بنك الدوحة
DOHA BANK

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

DOHA BANK (Q.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2008

INDEX	**Page**

QR. 99-8

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Doha Bank Q.S.C. (the "Bank"), which comprise the consolidated balance sheet as at December 31, 2008 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.

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, 2008 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**

Doha – Qatar
January 25, 2009

Muhammad Bahemia
License No. 103

DOHA BANK (Q.S.C.)

CONSOLIDATED BALANCE SHEET

As of December 31, 2008

	Notes	**2008**	2007
		QR'000	QR'000
ASSETS			
Cash and balances with Central Banks	5	**2,552,024**	1,883,708
Due from banks and other financial institutions	6	**7,949,767**	5,228,040
Loans and advances and financing activities to customers	7	**23,965,745**	19,140,003
Financial investments	8	**3,379,757**	3,103,874
Investment in associate company	8	**12,231**	10,256
Property and equipment	9	**495,567**	298,784
Other assets	10	**647,883**	393,536
Total assets		**39,002,974**	30,058,201
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	11	**8,160,567**	4,370,915
Customer deposits	12	**22,239,121**	19,676,657
Subordinated debt	13	**1,232,079**	1,231,317
Other liabilities	14	**1,420,859**	793,635
		33,052,626	26,072,524
Absolute investment depositors' accounts	16	**1,037,593**	366,705
Shareholders' equity			
Share capital	17(a)	**1,722,482**	1,248,175
Advance capital received	17(b)	**368,611**	--
Statutory reserve	17(c)	**2,148,424**	1,248,175
Risk reserve	17(d)	**352,431**	280,431
Fair value reserve	17(e)	**(492,364)**	70,454
Hedge reserve		**(97,251)**	(17,620)
Foreign currency translation reserve	17(f)	**(2,981)**	--
Proposed dividends	17(g)	**861,241**	499,270
Proposed bonus shares		**--**	249,635
Retained earnings		**52,162**	40,452
Total shareholders' equity		**4,912,755**	3,618,972
Total liabilities and shareholders' equity		**39,002,974**	30,058,201

Fahad Bin Mohammad Bin Jabor Al Thani
Chairman

Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director

Raghavan Seetharaman

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

Chief Executive Officer

The attached notes 2 to 35 form an integral part of these consolidated financial statements.

DOHA BANK (Q.S.C.)

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2008

	Notes	2008	2007
		QR'000	QR'000
Interest income	18	**1,985,968**	1,676,990
Interest expense	19	**(1,060,497)**	(993,163)
Net interest income		**925,471**	683,827
Income from Islamic financing and investment activities		**253,525**	178,116
Fees and commission income	20	**344,394**	301,574
Fees and commission expense		**(4,473)**	(4,120)
Net fees and commission income		**339,921**	297,454
Gross written premium		**59,572**	408
Premium ceded		**(42,854)**	(329)
Net premium		**16,718**	79
Dividend income	21	**15,544**	22,353
Net gain on foreign exchange activities	22 (a)	**56,448**	74,999
Net gain on sale of financial investments	22 (b)	**172,515**	210,756
Share of (loss) profit from associate company	23	**(293)**	444
Net (loss) gain on derivatives	24	**(64,951)**	676
Other operating income	25	**31,806**	32,660
Total other income		**211,069**	341,888
Total operating income		**1,746,704**	1,501,364
General and administrative expenses	26	**(497,316)**	(453,653)
Depreciation of property and equipment	9	**(42,488)**	(33,712)
Impairment losses on financial investments		**(131,541)**	(37,236)
Provision for impairment of loans and advances	7	**(56,934)**	(20,885)
Absolute investment depositors' share of profit and risk reserve		**(71,518)**	(29,083)
Net profit before taxes		**946,907**	926,795
Income tax expense		**(405)**	(331)
Net profit for the year		**946,502**	926,464
BASIC AND DILUTED EARNINGS PER SHARE (QR)	27	**5.67**	**6.18**

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

DOHA BANK (Q.S.C.)

CONSOLIDATED STATEMENT OF CHAGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2008

	Note	Share capital	Advance capital	Statutory reserve	Risk reserve	Fair value reserve	Hedge reserve	Foreign Exchange Translation 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	QR'000	QR'000
Balance at January 1, 2008		**1,248,175**	**--**	**1,248,175**	**280,431**	**70,454**	**(17,620)**	**--**	**499,270**	**249,635**	**40,452**	**3,618,972**
Bonus share issued for 2007	17	249,635	--	--	--	--	--	--	--	(249,635)	--	--
Rights Issue	17	224,672	--	--	--	--	--	--	--		--	**224,672**
Proposed dividends paid 2007	17	--		--	--	--	--	--	(499,270)	--	--	**(499,270)**
Advance capital received	17	--	368,611	--	--	--	--	--	--	--	--	**368,611**
Share premium on rights issue		--	--	898,698	--	--	--	--	--	--	--	**898,698**
Net movement in risk reserve	17	--	--	--	72,000	--	--	--	--	--	(72,000)	--
Net movement in fair value reserve		--	--	--	--	(562,818)	--	--	--	--	--	**(562,818)**
Net movement		--	--				(79,631)	(2,981)				**(82,612)**
Total changes in reserves recognised directly in equity		--	--	--	72,000	(562,818)	(79,631)	(2,981)	--	--	(72,000)	**(645,430)**
Net profit for the year		--		--	--	--	--	--	--	--	946,502	**946,502**
Total recognised income and expense for the year		--	--	--	72,000	(562,818)	(79,631)	(2,981)	--	--	874,502	**301,072**
Transfer to statutory reserve	17	--	--	1,551	--	--	--	--	--	--	(1,551)	--
Proposed dividend for 2008	17	--	--	--	--	--	--	--	861,241	--	(861,241)	--
Balance at December 31, 2008		**1,722,482**	**368,611**	**2,148,424**	**352,431**	**(492,364)**	**(97,251)**	**(2,981)**	**861,241**	**--**	**52,162**	**4,912,755**

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

DOHA BANK (Q.S.C.)

CONSOLIDATED STATEMENT OF CHAGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2008

	Note	Share capital	Statutory reserve	Risk reserve	Fair value reserve	Hedge 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, 2007		**1,248,175**	**1,244,967**	**146,532**	**65,912**	**--**	**62,408**	**--**	**--**	**2,767,994**
Proposed dividends paid 2006	17	--	--	--	--	--	(62,408)	--	--	(62,408)
Net movement in risk reserve	17	--	--	133,899	--	--	--	--	(133,899)	--
Net movement in fair value reserve	17	--	--	--	4,542	(17,620)	--	--	--	(13,078)
Total changes in reserves recognised directly in equity		--	--	133,899	4,542	(17,620)	--	--	(133,899)	(13,078)
Net profit for the year		--	--	--	--	--	--	--	926,464	926,464
Total recognised income and expense for the year		--	--	133,899	4,542	(17,620)	--	--	792,565	913,386
Transfer to statutory reserve	17	--	3,208	--	--	--	--	--	(3,208)	--
Proposed dividend for 2007	17	--	--	--	--	--	499,270	--	(499,270)	--
Bonus shares proposed for 2007	17	--	--	--	--	--	--	249,635	(249,635)	--
Balance at December 31, 2007		**1,248,175**	**1,248,175**	**280,431**	**70,454**	**(17,620)**	**499,270**	**249,635**	**40,452**	**3,618,972**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

	Note	2008	2007
		QR'000	QR'000
Operating Activities			
Net profit before taxes		**946,907**	926,795
Adjustments for:			
Depreciation of property and equipment		**42,488**	33,712
Amortisation of financing costs		**762**	766
Provision for impairment of loans and advances		**56,934**	20,885
Profit on sale of property and equipment		**(84)**	(12,216)
Profit on sale of financial investments		**(172,515)**	(209,611)
Provision for impairment of investments		**131,541**	37,236
Net loss (gain) on derivatives		**(64,951)**	(1,589)
Profits before changes in operating assets and liabilities		**1,070,984**	795,978
Net increase in assets			
Due from banks and other financial institutions		**(33,463)**	(1,464,718)
Loans and advances and financing activities to customers		**(4,882,676)**	(5,530,829)
Other assets		**(254,347)**	(220,022)
Net increase in liabilities			
Due to banks and other financial institutions		**3,789,652**	2,419,931
Customer deposits		**3,233,352**	4,862,163
Other liabilities		**627,252**	229,131
Net cash generated by operating activities		**3,550,754**	1,091,634
INVESTING ACTIVITIES			
Purchase of financial investments		**(3,407,562)**	(4,845,011)
Proceeds from sale of financial investments		**2,459,027**	4,425,620
Purchase of property and equipment		**(239,271)**	(153,570)
Proceeds from sale of property and equipment		**84**	14,514
Net cash used in investing activities		**(1,187,722)**	(558,447)
FINANCING ACTIVITIES			
Net proceeds from rights issue		**1,123,370**	--
Advance capital received		**368,611**	--
Dividends paid		**(499,270)**	--
Net cash from financing activities		**992,711**	--
Net increase in cash and cash equivalents during the year		**3,355,743**	533,187
Cash and cash equivalents – Beginning of the year		**4,654,048**	4,120,861
Cash and cash equivalents – end of the year	**32**	**8,009,791**	4,654,048
Operational cash flows from interest and dividend			
Interest paid		**921,075**	984,628
Interest received		**1,935,393**	1,607,948
Dividend received		**15,544**	22,353

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 in Doha, Qatar.

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, three overseas branches in the United States of America, the United Arab Emirates and the state of Kuwait and representative offices in: Singapore, Turkey, China, Korea 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.

Islamic banking

The Bank opened its first Islamic branch on June 15, 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.

The Bank is listed on Doha Securities Market.

The consolidated financial statements for the year ended December 31, 2008 were authorized for issue in accordance with a resolution of the Board of Directors on February 3, 2009.

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11-IFRS 2: Group and Treasure Share Transactions effective for annual periods beginning on or after 1 March 2008: IFRIC 12 *Service Concession Arrangements* which is effective for annual periods beginning on or after 1 January 2008 and IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* which is effective for annual periods beginning on or after 1 January 2008

The adoption of these two Interpretations had no effect on the consolidated financial statements of the bank for the year ended December 31, 2008.

Standards and Interpretations in issue not yet effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

Revised Standards

• IAS 1 (Revised) *Presentation of Financial Statements*	Effective for annual periods beginning on or after 1 January 2009
• IAS 23 (Revised) *Borrowing Costs*	Effective for annual periods beginning on or after 1 January 2009

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

• IAS 27 (Revised) Consolidated and Separate Financial Statements	Effective for annual periods beginning on or after 1 July 2009
• IAS 28 (Revised) *Investments in Associates*	Effective for annual periods beginning on or after 1 July 2009
• IAS 31 (Revised) *Interests in Joint Ventures*	Effective for annual periods beginning on or after 1 July 2009
• IAS 32 (Revised) *Financial Instruments: Presentation*	Effective for annual periods beginning on or after 1 January 2009
• IFRS 1 (Revised) *First time adoption*	Effective for annual periods beginning on or after 1 January 2009
• IFRS 2 (Revised) *Share-based Payments*	Effective for annual periods beginning on or after 1 January 2009
• IFRS 3 (Revised) *Business Combinations*	Effective for annual periods beginning on or after 1 July 2009

<u>New Standard</u>

• IFRS 8 *Operating Segments*	Effective for annual periods beginning on or after 1 January 2009

<u>New Interpretation</u>

• IFRIC 13 – *Customer loyalty Programmes*	Effective for annual periods beginning on or after July 1, 2008
• IFRIC 15 - *Agreement for Construction of Real Estate*	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 16 – *Hedges of Net Investment in Foreign Operations*	Effective for annual periods beginning on or after October 1, 2008

Management anticipates 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 in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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 acquisition 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 with subsidiary 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	991	100%	Information Technology

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; and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates (continued)

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 2008 %	Ownership interest 2007 %
Doha Brokerage and Financial Services Limited	Brokerage and assets management	India	49%	49%

Summary of significant accounting policies

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

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'.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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.

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.

Derivatives

Derivatives include interest rate swaps, credit default swaps, total return swaps and forward foreign exchange contracts. Derivatives are re-measured 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

Loans and advances

Loans and advances 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. After initial measurement, those financial assets and financing activities are subsequently measured at amortised cost less any provision for the impairment.

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 both equity and 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'.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Derecognising of financial assets and financial liabilities

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.

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.

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) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Loans and advances and financing activities to customers

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. Loans and advances and financing activities to customers are stated principal amount less specific provisions.

Specific provisions for the impairment of loans and advances and financing activities to customers 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.

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.

Available-for-sale financial investments

The Bank assesses at each balance sheet date whether there is objective evidence that available-for-sale financial investments are impaired.

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 equity; increases in their fair value after impairment are recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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.

Revenue recognition

Revenues are recognised on an accrual basis. Interest income and expense are recognised using the effective yield method. Profit on Islamic financing transactions is recognised under the accrual basis using the reducing installment method. Interest or profit on non-performing loans suspended when realisation of such interest, profit or the principal amount becomes doubtful.

Revenues on non-performing financing accounts are 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 has been established.

Property acquired against settlement of customer debts

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

In accordance with 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

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.

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 a 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.

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.

Absolute investment depositors' share of profit

Islamic branches profit for the year is distributed among the Islamic branch 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 the Islamic branch absolute investment depositors and shareholders. The share of profit of the Islamic branch absolute investment depositors is calculated on the basis of their daily deposit balances over the year, after deducting 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 Islamic branch's absolute investment depositors. Such matter is subject to Qatar Central Bank's decision.

Where the Islamic banking operational result, at the end of a financial year is a net loss, it would be up to Qatar Central Bank to evaluate the Bank's management responsibility for the loss according to the rules of Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Taxes

Taxes are calculated based on applicable tax laws or regulations in the 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.

Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the consolidated financial statements.

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

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 derivatives, 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 3 "Accounting policies".

Fair Value of Financial Instruments

Floating rate financial instruments

For financial assets and financial liabilities that are liquid or having short term maturity is (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.

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of held to maturity investments is as follows:

	2008		2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	QR'000	**QR'000**	QR'000	QR'000
Held to maturity investments	**1,134,614**	**1,050,579**	23,513	23,528

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 risk management department, 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.

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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 7 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 disclose 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.

	2008	2007
	QR'000	QR'000
ASSETS:		
Cash and balances with Central Banks (excluding cash on hand)	2,126,897	1,474,835
Due from banks and other financial institutions	7,949,767	5,228,040
Loans and advances and financing activities to customers	23,965,745	19,169,914
Investments	3,391,988	3,114,130
Other assets excluding credit default swaps, and total return swaps	647,883	393,536
	38,082,280	29,380,455
Contingent liabilities and commitments	17,441,196	11,892,501
Total credit exposure	**55,523,476**	41,272,956

The fair value 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 value.

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.

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED):

Interest rate risk

The Bank's interest sensitivity position of assets, liabilities and off balance sheet items as at December 31, 2008 and 2007 based on the earlier of contract re-pricing or maturity is as follows:

December 31, 2008	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	--	-	--	--	2,552,024	2,552,024	
Due from banks and other financial institutions	6,634,451	589,949	725,367	--	--	7,949,767	4.33%
Loans and advances and financing activities to customers	6,138,071	3,002,503	11,651,877	--	3,173,294	23,965,745	9.50%
Financial Investments	274,659	192,814	969,276	746,517	1,208,722	3,391,988	6.30%
Property and equipment	--	--	--	--	495,567	495,567	
Other assets	--	--	--	--	647,883	647,883	
Total Assets	**13,047,181**	**3,785,266**	**13,346,520**	**746,517**	**8,077,490**	**39,002,974**	
Due to banks and other financial institutions	6,884,952	1,275,615	--	--	--	8,160,567	3.40%
Customer deposits	17,690,655	1,245,709	43,998	--	3,258,759	22,239,121	5.40%
Subordinated debt	1,232,079	-	--	--	--	1,232,079	6.20%
Other liabilities	--	-	--	--	1,420,859	1,420,859	
Absolute investment depositors' account	--	-	--	--	1,037,593	1,037,593	
Shareholder's equity	--	-	--	--	4,912,755	4,912,755	
Total Liabilities and Shareholders' Equity	**25,807,686**	**2,521,324**	**43,998**	--	**10,629,966**	**39,002,974**	
On Balance sheet gap	(12,760,505)	1,263,942	13,302,522	746,517	(2,552,476)	--	
Off Balance sheet gap	1,460,000	--	--	--	--	1,460,000	
Total Interest Rate Sensitivity Gap	**(11,300,505)**	**1,263,942**	**13,302,522**	**746,517**	(2,552,476)	**--**	
Cumulative Interest Rate Sensitivity Gap	**(11,300,505)**	**(10,036,563)**	**3,265,959**	**4,012,476**	**1,460,000**	--	

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)
Interest rate risk (continued)

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	--	2,258,664	19,140,003	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**	**--**	**5,878,275**	**30,058,201**	
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	--	--	--	--	793,635	793,635	
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**	**--**	**7,781,071**	**30,058,201**	
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)**	**(2,112,070)**	--	

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or cash flows of the bank. 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. 1.13 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.

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.

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2008						
Cash and balances with Central Banks	1,375,340	--	--	--	1,176,684	2,552,024
Due from banks and other financial institutions	6,036,167	598,284	589,949	725,367	--	7,949,767
Loans and advances and financing activities to customers	4,953,179	1,184,892	3,002,503	6,553,993	8,271,178	23,965,745
Financial Investments	680,267	--	179,049	1,112,417	1,420,255	3,391,988
Property and equipment	--	--	--	--	495,567	495,567
Other assets	647,883	--	--	--	--	647,883
Total Assets	**13,692,836**	**1,783,176**	**3,771,501**	**8,391,777**	**11,363,684**	**39,002,974**
Due to banks and other financial institutions	6,809,401	75,551	1,090	1,274,525	--	8,160,567
Customer deposits	17,128,752	3,820,662	1,245,709	43,998	--	22,239,121
Subordinated debt	--	--	--	--	1,232,079	1,232,079
Other liabilities	1,420,859	--	--	--	--	1,420,859
Absolute investment depositors' account	1,037,593	--	--	--	--	1,037,593
Shareholders' equity	--	--	--	--	4,912,755	4,912,755
Total Liabilities and Shareholders' Equity	**26,396,605**	**3,896,213**	**1,246,799**	**1,318,523**	**6,144,834**	**39,002,974**
Net Liquidity Gap	(12,703,769)	(2,113,037)	2,524,702	7,073,254	5,218,850	--

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)
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	5,925,195	19,140,003
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**	**7,757,763**	**30,058,201**
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	793,635	--	--	--	--	793,635
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	**18,278,129**	**3,919,725**	**1,453,269**	**1,556,789**	**4,850,289**	**30,058,201**
Net Liquidity Gap	(12,566,376)	133,294	2,241,650	7,283,958	2,907,474	--

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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	US Dollar	Euro	Pound Sterling	Other currencies	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
As at December 31, 2008						
Assets	24,909,363	11,692,656	271,994	76,200	2,052,761	39,002,974
Liabilities and shareholders' equity	(23,808,503)	(14,244,997)	(292,798)	(73,904)	(582,772)	(39,002,974)
Net currency position	1,100,860	(2,552,341)	(20,804)	2,296	1,469,989	--
As at December 31, 2007						
Assets	18,785,753	9,110,278	151,576	806,230	1,204,364	30,058,201
Liabilities and shareholders' equity	(18,444,519)	(10,161,734)	(152,234)	(809,665)	(490,049)	(30,058,201)
Net currency position	341,234	(1,051,456)	(658)	(3,435)	714,315	--

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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 2008 QR'000	Profit / loss 2007 QR'000
USD	+/- 3%	**76,570**	31,554
GBP	+/- 3%	**69**	103
EURO	+/- 3%	**624**	20
KWD	+/- 3%	**3,926**	13,435
YEN	+/- 3%	**28**	2,105

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:

	2008		2007	
	Change in Price %	**Effect on Equity QR'000**	Change in Price %	Effect on Equity QR'000
Quoted investments	+/-10%	242,964	+/- 10%	227,458

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 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

	2008	2007
	QR'000	QR'000
Tier 1 capital	**4,258,679**	2,786,437
Tier 2 capital	**924,914**	1,535,524
Total capital	**5,183,593**	4,321,961
Risk weighted assets	**38,461,315**	27,807,332
Tier 1 Capital ratio	**11.07%**	10.02%
Tier 2 Capital ratio	**13.48%**	15.54%

Regulatory capital consists of Tier 1 capital which comprises share capital, statutory reserve, other reserves and retained earnings including current year profit excluding proposed dividend. The other component of regulatory capital is Tier 2 capital which includes subordinated debt, risk reserve and 45% of the fair value reserve and foreign currency translation reserve if the balance is positive and 100% if it is negative.

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

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 program.

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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 reputation 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.

5. CASH AND BALANCES WITH CENTRAL BANKS

	2008	2007
	QR'000	QR'000
Cash and bank balances	**411,768**	333,772
Cash reserve with Qatar Central Bank	**1,103,892**	625,566
Cash reserve with other Central Banks	**72,792**	106
Other balances with Central Banks	**963,572**	924,264
	2,552,024	1,883,708

The cash reserve with Qatar Central Bank amounting to QR 1,104 million (2007: QR 626 million) and balances with other central banks representing the cash reserve with the Federal Reserve Bank of New York, Central bank of UAE and Central Bank of Kuwait amounting to QR 73 million (2007: QR 0.11 million) are mandatory reserves and are not available for use in the Bank's day-to-day operations. The bank does not have any other cash and cash equivalent that are not available for use.

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2008	2007
	QR'000	QR'000
Current accounts	**179,408**	34,704
Deposits	**5,746,732**	3,704,175
Loans to banks	**2,023,627**	1,489,161
	7,949,767	5,228,040

7. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS

7. a. By Type

		2008	2007
		QR'000	QR'000
(i) Conventional banking loans and advances			
Loans		**19,511,384**	15,990,041
Overdrafts		**1,864,725**	1,362,118
Discounted notes		**98,086**	143,253
Gross loans and advances		**21,474,195**	17,495,412
Specific provision for impairment		**(546,476)**	(557,028)
Net conventional loans and advances	(i)	**20,927,719**	16,938,384
(ii) Islamic Financing activities to customers			
Murabaha and Musawama		**1,302,491**	1,374,787
Istisna		**209,153**	121,078
Ijara		**1,673,257**	973,242
Mudaraba & Musharaka		**149,962**	25,129
Others		**3,451**	1,771
Islamic gross financing activities to customers		**3,338,314**	2,496,007
Less: Deferred income		**(283,246)**	(292,160)
Less: Provision for impairment		**(17,042)**	(2,228)
Net Islamic financing activities to customers	(ii)	**3,038,026**	2,201,619
Net loans and advances and financing activities to customers	(i) + (ii)	**23,965,745**	19,140,003

The aggregate amount of non-performing loans and advances as at 31 December 2008 amounted to QR 723.7 million representing 2.89% (2007: QR 626 million 3.12%) of the total gross loans and advances and financing activities to customers.

7. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS (CONTINUED)

7 .b. By Sector

	2008				2007			
	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	**49,569**	**110,299**	**--**	**159,868**	--	65,590	--	65,590
Government agencies	**675,803**	**93,097**	**--**	**768,900**	535,974	--	--	535,974
Industry	**855,269**	**91,722**	**3,142**	**950,133**	354,593	90,903	1,403	446,899
Commercial	**2,970,462**	**629,583**	**39,571**	**3,639,616**	3,212,741	351,018	125,105	3,688,864
Services	**1,691,832**	**70,659**	**18,568**	**1,781,059**	743,080	84,948	272	828,300
Contracting	**2,123,875**	**300,279**	**28,066**	**2,452,220**	1,654,070	299,752	14,691	1,968,513
Real estate	**4,345,592**	**88,614**	**8,000**	**4,442,206**	2,896,783	51,136	--	2,947,919
Personal	**9,840,329**	**480,382**	**739**	**10,321,450**	8,815,778	375,023	1,104	9,191,905
Others	**293,516**	**3,541**	**--**	**297,057**	271,258	45,519	678	317,455
	22,846,247	**1,868,176**	**98,086**	**24,812,509**	18,484,277	1,363,889	143,253	19,991,419

Total loans and advances include both conventional banking and Islamic banking gross figures before subtracting specific provision for impairment of loans. .

7. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS (CONTINUED):

7.c. Supplementary Information

Distribution of Retail, Corporation and Real Estate Portfolio

As at December 31, 2008

Business Sector	Performing Loans	Non-Performing Loans	Total	Provisions
	QR'000	QR'000	QR'000	QR'000
Corporate	12,289,035	358,240	12,647,275	296,937
Retail	7,358,331	365,471	7,723,802	266,581
Real Estate	4,441,432	--	4,441,432	--
Total	**24,088,798**	**723,711**	**24,812,509**	**563,518**

As at December 31, 2007

Business Sector	Performing Loans	Non-Performing Loans	Total	Provisions
	QR'000	QR'000	QR'000	QR'000
Corporate	8,716,101	404,308	9,120,409	399,605
Retail	7,712,991	221,651	7,934,642	156,762
Real Estate	2,936,368	--	2,936,368	2,889
Total	19,365,460	625,959	19,991,419	559,256

7. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS (CONTINUED)

7.d. Movement in provisions

	2008	2007
	Specific	Specific
	QR'000	QR'000
At January 1,	**559,256**	587,628
Net provisions during the year	**96,873**	51,937
Provisions made during the year	**193,741**	146,049
Recoveries during the year	**(96,868)**	(94,112)
Written off during the year	**(92,611)**	(80,309)
At December 31,	**563,518**	559,256

7.e. 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:

	2008		2007	
Classification	**Net Exposure QR'000**	**Collateral QR'000**	Net Exposure QR'000	Collateral QR'000
90 - 180 days	**170,756**	**67,306**	209,769	128,938
180 to 365 days	**128,655**	**52,045**	41,450	60,642
Above 365 days	**424,300**	**161,164**	374,740	146,224
	723,711	**280,515**	625,959	335,804

The past due but not impaired loans and advances and financing activities to customers at the end of the year were QR. 240 million.

7.f. Renegotiated Loans and Advances and Financing Activities to Customers

	2008	2007
	QR'000	QR'000
Corporate lending	**29,325**	44,658
Retail lending	**47,878**	15,072
Total	**77,203**	59,730

8. FINANCIAL INVESTMENTS

Available-for-sale and held to maturity investments

	2008	2007
	QR '000	QR '000
Available-for-sale investments (a)	2,245,143	3,080,361
Held to maturity investments (b)	1,134,614	23,513
Total	3,379,757	3,103,874

(a). Available for sale investments

	2008			2007		
	Quoted QR'000	Unquoted QR'000	Total QR'000	Quoted QR'000	Unquoted QR'000	Total QR'000
Equities	608,593	66,627	675,220	438,266	22,286	460,552
State of Qatar debt securities	259,415	782,944	1,042,359	928,571	782,944	1,711,515
Other debt securities	31,020	--	31,020	325,261	--	325,261
Mutual funds	496,001	543	496,544	582,489	544	583,033
	1,395,029	850,114	2,245,143	2,274,587	805,774	3,080,361

Fixed rate debt securities and floating rate debt securities amounted to QR 962 million and QR.111 million respectively as at December 31, 2008 (December 31, 2007: QR. 1,671 million and QR 380 million respectively).

Included in equities are securities with a market value of QR 11.1 million (2007: QR 15.1 million) restricted due to the Bank holding directorships in investee companies and securities with a market value of QR 18.3 million (2007: QR 34.3 million) restricted due to contractual agreement with the investee companies.

(b). Held to maturity investments

	2008			2007		
	Quoted QR'000	Unquoted QR'000	Total QR'000	Quoted QR'000	Unquoted QR'000	Total QR'000
Debt security	1,134,614	--	1,134,614	23,513	--	23,513

Quoted debt securities include QR. 713 Millions of Government Bonds. (2007: Nil).Fixed rate debt securities and floating rate debt securities amounted to QR 605 million and QR. 345 million respectively as at December 31, 2008 (2007: Floating rate debt security 24 millions)

During the year, the bank reclassified its State of Qatar debt bonds and other debt securities amounting to QR. 1,111 millions from Available-for-sale investments to Held-to-maturity in accordance with the pronouncement of International Accounting Standards Board on amendment to IAS 39.

8. FINANCIAL INVESTMENTS (CONTINUED)

(c). Investment in Associate

	2008	2007
	QR ’000	QR ’000
Investment in Associate	**12,231**	10,256

The movement of investment in associate is as follows:		
Balance at January 1,	**10,256**	--
Acquisition during the year	**5,249**	9,812
Foreign currency translation	**(2,981)**	--
Share of net (loss)/profit	**(293)**	444
Balance at the end of the year	**12,231**	10,256

Summarized financial information in respect of the Bank’s associates is set out below:

	2008	2007
	QR ’000	QR ’000
Total assets	**16,711**	28,806
Total liabilities	**(5,800)**	(19,743)
Net assets	**10,911**	9,063
Bank’s share of net assets of associate	**5,346**	4,441
Total Revenue	**8,839**	10,983
Net (Loss)/Profit for the year/period	**(598)**	1,254
Bank’s share of (loss) profit	**(293)**	444

Investment in associate Company includes an amount of QR. 6.9 million representing the excess of cost over the Bank’s share of net assets of associate.

9. 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, 2008:					
Cost:					
Balance at January 1,	228,931	88,312	163,956	8,383	489,582
Additions	209,955	12,251	14,004	3,061	239,271
Disposals	--	(472)	(1,265)	(824)	(2,561)
	438,886	100,091	176,695	10,620	726,292
Accumulated depreciation:					
Balance at January 1,	36,824	39,500	110,462	4,012	190,798
Depreciation for the year	6,285	11,072	23,555	1,576	42,488
Related to disposals	--	(472)	(1,265)	(824)	(2,561)
	43,109	50,100	132,752	4,764	230,725
Net Book Value	**395,777**	**49,991**	**43,943**	**5,856**	**495,567**
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
Related to 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, 2008 amounting to QR 208 million (2007: QR 108 million). Included in additions for the year is an amount of QR. 14 million related to finance cost capitalized.

10. OTHER ASSETS

	2008 QR'000	2007 QR'000
Interest receivable	**186,297**	135,722
Advance payments	**76,563**	59,434
Accounts receivable	**4,180**	6,308
Interest rate swaps	**--**	9,406
Others	**380,843**	182,666
	647,883	393,536

11. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2008 QR'000	2007 QR'000
Due to Qatar Central Bank	**2,096,833**	63,997
Demand and call deposits	**227,203**	652,623
Term deposits	**136,394**	80,508
Borrowings from banks	**5,700,137**	3,573,787
	8,160,567	4,370,915

12. CUSTOMER DEPOSITS

	2008 QR'000	2007 QR'000
(a) By type		
(i) Conventional banking customer deposits		
Current and call accounts	**5,371,663**	4,361,608
Savings accounts	**712,617**	631,273
Term deposits	**15,864,324**	14,219,839
	21,948,604	19,212,720
(ii) Islamic banking current accounts	**290,517**	463,937
	22,239,121	19,676,657

	2008 QR'000	2007 QR'000
(b) By sector		
Government	**2,392,839**	2,124,868
Government agencies	**6,485,912**	5,421,481
Corporate	**7,313,629**	6,035,724
Individuals	**6,046,741**	6,094,584
	22,239,121	19,676,657

13. SUBORDINATED DEBT

	2008 QR'000	2007 QR'000
Subordinated notes		
Nominal value	**1,238,110**	1,238,110
Less: Un-amortised portion of financing costs	**(6,031)**	(6,793)
Amortised cost at December 31,	**1,232,079**	1,231,317

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.

14. OTHER LIABILITIES

	2008 QR'000	2007 QR'000
Payment orders issued	**29,440**	79,304
Interest payable	**239,903**	100,481
Cash margins	**122,844**	152,758
Accounts payable	**166,782**	69,497
Provision for end of service benefits (Note 15)	**73,433**	58,070
Staff provident fund	**31,316**	26,994
Accrued expenses	**49,848**	36,355
Other payables	**416,658**	73,108
Deferred insurance commission	**139,114**	170,718
Interest rate swap (Note 28)	**151,521**	26,350
	1,420,859	793,635

The staff provident fund provision includes Qatari staff pension fund contributions amounting to QR 2.6 million (2007: QR 2.8 million).

15. PROVISION FOR END OF SERVICE BENEFITS

	2008 QR'000	2007 QR'000
Balance at January 1,	**58,070**	38,212
Provision for the year	**19,529**	23,287
Provision used during the year	**(4,166)**	(3,429)
Balance at December 31,	**73,433**	58,070

The provision for end of service benefits is included in other liabilities (Note 14).

16. ABSOLUTE INVESTMENT DEPOSITORS' ACCOUNTS

	2008 QR'000	2007 QR'000
Call investment accounts	**33,359**	50,780
Saving accounts	**59,435**	83,483
Term deposits	**901,150**	222,146
Absolute investment depositor's share of profit	**43,649**	10,296
	1,037,593	366,705

17. SHAREHOLDERS' EQUITY

(a) Share capital

	2008 Number of shares (Thousand)	2007 Number of shares (Thousand)
Authorised		
Shares of QR 10 each	**172,248**	124,818

	Number of shares (Thousand)	Number of shares (Thousand)
Issued and fully paid		
At January 1,	**124,818**	124,818
Bonus shares issued	**24,964**	--
Rights issue	**22,466**	--
At December 31,	**172,248**	124,818

(b) Advance capital received

In accordance with the shareholders approval of the extra ordinary general assembly held on December 21, 2008, the bank allotted 20% additional share capital to Qatar Investment Authority (QIA). As a part of additional share capital, the bank received an advance payment of 5% from QIA towards additional share capital which includes share premium.

(c) Statutory reserve

In accordance with Qatar Central Bank's Law No. 33 of 2006 as amended, 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. The Bank has resolved to discontinue such transfers as the reserve has reached 100% of the paid up capital.

17. SHAREHOLDERS' EQUITY (CONTINUED)

(d) Risk reserve

In accordance with Qatar Central Bank regulations a minimum percentage of 1.5 from the net loans and advances and financing activities to customers to cover contingent liabilities except for facilities granted to Government.
During the year the Bank has transferred an amount of QR 72 million to the risk reserve.

(e) Fair value reserve

	2008	2007
	QR'000	QR'000
Balance at January 1,	**70,454**	65,912
Revaluation result	**(650,320)**	(64,750)
Amount transferred to the income statement	**87,502**	69,292
Net change within the year	**(562,818)**	4,542
Balance at December 31,	**(492,364)**	70,454

(f) Foreign currency translation reserve

Foreign currency translation reserve represents exchange difference relating to the valuation of foreign investments in associate.

(g) Proposed dividends

The Board of Directors in its meeting held on November 2, 2008 has proposed a cash dividend of 50% (QR. 5 per share) (2007: 40%, (QR4.0 per share and a bonus share of 20% of the share capital). The above is subject to the approval of the shareholders in the forthcoming general assembly.

(h) Right issues

The Board of directors in its meeting held on January 14, 2008 has proposed to increase the Bank's capital during 2008 and 2009 by way of right issues in two phases; 15% in phase one, which was completed in May 2008 and 15% in phase two. Phase two of the rights issue is not expected to take place in the year 2009.

18. INTEREST INCOME

	2008 QR'000	2007 QR'000
Balances with Central Bank	**18,182**	12,569
Due from banks and other financial institutions	**209,016**	277,263
Bonds	**132,628**	119,394
Loans and advances to customers	**1,626,142**	1,267,764
	1,985,968	1,676,990

19. INTEREST EXPENSE

	2008 QR'000	2007 QR'000
Due to banks and other financial institutions	**163,904**	135,097
Customer deposits	**813,836**	734,777
Borrowings from banks	**82,757**	123,289
	1,060,497	993,163

20. FEES AND COMMISSION INCOME

	2008 QR'000	2007 QR'000
Loans and advances	**118,526**	109,048
Indirect credit facilities	**112,326**	92,379
Bank services fee	**99,849**	74,338
Investment activities to customers	**1,077**	6,545
Others	**12,616**	19,264
	344,394	301,574

21. DIVIDEND INCOME

	2008 QR'000	2007 QR'000
Available-for-sale financial investments	**15,544**	22,353

22 (a) NET GAIN ON FOREIGN EXCHANGE ACTIVITIES

	2008 QR'000	2007 QR'000
Gains on foreign exchange dealings	**23,564**	7,313
Revaluation of assets and liabilities	**32,884**	67,686
	56,448	74,999

22 (b) NET GAIN ON FINANCIAL INVETSMENTS

	2008 QR'000	2007 QR'000
Available for sale investments	**177,609**	210,756
Amortization of Held to Maturity investments	**(5,094)**	--
	172,515	210,756

23. INCOME FROM ASSOCIATE

	2008 QR'000	2007 QR'000
Total revenue	**8,839**	10,983
Total (loss) /profit for the year/period	**(598)**	1,254
Bank's Share of (Loss) /Profit of the Associate	**(293)**	444

24. NET (LOSS) GAIN ON DERIVATIVES

	2008 QR'000	2007 QR'000
Gain on revaluation of forward foreign currency contracts	--	676
Losses on derivatives	**(64,951)**	--
	(64,951)	676

Losses on derivatives include mark to market loss on credit default swaps and total return swaps.

25. OTHER OPERATING INCOME

	2008 QR'000	2007 QR'000
Profit on disposal of property and equipment	**1,820**	12,216
Others	**29,986**	20,444
	31,806	32,660

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2008 QR'000	2007 QR'000
Salaries, allowances and other staff costs	**237,007**	188,544
Directors remuneration	**14,000**	28,000
End of service benefits	**19,529**	23,287
Staff provident fund	**4,938**	3,745
Advertising and marketing	**28,237**	34,680
Legal and professional fees	**9,703**	23,255
Communication, utilities and insurance	**48,965**	44,196
Rent and maintenance	**67,294**	56,774
Others	**67,643**	51,172
	497,316	453,653

27. BASIC 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.

	2008	2007
Net profit for the year (QR'000)	**946,502**	926,464
Weighted average number of shares (Thousands)	**167,009**	149,781
Basic and diluted earnings per share (QR)	**5.67**	6.18

28. DERIVATIVE INSTRUMENTS

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analyzed 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.

				Notional amount by term to maturity			
	Positive Fair Value QR'000	Negative Fair Value QR'000	Notional Amount QR'000	Within 3 Months QR'000	3 - 12 Months QR'000	1-5 Years QR'000	More than 5 Years QR'000
December 31, 2008:							
Derivatives Held for Trading:							
Total return swaps	--	38,049	109,500	--	36,500	73,000	--
Credit default swaps	--	16,221	36,500	--	--	36,500	--
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	--	97,251	1,460,000	--	--	1,460,000	--
Total	**--**	**151,521**	**1,606,000**	**--**	**36,500**	**1,569,500**	**--**
December 31, 2007:							
Derivatives Held for Trading:							
Total return swaps	--	--	109,500	--	--	109,500	--
Credit default swaps	--	--	36,500	--	--	36,500	--
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	9,406	26,350	1,966,070	--	--	1,966,070	--
Total	**9,406**	**26,350**	**2,112,070**	**--**	**--**	**2,112,070**	**--**

The Bank does not enter into forward foreign exchange contracts for purely speculative purposes and will generally only enter into such arrangements if there is an underlying customer transaction.

29. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Bank issues various irrevocable commitments and contingent liabilities. However, 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 some instances, the amounts recognized on balance sheet for incurred obligation do not represent the loss potential of the arrangement in full.
The total outstanding commitments and contingent liabilities are as follows:

	2008	2007
	QR'000	QR'000
a) Contingent liabilities		
Acceptances	**623,432**	351,035
Guarantees	**9,161,250**	6,571,029
Letters of credit	**2,025,181**	3,244,051
Others	**778,453**	620,019
	12,588,316	10,786,134
(b) Other commitments		
Unused facilities	**4,706,880**	1,106,367
Capital commitments	**123,306**	223,579
Forward foreign exchange contracts	**1,203,186**	1,277,904
Interest rate swaps	**1,460,000**	1,460,000
Credit default swaps	**36,500**	36,500
Total return swaps	**109,500**	109,500
	7,639,372	4,213,850
Total	**20,227,688**	14,999,984

Acceptances, guarantees and letters of credit

Guarantees 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, acceptances 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.

Capital commitments

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

29. CONTINGENT LIABILITIES AND COMMITMENTS

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-cancelable leases as at December 31, 2008 are as follows:

	2008 **QR'000**	2007 QR'000
Within one year	**35,209**	33,447
After one year but not more than five years	**40,219**	44,416
	75,428	77,863

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, 2008						
Cash and balances with Central Banks	2,353,570	145,391	--	53,063	--	2,552,024
Due from banks and other financial institutions	3,227,239	2,813,935	436,856	131,607	1,340,130	7,949,767
Loans and advances and financing activities to customers	22,819,166	754,149	8,303	24,302	359,825	23,965,745
Investments	2,213,146	570,211	303,041	--	305,590	3,391,988
Property and equipment	481,946	11,303	--	2,318	--	495,567
Other assets	644,954	2,477	--	452	--	647,883
Total Assets	**31,740,021**	**4,297,466**	**748,200**	**211,742**	**2,005,545**	**39,002,974**
Due to banks and other financial institutions	5,563,955	1,070,242	137,402	459	1,388,509	8,160,567
Customer deposits	21,789,152	449,039	899	31	--	22,239,121
Subordinated debt	--	--	1,232,079	--	--	1,232,079
Other liabilities	1,405,627	10,476	--	4,756	--	1,420,859
Absolute investment depositors' accounts	1,037,593	--	--	--	--	1,037,593
Shareholders' equity	4,912,755	--	--	--	--	4,912,755
Total Liabilities and Shareholders' Equity	**34,709,082**	**1,529,757**	**1,370,380**	**5,246**	**1,388,509**	**39,002,974**

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, 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	18,024,672	760,687	99,285	12,054	243,305	19,140,003
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	**22,385,858**	**3,923,355**	**2,850,216**	**197,896**	**700,876**	**30,058,201**
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	780,061	3,681	9,893	--	--	793,635
Absolute investment depositors' accounts	366,705	--	--	--	--	366,705
Shareholders' equity	3,618,972	--	--	--	--	3,618,972
Total Liabilities and Shareholders' Equity	**24,941,933**	**1,935,729**	**2,776,448**	**36,916**	**367,175**	**30,058,201**

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.

	2008			2007		
	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	**727,804**	**--**	**727,804**	540,738	--	540,738
Deposits	**60,100**	**1,404**	**61,504**	178,051	1,848	179,899
Contingent liabilities and other commitments	**101,312**	**--**	**101,312**	151,074	--	151,074
Statement of income items (for the year ended December 31)						
Interest and commission income	**30,568**	**--**	**30,568**	19,720	--	19,720
Interest and commission expense	**5,158**	**15**	**5,173**	7,633	206	7,839

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

	2008			2007		
	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	**7,311**	**15,666**	**22,977**	8,558	8,737	17,295
End of service indemnity benefits and provident fund	**1,144**	**1,127**	**2,271**	702	1,520	2,222
	8,455	**16,793**	**25,248**	9,260	10,257	19,517

Board of Directors' Fees

The Board of Director's fees for the year 2008 amounted to QR. 14 million (not included in the above) which is subject to the approval of General Assembly.

32. CASH AND CASH EQUIVALENTS

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

	2008	2007
	QR'000	QR'000
Cash and balances with Central Banks	**1,375,340**	893,153
Due from banks and other financial institutions with original maturities of 3 months or less	**6,634,451**	3,760,895
	8,009,791	4,654,048

Cash and balances with Central Banks do not include mandatory 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:

	2008				
	Conventional banking QR'000	**Islamic banking QR'000**	**Insurance QR'000**	**Information Technology QR'000**	**Total QR'000**
Net premium		--	16,718	--	16,718
Net interest income	925,471	--	--	--	925,471
Net fees and commission income	329,711	10,210	--	--	339,921
Net income from Islamic financing and investment activities	--	182,007	--	--	182,007
Loss from Associate Company	(293)	--	--	--	(293)
Total other operating income	201,366	3,115	6,018	863	211,362
Recovery (provision) for impairment of loans and advances	(44,782)	(12,152)	--	--	(56,934)
				--	
Net operating income	1,411,473	183,180	22,736	863	1,618,252
General and administration expenses	(464,949)	(15,661)	(15,988)	(718)	(497,316)
Depreciation	(41,169)	(1,259)	(60)	--	(42,488)
Impairment losses on financial investments	(131,541)	--	--	--	(131,541)
Segment results/net profit before taxes	773,814	166,260	6,688	145	946,907
Income tax expense	371		(776)		(405)
Net profit for the year	**774,185**	**166,260**	**5,912**	**145**	**946,502**
Assets and liabilities					
Total assets	**35,546,392**	**3,295,122**	**160,262**	**1,198**	**39,002,974**
Total liabilities	**31,132,627**	**2,904,563**	**52,967**	**62**	**34,090,219**
Other segment information					
Capital expenditure	**224,873**	**164**	**234**	--	**225,271**

Geographically, the Bank operates in United States of America, Kuwait and U.A.E. Qatar operations contributed 98.7% of the Bank's profit (2007: 100%) and more than 98.29% of the assets (2007 : 98.28%). Geographic distribution of the Bank's assets and liabilities is further detailed in Note 30.

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			
	Conventional banking	Insurance	Islamic banking	Total
	QR'000	QR'000	QR'000	QR'000
Net premium	--	79	--	79
Net interest income	683,827	--	--	683,827
Net fees and commission income	289,991	--	7,463	297,454
Net income from Islamic financing and investment activities	--	--	149,033	149,033
Income from Associate Company	444	--	--	444
Total other operating income	333,756	446	7,242	341,444
Recovery (provision) for impairment of loans and advances	(19,463)	--	(1,422)	(20,885)
Net operating income	1,288,555	525	162,316	1,451,396
General and administration expenses	(441,565)	(209)	(11,879)	(453,653)
Depreciation	(32,732)	(2)	(978)	(33,712)
Impairment losses on financial investments	(37,236)	--	--	(37,236)
Segment results/net profit before taxes	777,022	314	149,459	926,795
Income tax expense	(331)	--	--	(331)
Net profit for the year	776,691	314	149,459	926,464
Assets and liabilities				
Total assets	27,717,220	--	2,370,892	30,088,112
Total liabilities	24,384,993	--	2,084,147	26,469,140
Other segment information				
Capital expenditure	150,231	70	3,269	153,570

34. COMPARATIVE FIGURES

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

35. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying Bank's accounting policies, management has used its judgments and estimates in determining the amounts recognised in the consolidated financial statements. The most significant judgments 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 value 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 objective evidence that the estimated future cash flows of the investment will be impacted leading to a permanent decline in the fair value of the investment. In deciding on permanent impairments and in light of the recent and unprecedented levels of volatility in the financial markets the Bank evaluates many factors. These include an analysis of normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities, along with a comprehensive analysis of the strength of the underlying fundamentals of the investments and the macro economic environments in which they operate.

Islamic Banking

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

Islamic branches accounts are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and Qatar Central Bank regulations.

(i) Balance Sheet as at December 31, 2008

	2008 QR'000	2007 QR'000
ASSETS		
Cash	6,390	9,300
Due from financing activities to customers	3,038,026	2,201,619
Financial investments	14,566	14,566
Furniture and equipment	6,380	7,520
Other assets	229,760	107,976
TOTAL ASSETS	**3,295,122**	**2,340,981**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Customer current accounts	290,517	463,964
Other liabilities	1,576,453	1,223,567
TOTAL LIABILITIES	**1,866,970**	**1,687,531**
ABSOLUTE INVESTMENT DEPOSITORS' ACCOUNTS	**1,037,593**	**366,705**
SHAREHOLDERS' EQUITY		
Funds provided by the Head Office	125,000	125,000
Retained earnings	265,559	161,745
TOTAL SHAREHOLDERS' EQUITY	**390,559**	**286,745**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,295,122**	**2,340,981**

ii) Statement of income for the year ended December 31, 2008

	2008 QR'000	2007 QR'000
Income from financing activities	252,896	177,512
Income from investing activities	629	604
Total income from financing and investing activities	**253,525**	**178,116**
Fees and commission income	10,210	7,463
Other operating income	3,115	7,242
TOTAL OPERATING INCOME	**266,850**	**192,821**
General and administration expenses	(15,661)	(11,879)
Provision	(12,152)	(1,422)
Depreciation of furniture and equipment	(1,259)	(978)
NET PROFIT FOR THE YEAR	**237,778**	**178,542**
Less:		
Absolute investment depositor's share of profit	(71,518)	(29,083)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**166,260**	**149,459**