staff provident fund provision includes Qatari staff pension fund contributions amounting to QR 2.8 million (2006: QR 2.1 million).

14. Provision for End of Service Benefits:

	2007 QR'000	2006 QR'000
Balance at January 1,	38,212	33,147
Provision for the year	23,287	8,162
Provision used during the year	(3,429)	(3,097)
Balance at December 31,	**58,070**	**38,212**

15. Absolute Investment Depositors' Accounts:

	2007 QR'000	2006 QR'000
Call investment accounts	50,780	43,389
Saving accounts	83,483	69,111
Term deposits	222,146	466,408
Absolute investment depositor's share of profit	10,296	**8,846**
	366,705	**587,754**

16. Shareholders' Equity:

a) Share capital

	2007 Number of shares (Thousand)	2006 Number of shares (Thousand)
Authorised		
Shares of QR 10 each	**124,818**	**124,818**

	Number of shares (Thousand)	Number of shares (Thousand)
Issued and fully paid		
At January 1,	124,818	69,343
Bonus shares issued	--	55,475
At December 31,	**124,818**	**124,818**

b) Statutory reserve

In accordance with Qatar Central Bank's Law No. 33 of 2006, 10% of the net profit for the year is required to be transferred to the statutory reserve until the statutory reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 5 of 2002 and is subject to the approval of Qatar Central Bank.

c) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve is made to cover contingencies on the private sector loans and advances, with a minimum requirement of 1.5% (2006: 1.25%) of the total private sector exposure.

During the year, the Bank has transferred an amount of QR. 133.9 million to risk reserve.

16. Shareholders' Equity (Continued):

d) Fair value reserve

	2007 QR'000	2006 QR'000
Available for sale investments:		
Balance at January 1,	65,912	425,723
Revaluation result	(64,750)	(146,378)
Transferred amount to the income statement	69,292	(213,433)
Net change within the year	4,542	(359,811)
Hedged reserve	(17,620)	--
Balance at December 31,	**52,834**	**65,912**

The balance of fair value reserve as at December 31, 2007 includes negative fair value of certain investments amounting to QR. 17.93 million (December 31, 2006: QR 20.60 million). The negative fair value of these investments has to be deducted from the profits available for distribution, as per Qatar Central Bank instructions.

e) Proposed dividends and fair share

The Board of Directors in their meeting held on January 14, 2008 has proposed a cash dividend of 40% (QR4.0 per share) and a bonus share of 20% of the share capital for the year ended December 31, 2007 (2006: cash dividend 5% (QR. 0.5 per share). The above are subject to the approval of shareholders in general assembly.

f) Right issues

The Board of directors in their meeting held on January 14, 2008 has proposed to increase the Bank's capital during 2008 and 2009 by way of right issues into two phases; 15% for phase one and 15% for phase two. The share value and issuance time shall be decided after approvals from the competent authorities are obtained.

17. Interest Income:

	2007 QR'000	2006 QR'000
Balances with Central Bank	12,569	7,956
Due from banks and other financial institutions	277,263	159,213
Bonds	119,394	93,318
Loans and advances to customers	1,267,764	802,772
	1,676,990	**1,063,259**

18. Interest Expense:

	2007 QR'000	2006 QR'000
Due to banks and other financial institutions	135,097	4,536
Customer deposits	734,777	479,223
Borrowings from banks	123,289	56,044
	993,163	**539,803**

19. Fees and Commission Income:

	2007 QR'000	2006 QR'000
Loans and advances	109,048	105,075
Indirect credit facilities	92,379	73,004
Bank services fee	74,338	50,678
Investment activities to customers	6,545	3,089
Others	19,264	7,539
	301,574	**239,385**

20. Dividend Income:

	2007 QR'000	2006 QR'000
Available-for-sale financial investments	**22,353**	**9,349**

21. Net Gain on Foreign Exchange Activities:

	2007 QR'000	2006 QR'000
Gains on foreign exchange dealings	7,313	6,923
Revaluation of assets and liabilities	67,686	28,177
	74,999	**35,100**

22. Income from Associate:

	2007 QR'000	2006 QR'000

Total revenue	10,983	--
Total profit for the period	1,254	--
Bank's Share of Post Acquisition Profits	444	--

23. Net Gain on Derivatives:

	2007 QR'000	2006 QR'000
Gain on revaluation of forward foreign currency contracts	676	12
Gain on disposal of interest rate swaps	--	3,312
	676	**3,324**

24. Other Operating Income:

	2007 QR'000	2006 QR'000
Profit on disposal of property and equipment	12,216	98
Others	13,346	13,766
	25,562	**13,864**

25. General and Administration Expenses:

	2007 QR'000	2006 QR'000
Salaries, allowances and other staff costs	188,544	131,188
Directors Remuneration	28,000	--
End of service benefits	23,287	8,162
Staff provident fund	3,745	2,527
Advertising and marketing	34,680	26,152
Legal and professional fees	23,255	2,930
Communication, utilities and insurance	44,196	26,557
Rent and maintenance	56,774	37,312
Others	51,172	38,619
	453,653	**273,447**

26. Proceeds Received From BCCI:

This represents the proceeds received from the liquidator of Bank of Credit and Commercial International (BCCI).

27. Basic and Diluted Earnings Per Share:

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2007	**2006**
Net profit for the year (QR'000)	**926,464**	743,969
Weighted average number of shares	**124,817,515**	124,817,515
Basic and diluted earnings per share (QR)	**7.42**	**5.96**

28. Derivatives Instruments:

The table below shows the fair values of the derivatives instruments:

				Notional amount by term to maturity			
	Positive	**Negative**	**Notional**	**Within**	**3 - 12**	**1-5**	**More**

	Fair Value QR'000	Fair Value QR'000	Amount QR'000	3 Months QR'000	Months QR'000	Years QR'000	than 5 Years QR'000
December 31, 2007:							
Forward foreign exchange contracts	3,212	2,536	771,834	541,015	230,819	--	--
Cash Flow Hedge:							
Interest Rate Swaps	6,194	23,814	2,112,070	--	--	2,112,070	--
	9,406	26,350	2,883,904	541,015	230,819	2,112,070	--
December 31, 2006:							
Forward foreign exchange contracts	185	173	61,922	61,922	--	--	--

29. Contingent Liabilities ad Commitments:

To meet the financial needs of customers, the Bank issues various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Bank. In many instances, the amount recognised on the Balance sheet for incurred obligation does not represent the loss potential of the arrangement in full.

The total outstanding commitments and contingent liabilities are as follows:

	2007 QR'000	2006 QR'000
(a) Contingent liabilities		
Acceptances	351,035	371,920
Guarantees	6,571,029	4,277,998
Letters of credit	3,244,051	2,579,731
Others	620,019	444,145
	10,786,134	**7,673,794**
(b) Other commitments		
Unused facilities	1,106,367	843,632
Forward foreign exchange contracts	771,834	61,922
Capital commitments	223,579	316,900
Interest rate swaps	2,112,070	--
	4,213,850	**1,222,454**
	14,999,984	**8,896,248**

29. Contingent Liabilities ad Commitments (continued):

Acceptances, guarantees and letters of credit

Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Guarantees and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credit, advance payment guarantees and endorsement liabilities from bills rediscounted.

Unused facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Capital commitments

The capital commitments represent commitments relating to the completion of the new Head Office building for Doha Bank.

Operating lease commitments

The Bank has entered into commercial leases on certain buildings. These leases have an average life of between three and five years. There are no restrictions placed upon the Bank by entering into these leases.

Future minimum lease payments under non-cancellable leases as at December 31, 2007 are as follows:

	2007 QR'000	2006 QR'000
Within one year	33,447	26,465
After one year but not more than five years	44,416	66,706
More than five years	--	2,097
	77,863	**95,268**

30. Geographical Distribution:

	Qatar	Other GCC Countries	Europe	North America	Other Countries	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
As at December 31, 2007						
Cash and balances with Central Banks	1,408,384	475,324	--	--	--	1,883,708
Due from banks and other financial institutions	198,462	2,360,550	2,236,454	62,072	370,502	5,228,040
Loans and advances and financing activities to customers	18,054,583	760,687	99,285	12,054	243,305	19,169,914
Investments	2,076,926	316,422	514,477	119,236	87,069	3,114,130
Property and equipment	292,350	4,184	--	2,250	--	298,784
Other assets	385,064	6,188	--	2,284	--	393,536
Total Assets	**22,415,769**	**3,923,355**	**2,850,216**	**197,896**	**700,876**	**30,088,112**
Due to banks and other financial institutions	1,431,129	1,003,365	1,535,182	34,881	366,358	4,370,915
Customer deposits	18,745,066	928,683	56	2,035	817	19,676,657
Subordinated debt	--	--	1,231,317	--	--	1,231,317
Other liabilities	809,972	3,681	9,893	--	--	823,546
Absolute investment depositors' accounts	366,705	--	--	--	--	366,705
Shareholders' equity	3,618,972	--	--	--	--	3,618,972
Total Liabilities and Shareholders' Equity	**24,971,844**	**1,935,729**	**2,776,448**	**36,916**	**367,175**	**30,088,112**

30. Geographical Distribution (Continued):

	Qatar QR'000	Other GCC Countries QR'000	Europe QR'000	North America QR'000	Other Countries QR'000	Total QR'000
As at December 31, 2006						
Cash and balances with Central Banks	642,467	--	--	5,154	--	647,621
Due from banks and other financial institutions	462,644	1,935,945	1,383,138	231,338	453,157	4,466,222
Loans and advances and financing activities to customers	13,219,952	380,556	29,132	419	--	13,630,059
Investments	1,769,653	282,852	440,613	--	104,502	2,597,620
Property and equipment	181,126	--	--	98	--	181,224
Other assets	170,333	--	--	3,181	--	173,514
Total Assets	**16,446,175**	**2,599,353**	**1,852,883**	**240,190**	**557,659**	**21,696,260**
Due to banks and other financial institutions	834,971	548,237	36,529	188,094	343,153	1,950,984
Customer deposits	14,255,616	341,544	--	1,906	3,225	14,602,291
Subordinated debt	--	--	1,231,910	--	--	1,231,910
Other liabilities	551,229	--	--	4,098	--	555,327
Absolute investment depositors' accounts	587,754	--	--	--	--	587,754
Shareholders' equity	2,767,994	--	--	--	--	2,767,994
Total Liabilities and Shareholders' Equity	**18,997,564**	**889,781**	**1,268,439**	**194,098**	**346,378**	**21,696,260**

31. Related Party Transactions:

The Bank enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year.

	2007			2006		
	Board of Directors QR'000	Others QR'000	Total QR'000	Board of Directors QR'000	Others QR'000	Total QR'000
Balance sheet items (as at December 31)						
Loans and advances	540,738	--	540,738	226,341	--	226,341
Deposits	178,051	1,848	179,899	170,200	1,986	172,186
Contingent liabilities and other commitments	151,074	--	151,074	129,405	--	129,405
Statement of income items (for the year ended December 31)						
Interest and commission income	19,720	--	19,720	15,806	--	15,806
Interest and commission expense	7,633	206	7,839	9,742	171	9,913

All the transactions with the related parties are substantially on the same terms, including interest and collateral, as those prevailing in comparable transactions with unrelated parties.

Compensation of key management personnel of the Bank

	2007			2006		
	Board of Directors QR'000	Others QR'000	Total QR'000	Board of Directors QR'000	Others QR'000	Total QR'000
Salaries and other benefits	8,558	8,737	17,295	6,235	8,424	14,659
End of service indemnity benefits and provident fund	702	1,520	2,222	609	4,227	4,836
	9,260	**10,257**	**19,517**	**6,844**	**12,651**	**19,495**

Board of Directors' Fees

The Board of Director's fees for the year 2007 amounted to QR. 28 million which is subject to the approval of General Assembly.

32. Cash and Cash Equivalents:

Cash and cash equivalents for the purpose of statement of the cash flows, comprise the following:

	2007 QR'000	2006 QR'000
Cash and balances with Central Banks	893,153	250,373
Due from banks and other financial institutions maturing within 3 Months	3,760,895	3,870,488
	4,654,048	**4,120,861**

Cash and balances with Central Banks do not include statutory cash reserves.

33. Segment Information:

The Bank is organized into three main business segments, which comprise conventional commercial banking, Islamic banking and Insurance activities. Details of each segment are stated below:

	2007				2006		
	Conventional banking QR'000	**Insurance**	**Islamic banking QR'000**	**Total QR'000**	Conventional banking QR'000	Islamic banking QR'000	Total QR'000
Net premium	--	79	--	79	--	--	--
Net interest income	683,827	--	--	683,827	523,456	--	523,456
Net fees and commission income	289,991	--	7,463	297,454	233,972	1,924	235,896
Net income from Islamic financing and investment activities	--	--	149,033	149,033	--	13,138	13,138
Income from Associate Company	444	--	--	444	--	--	--
Total other operating income	326,658	446	7,242	334,346	279,057	115	279,172
Recovery (provision) for impairment of loans and advances	(19,463)	--	(1,422)	(20,885)	34,540	--	34,540
Net operating income	1,281,457	525	162,316	1,444,298	1,071,025	15,177	1,086,202
Proceeds received from BCCI	7,098	--	--	7,098	--	--	--
General and administration expenses	(441,565)	(209)	(11,879)	(453,653)	(267,939)	(5,508)	(273,447)
Depreciation	(32,732)	(2)	(978)	(33,712)	(24,715)	(175)	(24,890)
Impairment losses on financial investments	(37,236)	--	--	(37,236)	(43,375)	--	(43,375)
Segment results/net profit before taxes	777,022	314	149,459	926,795	734,996	9,494	744,490
Income tax expense	(331)	--	--	(331)	(521)	--	(521)
Net profit for the year	**776,691**	**314**	**149,459**	**926,464**	**734,475**	**9,494**	**743,969**
Assets and liabilities							
Total assets	**27,717,220**	**--**	**2,370,892**	**30,088,112**	**20,580,342**	**1,115,918**	**21,696,260**
Total liabilities	**24,384,993**	**--**	**2,084,147**	**26,469,140**	**17,949,633**	**978,633**	**18,928,266**
Other segment information							
Capital expenditure	**150,231**	**70**	**3,269**	**153,570**	**84,611**	**4,841**	**89,452**

Geographically, the Bank operates in Qatar, United States of America and U.A.E.. Qatar operations contributed all of the Bank's profit (2006: 98.19%) and more than 97.28% (2006 : 98.12%) of its assets.

34. Significant Accounting Judgments and Estimates:

Certain of the prior year amounts have been reclassified in order to confirm with current year's presentation.

35. Significant Accounting Judgements and Estimates:

In the process of applying Bank's accounting policies, management has used its judgements and certain estimates in determining the amounts recognised in the consolidated financial statements. The most significant judgements and estimates used are as follows:

Fair values of financial instruments

The fair value of financial assets traded in an organised financial market is determined by reference to quoted market bid prices at the close of business at the balance sheet date. Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows from the asset, or internal pricing 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.

Impairment losses on loans and advances

The Bank reviews its non performing loans and advances at each reporting dates to assess whether an allowance for impairment should be recorded in the statement of income. In determining the level of allowance required, management considers the past due installments on the loans and the estimated amount and timing of future cash flows. Such estimates are necessarily based on the assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to the allowance.

Impairment of equity investments

The Bank treats available for sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. The Bank treats "significant" generally as 20% or more and 'prolonged' greater than 6 months. In addition, the Bank evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Islamic Banking

The Balance sheet and statement of income of the Bank's Islamic Branches are presented below:

(i) Balance Sheet as at December 31, 2007

	2007 QR'000	2006 QR'000
ASSETS		
Cash	9,300	2,821
Due from financing activities to customers	2,231,530	1,056,038
Financial investments	14,566	14,566
Property and equipment	7,520	5,229
Other assets	107,976	37,264
TOTAL ASSETS	**2,370,892**	**1,115,918**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Customer current accounts	463,964	261,085
Other liabilities	1,253,478	129,794
TOTAL LIABILITIES	**1,717,442**	**390,879**
ABSOLUTE INVESTMENT DEPOSITORS' ACCOUNTS	**366,705**	**587,754**
SHAREHOLDERS' EQUITY		
Funds provided by the Head Office	125,000	125,000
Retained earnings	161,745	12,285
TOTAL SHAREHOLDERS' EQUITY	**286,745**	**137,285**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,370,892**	**1,115,918**

(ii) Statement of income for the year ended December 31, 2007

	2007 QR'000	2006 QR'000
Income from financing activities	177,512	34,074
Income from investing activities	604	498
Total income from financing and investing activities	**178,116**	**34,572**
Fees and commission income	7,463	1,924
Other operating income	7,242	115
TOTAL OPERATING INCOME	**192,821**	**36,611**
General and administration expenses	(11,879)	(5,508)
Provision	(1,422)	--
Depreciation of property and equipment	(978)	(175)
NET PROFIT FOR THE YEAR	**178,542**	**30,928**
Less:		
Absolute investment depositor's share of profit	(29,083)	(11,031)
Absolute investment depositor's share of risk reserve	--	(10,403)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**149,459**	**9,494**