QNB

Consolidated Financial Statements

31 December 2009

Independent Auditors' Report to the Shareholders of Qatar National Bank S.A.Q.

Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar National Bank S.A.Q (the "Bank") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2009 and the statements of consolidated income statement , comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the directors for the consolidated financial statements

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

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group'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 Group's internal controls. An audit also includes evaluating the appropriateness of accounting principles 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 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and applicable Qatar Central Bank regulations.

Report on other legal and regulatory requirements

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the financial information contained thereon is in agreement with the books and records of the Group. We are not aware of any violations of the provisions of Qatar Central Bank Law No . 33 of 2006 or Qatar Commercial Law No. 5 of 2002 and the amendments thereto and the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as of 31 December 2009. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

12 January 2010
Doha
State of Qatar

Qatar National Bank S.A.Q.
Consolidated Statement of Financial Position
As at 31 December 2009

	Note	2009 QR000	2008 QR000
ASSETS			
Cash and Balances with Central Banks	4	9,880,170	6,269,596
Due from Banks and Other Financial Institutions	5	30,181,027	27,044,455
Loans and Advances and Financing Activities to Customers	6	108,783,261	100,053,490
Investment Securities	7	23,332,759	11,814,912
Investments in Associates	8	4,443,666	4,596,644
Property and Equipment	9	713,036	618,237
Other Assets	10	1,994,995	1,576,284
Total Assets		**179,328,914**	**151,973,618**
LIABILITIES			
Due to Banks and Other Financial Institutions	11	20,794,043	19,721,259
Repurchase Agreements		2,085,852	2,267,416
Customer Deposits	12	108,772,496	94,972,965
Other Borrowings	13	6,723,541	6,719,147
Other Liabilities	14	3,881,434	2,369,934
Total Liabilities		**142,257,366**	**126,050,721**
Unrestricted Investment Accounts	16	17,099,719	9,279,672
Total Liabilities and Unrestricted Investment Accounts		**159,357,085**	**135,330,393**
EQUITY			
Issued Capital	17	3,011,208	2,408,966
Statutory Reserve	17	7,650,698	6,829,459
Other Reserves	17	1,769,386	1,789,787
Risk Reserve	17	1,410,000	1,410,000
Fair Value Reserve	17	489,147	(274,167)
Proposed Dividend	17	1,204,483	1,806,724
Proposed Bonus Shares	17	903,362	602,242
Proposed Transfer to Statutory Reserve		903,362	821,239
Retained Earnings		2,439,491	1,248,975
Total Equity Attributable to Equity Holders of Parent		**19,781,137**	**16,643,225**
Non - Controlling Interest	18	190,692	-
Total Equity		**19,971,829**	**16,643,225**
Total Liabilities, Unrestricted Investment Accounts and Equity		**179,328,914**	**151,973,618**

These financial statements were approved by the Board of Directors on 12 January 2010 and were signed on its behalf by:

Yousef Hussain Kamal
Chairman

Ali Shareef Al-Emadi
Group Chief Executive Officer

The attached notes 1 to 38 form an integral part of these consolidated financial statements .

Qatar National Bank S.A.Q.
Consolidated Income Statement
For the Year Ended 31 December 2009

	Note	2009 QR000	2008 QR000 (Restated)
Continuing Operations			
Interest Income	19	6,394,834	6,116,138
Interest Expense	20	(3,080,578)	(3,606,705)
Net Interest Income		**3,314,256**	**2,509,433**
Income from Islamic Financing and Investing Activities	21	900,872	689,135
Unrestricted Investment Account Holders' Share of Profit		(488,866)	(362,774)
Net Income from Islamic Financing and Investing Activities		**412,006**	**326,361**
Net Interest Income and Income from Islamic Financing and Investing Activities		**3,726,262**	**2,835,794**
Fee and Commission Income	22	1,031,037	992,557
Fee and Commission Expense		(63,291)	(76,057)
Net Fee and Commission Income		**967,746**	**916,500**
Dividend Income	23	204,962	137,524
Net Gains from Foreign Currency Transactions	24	304,809	327,866
Net Gains from Investment Securities	25	142,266	569,286
Share in Profit of Associates	8	292,795	200,299
Other Operating Income	26	18,337	103,881
Net Operating Income		**5,657,177**	**5,091,150**
General and Administrative Expenses	27	(995,860)	(941,375)
Depreciation	9	(110,998)	(101,015)
Provisions for Credit Losses on Loans and Advances	6	(281,106)	(247,693)
Net Impairment Losses on Investment Securities		(73,823)	(130,361)
Other Provisions	15	(3,950)	(85)
Profit Before Income Taxes		**4,191,440**	**3,670,621**
Income Tax Expense		(17,140)	(19,762)
Profit for the Year from Continuing Operations		**4,174,300**	**3,650,859**
Profit from Discontinued Operations	28	14,167	1,686
Profit for the Year		**4,188,467**	**3,652,545**
Attributable to:			
Equity Holders of the Parent		**4,201,723**	**3,652,545**
Non - Controlling Interest		(13,256)	-
Profit for the Year		**4,188,467**	**3,652,545**
Basic and Diluted Earnings Per Share (QR)	29	14.0	12.3

The attached notes 1 to 38 form an integral part of these consolidated financial statements .

Qatar National Bank S.A.Q.
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2009

	2009 QR000	2008 QR000 (Restated)
Profit for the Year	**4,188,467**	**3,652,545**
Other Comprehensive Income, net of income tax		
Foreign Currency Translation Differences for Foreign Operations	(20,528)	20,109
Share of Other Comprehensive Income of Associates	127	18,062
Effective Portion of Changes in Fair Value of Cash Flow Hedges	49,460	(141,116)
Net Gain / (Loss) on Revaluation of Available for Sale Investment Securities	713,854	(2,479,709)
Total Other Comprehensive Income for the Year, net of Tax	**742,913**	**(2,582,654)**
Total Comprehensive Income for the Year	**4,931,380**	**1,069,891**
Attributable to:		
Equity Holders of the Parent	4,944,636	1,069,891
Non - Controlling Interest	(13,256)	-
Total Comprehensive Income for the Year	**4,931,380**	**1,069,891**

The attached notes 1 to 38 form an integral part of these consolidated financial statements .

Qatar National Bank S.A.Q.
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2009

	Issued Capital	Statutory Reserve	Other Reserves	Risk Reserve	Fair Value Reserve	Proposed Dividend	Proposed Bonus Shares	Proposed Transfer to Statutory Reserve	Retained Earnings	Equity Attributable to Equity Holders of Parent	Non Controlling Interest	Total
	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000
nce at 1 January 2009	2,408,966	6,829,459	1,789,787	1,410,000	(274,167)	1,806,724	602,242	821,239	1,248,975	16,643,225	-	16,643,225
l Comprehensive Income for the Year												
t for the Year	-	-	-	-	-	-	-	-	4,201,723	4,201,723	(13,256)	4,188,467
r Comprehensive Income, net of Income Tax												
Movement in Currency Translation Differences	-	-	(20,528)	-	-	-	-	-	-	(20,528)	-	(20,528)
re of Other Comprehensive Income of Associate	-	-	127	-	-	-	-	-	-	127	-	127
Movement in Fair Value Reserve	-	-	-	-	763,314	-	-	-	-	763,314	-	763,314
l Other Comprehensive Income	-	-	(20,401)	-	763,314	-	-	-	-	742,913	-	742,913
l Comprehensive Income for the Year	-	-	(20,401)	-	763,314	-	-	-	4,201,723	4,944,636	(13,256)	4,931,380
dend Declared for the year 2008	-	-	-	-	-	(1,806,724)	-	-	-	(1,806,724)	-	(1,806,724)
us Shares for the year 2008	602,242	-	-	-	-	-	(602,242)	-	-	-	-	-
sfer to Statutory Reserve for the Year 2008	-	821,239	-	-	-	-	-	(821,239)	-	-	-	-
osed Dividend	-	-	-	-	-	1,204,483	-	-	(1,204,483)	-	-	-
osed Bonus Shares	-	-	-	-	-	-	903,362	-	(903,362)	-	-	-
osed Transfer to Statutory Reserve	-	-	-	-	-	-	-	903,362	(903,362)	-	-	-
Movement in Non controlling Interest	-	-	-	-	-	-	-	-	-	-	203,948	203,948
ance at 31 December 2009	**3,011,208**	**7,650,698**	**1,769,386**	**1,410,000**	**489,147**	**1,204,483**	**903,362**	**903,362**	**2,439,491**	**19,781,137**	**190,692**	**19,971,829**
nce at 1 January 2008	1,824,975	3,852,723	1,751,616	783,072	2,346,658	912,487	364,995	567,770	1,453,563	13,857,859	505	13,858,364
l Comprehensive Income for the Year												
Profit for the Year	-	-	-	-	-	-	-	-	3,652,545	3,652,545	-	3,652,545
r Comprehensive Income, net of Income Tax												
Movement in Risk Reserve	-	-	-	626,928	-	-	-	-	(626,928)	-	-	-
Movement in Currency Translation Differences	-	-	20,109	-	-	-	-	-	-	20,109	-	20,109
re of Other Comprehensive Income of Associate	-	-	18,062							18,062	-	18,062
Movement in Fair Value Reserve	-	-	-	-	(2,620,825)	-	-	-	-	(2,620,825)	-	(2,620,825)
l Other Comprehensive Income	-	-	38,171	626,928	(2,620,825)	-	-	-	(626,928)	(2,582,654)	-	(2,582,654)
l Comprehensive Income for the Year	-	-	38,171	626,928	(2,620,825)	-	-	-	3,025,617	1,069,891	-	1,069,891
dend Declared for the Year 2007	-	-	-	-	-	(912,487)	-	-	-	(912,487)	-	(912,487)
us Shares for the Year 2007	364,995	-	-	-	-	-	(364,995)	-	-	-	-	-
nts Issue	218,996									218,996	-	218,996
mium on Rights Issue	-	2,408,966	-	-	-	-	-	-	-	2,408,966	-	2,408,966
nsfer to Statutory Reserve for the Year 2007	-	567,770	-	-	-	-	-	(567,770)	-	-	-	-
posed Dividend	-	-	-	-	-	1,806,724	-	-	(1,806,724)	-	-	-
posed Bonus Shares	-	-	-	-	-	-	602,242	-	(602,242)	-	-	-
posed Transfer to Statutory Reserve	-	-	-	-	-	-	-	821,239	(821,239)	-	-	-
Movement in Non controlling Interest	-	-	-	-	-	-	-	-	-	-	(505)	(505)
ance at 31 December 2008	**2,408,966**	**6,829,459**	**1,789,787**	**1,410,000**	**(274,167)**	**1,806,724**	**602,242**	**821,239**	**1,248,975**	**16,643,225**	**0**	**16,643,225**

Qatar National Bank S.A.Q.
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2009

	Note	2009 QR000	2008 QR000
Cash Flows from Operating Activities			
Profit for the Year Before Taxes		4,205,607	3,672,307
Reconciliation of Profit for the Year to Net Cash Flow from Operating Activities			
Depreciation	9	110,998	102,727
Provisions for Credit Losses on Loans and Advances	6	281,106	247,612
Net Impairment Losses on Investment Securities		73,823	130,336
Other Provisions	15	8,974	9,315
Staff Indemnity Paid	15	(3,566)	(3,856)
Net Profit on Sale of Property and Equipment		(3,543)	(89,576)
Net Gain on Sale of Investment Securities	25	(142,266)	(569,286)
Income Tax Expense		(8,005)	(16,800)
Net Amortisation of Premium or Discount on Financial Investments		3,469	22,979
Net Gain from Sale of Discontinued Operations	28	(14,167)	-
Share in Profit of Associates, net of dividends received	8	(174,648)	(200,299)
		4,337,782	**3,305,459**
Change in Due from Banks and Other Financial Institutions		(467,256)	(541,632)
Change in Loans and Advances and Financing Activities to Customers		(21,864,332)	(34,236,965)
Change in Other Assets		(450,688)	(196,269)
Change in Due to Banks and Other Financial Institutions		1,079,621	9,792,907
Change in Repurchase Agreements		(181,564)	(227,726)
Change in Customer Deposits and Unrestricted Investment Accounts		22,790,803	24,888,756
Change in Other Borrowings		4,394	4,328
Change in Other Liabilities		1,506,608	233,587
Net Cash from Operating Activities		**6,755,368**	**3,022,445**
Cash Flows from Investing Activities			
Acquisition of Investment Securities	7	(4,968,959)	(7,299,111)
Proceeds from Sale / Redemption of Investment Securities	7	7,381,867	4,550,260
Investments in Associates	8	(100,688)	(1,676,913)
Proceeds from Sale of Associates		-	-
Aquisition of Property and Equipment	9	(240,237)	(344,372)
Proceeds from Sale of Property and Equipment		50,750	262,396
Disposal of Discontinued Operations, net of Cash Disposed Off		117,178	-
Net Cash from / (used in) Investing Activities		**2,239,911**	**(4,507,740)**
Cash Flows from Financing Activities			
Dividend Paid		(1,820,206)	(903,227)
Proceeds from Rights Issue		-	2,627,962
Net Cash (used in) / from Financing Activities		**(1,820,206)**	**1,724,735**
Net Increase in Cash and Cash Equivalents		**7,175,073**	**239,440**
Effect of Exchange Rate Fluctuations on Cash Held		(46,361)	281,802
Cash and Cash Equivalents at 1 January		27,969,184	27,447,942
Cash and Cash Equivalents at 31 December	36	**35,097,896**	**27,969,184**

The attached notes 1 to 38 form an integral part of these consolidated financial statements .

1. CORPORATE INFORMATION

Qatar National Bank S.A.Q. ("QNB" or "the Bank") was incorporated in the State of Qatar on 6 June 1964 as a Joint Stock Company under Emiri Decree No. 7 issued in 1964. The registered office of the Bank is in Doha, State of Qatar.

The Bank together with its subsidiaries (together referred to as the "Group") is engaged in commercial and Islamic banking activities and operates through its head office in Doha and a total of 64 branches and offices in Qatar, branches in the United Kingdom, France, Singapore, Yemen, Kuwait, Sultanate of Oman and Sudan, and Representative Offices in Iran and Libya. In addition, QNB owns 100% of the issued share capital of Ansbacher Group Holdings Limited, a wealth management financial institution with operations in the UK, Switzerland and Channel Islands. QNB owns Ansbacher Group Holdings Limited through a Luxembourg based holding company, QNB International Holdings Limited. In addition, QNB owns 100% of QNB Banque Privee (Suisse), owns 49% of QNB Syria and 100% of QNB Capital, a corporate advisory firm registered in the Qatar Financial Center.

2. SIGNIFICANT ACCOUNTING POLICIES

a) New Standards, Amenments and Interpretations

- New Standards, Amendments and Interpretations Effective from 1 January 2009

- IAS 1 (revised), "Presentation of financial statements"

During the year the Group adopted Revised IAS 1 as issued by International Accounting Standards Board ("IASB") revised in May 2008, as the same has become mandatory for the Group's financial reporting periods beginning 1 January 2009. Revised IAS 1 introduced the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Group has decided to adopt a two statement approach for presenting total comprehensive income. Since the change in accounting policy only impacts presentation and disclosure, there is no impact on earnings per share.

- IFRS 8, "Operating Segments"

During the year the Group adopted IFRS 8 as issued by International Accounting Standards Board ("IASB") issued in November 2006, as the same has become mandatory for the Group's financial reporting periods beginning 1 January 2009. IFRS 8 introduces the "management approach" to segment reporting i.e. based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

- New Standards, Amendments and Interpretations that are not yet effective for the year ended 31 December 2009 and not yet Adopted

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements:

- Revised IFRS 3 Business Combinations incorporates certain changes that are likely to be relevant to the Group's operations. Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

- Amended IAS 27 Consolidated and Separate Financial Statements requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- IFRS 9, Financial Instruments is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow caracterstics of the financial asset. The standard can be adopted early prospectively, and prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

b) Basis of Measurement, Presentation and Consolidation

The consolidated financial statements have been prepared on a historical cost basis except for the measurement at fair value of derivatives and available for sale financial investments. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Qatar Central Bank regulations.

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

The consolidated financial statements comprise the financial statements of Qatar National Bank S.A.Q. and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as Qatar National Bank S.A.Q, using consistent accounting policies.

All intergroup balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The details of the subsidiaries are as follows:

Name of subsidiary	Country of Incorporation	Share Capital QR000	Year of Incorporation	Ownership %
QNB International Holdings Limited	Luxembourg	413,035	2004	100%
QNB Capital LLC	Qatar	54,608	2008	100%
QNB Banque Privée (Suisse) S.A.	Switzerland	181,515	2009	100%
QNB - Syria	Syria	400,000	2009	49%

Non - controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

c) Islamic Banking

Islamic branches carry out Islamic banking services through various Islamic modes of financing. The activities of the Islamic branches are conducted in accordance with the Islamic Sharia, as determined by the Sharia Control Board.

d) Foreign Currencies

The consolidated financial statements are denominated in Qatari Riyals (functional currency of the Parent). Transactions in foreign currencies are translated into Qatari Riyals at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates ruling at the balance sheet date. Exchange gains and losses resulting therefrom appear in the income statement under net gains from dealing in foreign currencies. Assets and liabilities of subsidiaries and overseas branches are translated into Qatari Riyals (presentation currency) at the rates ruling at the balance sheet date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to other reserves within shareholders' equity.

e) Derivatives

After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, derivatives are subsequently measured at fair value. Fair value represents quoted market prices or internal pricing models as appropriate. Derivatives with positive fair value are included in other assets and derivatives with negative fair value are included in other liabilities. The resultant gains and losses from derivatives held for trading purposes are included in the income statement.

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 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 fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised immediately in the income statement. The related aspect of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement.

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. Gains or losses on cash flow hedges initially recognised in 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.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

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 equity is held therein until the forecasted transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' equity is transferred to the income statement.

f) Revenue Recognition

Revenues are recognised on an accrual basis. Interest income and expense are recognised in the income statement using the effective interest rate method.

Revenues on Islamic financing transactions are recognised on accrual basis using the effective profit rate method.

Loan management fees and commission income are amortised over the period of the transaction using the effective interest method, if applicable. Fees and commission income on other services are recognised as the related services are performed.

Dividend income is recognised when the right to receive dividend is established.

g) Investment Securities

Available for Sale Financial Assets
After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, available for sale investments are subsequently measured at fair value. Unrealised gains or losses arising from a change in the fair value are recognised directly in the fair value reserve under equity until the investment is sold, at which time the cumulative gain or loss previously recognised in equity is included in the income statement.

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 recognised in the income statement as a provision for impairment of investments. Reversals in respect of equity investments classified as available for sale are treated as increase in fair value through statement of changes in equity. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment. Reversal of impairment losses on debt instruments are reversed through the income statement, when the increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Held to Maturity Financial Assets
After initial measurement at cost, held to maturity investments are measured at amortised cost using the effective interest rate method, less any provision for impairment. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.
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 recognised in the statement of income as a provision for impairment of investments.

h) Investment in Associates
The Group's investments in associates are accounted for using the equity method of accounting.

i) Fair Value

The fair value of financial assets traded in organised financial markets is determined by reference to quoted market bid prices on a regulated exchange at the close of business on the balance sheet date. For financial assets where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same. Where it is not possible to arrive at a reliable estimate of the fair value, the financial assets are carried at cost until sometime reliable measure of the fair value is available.

j) Recognition / Derecognition of Financial Instruments

All financial assets are recognised using the settlement date.

Financial assets are derecognised when the contractual right to receive cash flows from the assets have expired, or when the Group has transferred the contractual right to receive cash flows of the financial assets.
Financial liabilities are derecognised when they are extinguished, that is when the contractual obligation is discharged, cancelled or expired.

k) Due from Banks, Loans and Advances and Financing Activities

After initial recognition at fair value, due from banks and loans and advances are stated at amortised cost less any provisions for their credit losses.

Islamic financing activities such as Murabaha and Musawama which is a sale of goods with an agreed upon profit mark up, Musharaka which is a form of partnership between the Bank and its clients, Mudaraba which is a partnership in profit between capital and work and Ijara which is the transfer of ownership of services or leased assets for an agreed upon consideration, are stated at their gross principal amounts less any amount received, provision for credit loss and deferred profit. Financing activities are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted, and recoveries from previously written off financing activities are written back to the specific provision.

l) Properties Acquired Against Settlement of Debts

Properties acquired against settlement of debts appear under other assets at their net acquired values.

Unrealised losses due to the diminution in the fair value of these assets appear in the income statement. Future unrealised gains on these properties are recognised in the income statement to the extent of unrealised losses previously recognised.

In accordance with Qatar Central Bank regulations, all properties acquired against settlement of debts must be sold within three years. Any extension or transfer to property and equipment must be with Qatar Central Bank approval.

m) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

	Years
Buildings	20
Equipment and Furniture	3 to 7
Motor Vehicles	5
Leasehold improvements	4

Freehold land is stated at cost.

n) Impairment of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised in the statement of income.

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

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

The Group also assess a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry as well as identified structural weaknesses.

o) Employees' Termination Benefits and Pension Fund

The Group makes a provision for all termination indemnity payable to employees in accordance with its regulations, calculated on the basis of the individual's final salary and period of service at the balance sheet date. The expected costs of these benefits are accrued over the period of employment. The provision for employees' termination benefits is included in other provisions within other liabilities.

With respect to Qatari employees, the Group makes a contribution to the Qatari Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions. The cost is considered as part of general and administrative expenses and is disclosed in note 27.

p) Other Provisions

The Group makes provisions for any expected legal or financial liabilities as a charge to the statement of income based on the likelihood and expected amount of such liabilities at the balance sheet date. Other provisions are disclosed in note 15.

q) Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date (repos) are not derecognised from the balance sheet. The corresponding cash received, including accrued interest, is recognised on balance sheet as Repurchase agreement', reflecting economic substance as a loan to the Group. The difference between sale and repurchase price is treated as interest expense and is accrued over the tenor of the agreement using the effective interest method.

r) Contingent Liabilities and Other Commitments

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

s) Other Borrowings

Other borrowings represent loan secured by the Group through a syndicated loan facility which is subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

t) Unrestricted Investment Accounts' Share of Profit

Islamic branches profit for the year is distributed among unrestricted account holders and shareholders in accordance with Qatar Central Bank regulations.

The share of profit of the unrestricted account holders is calculated on the basis of their daily deposit balances over the year, after reducing the agreed and declared Mudaraba fee.

In case of any expense or loss, which arise out of misconduct on the part of the Group due to non-compliance with Qatar Central Bank regulations, then such expenses or losses are not to be borne by the unrestricted investment account holders. Such matter is subject to Qatar Central Bank decision.

Where the Islamic branches results at the end of a financial year is a net loss, the unrestricted investment account holders are not charged with any share of such loss, except as approved by Qatar Central Bank in its capacity as the regulator having responsibility of assessing the Bank's management of such losses and compliance with Islamic Sharia rules and principles.

The unrestricted investment accounts carry preferential rights over others in respect of utilisation of funds towards financing and investment activities.

u) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash, balances with central banks and balances with banks and other financial institutions with an original maturity of three months or less as disclosed in note 36.

v) Taxes

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group operations inside Qatar are not subject to income tax.

w) Financial Guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under each guarantee is carried at the higher of the amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

Any increase in the liability relating to financial guarantees is taken to the statement of income in provision for credit losses. The premium received is recognised in the statement of income in fees and commission income.

x) Fiduciary Assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the balance sheet.

y) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT

I. Financial Instruments

a) Definition and Classification

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

Note 2 explains the accounting policies used to recognise and measure the major financial instruments and their related income and expense.

b) Fair Value of Financial Instruments

The following table provides a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial asset and non-financial liabilities.

	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Financial Assets				
Cash and Balances with Central Banks	9,880,170	9,880,170	6,269,596	6,269,596
Due from Banks and Other Financial Institutions	30,181,027	30,181,027	27,044,455	27,044,455
Loans and Advances and Financing Activities	108,783,261	108,783,261	100,053,490	100,053,490
Available for Sale Financial Investments	5,843,087	5,843,087	7,186,082	7,186,082
Held to Maturity Financial Investments	17,489,672	17,682,779	4,628,830	4,668,015
Derivatives Held for Trading	88,971	88,971	61,361	61,361
Derivatives Held as Cash Flow Hedges	33	33	57	57
Financial Liabilities				
Due to Banks and Other Financial Institutions	20,794,043	20,794,043	19,721,259	19,721,259
Repurchase Agreements	2,085,852	2,104,879	2,267,416	2,267,416
Customer Deposits and Unrestricted Investment Acc	125,872,215	125,872,215	104,252,637	104,252,637
Other Borrowings	6,723,541	6,723,541	6,719,147	6,719,147
Derivatives Held for Trading	22,149	22,149	165,703	165,703
Derivatives Held as Cash Flow Hedges	139,968	139,968	189,451	189,451

Fair Value Hierarchy

The fair values for available for sale financial assets comprise of QR 691 million under the level 1 category, QR1,260 million under the level 2 category and QR3,892 million under level 3 of the fair value hierarchy. Moreover, the fair values for held to maturity financial assets comprise of QR 3,508 million under the level 2 category and QR14,175 under the level 3 category.

Level 1 fair values are based on quoted prices (unadjusted) in active markets for identical assets. Level 2 fair values are based on inputs other than quoted prices included within level 1 that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair values are based on inputs for assets that are not based on observable market data.

Financial Instruments for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that are liquid or having a term maturity less than three months, the carrying amounts approximate to their fair value.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing cash flows discounted using market interest rates when they were first recognised with current market rates offered for similar financial instruments.

II. Risk Management

a) Risk Management Framework

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, operational risk and market risk, which include trading and non-trading risks.

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

Risk management structure
The Board of Directors is ultimately responsible for identifying and controlling risks, however, there are separate independent bodies responsible for managing and monitoring risks.

Risk Committee
The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Risk Measurement and Reporting Systems
Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.
Information compiled from all businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division.

Internal Audit
Risk management processes throughout the Group are audited annually by the internal audit function, that examines both the adequacy and compliance with the procedures.
Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk Mitigation
As part of its overall risk management, the Group 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 seniority within the Group. The effectiveness of all hedge relationships is monitored by the Risk management on a monthly basis. In situation of ineffectiveness, the Group will enter into a new hedge relationship to mitigate risk on a continuous basis.

b) Credit Risk

The Group manages its credit risk exposure through diversification of its investments, capital markets and lending and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains collaterals when appropriate. The types of collaterals obtained include cash, treasury bills and bonds, mortgages over real estate properties and pledge over shares.

The Group uses the same credit risk procedures when entering into derivative transactions as it does for traditional lending products.

Note 6 discloses the distribution of loans and advances and financing activities by industrial sector . Note 32 discloses the geographical distribution of the Group's assets and liabilities.

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

	Gross Maximum Exposure	
	2009	**2008**
Cash and Balances with Central Banks (Excluding Cash on Hand)	9,348,155	5,870,065
Due from Banks and Other Financial Institutions	30,181,027	27,044,455
Loans and Advances and Financing Activities	108,783,261	100,053,490
Investment Securities	23,332,759	11,814,912
Other Assets	1,994,995	1,576,284
	173,640,197	**146,359,206**
Contingent Liabilities	41,744,781	51,043,517
Total	**215,384,978**	**197,402,723**

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

c) Risk Concentration for Maximum Exposure to Credit Risk by Industry Sector

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

	Gross Maximum Exposure 2009	Net Maximum Exposure 2009	Gross Maximum Exposure 2008	Net Maximum Exposure 2008
Government	45,966,859	-	8,160,228	-
Government Agencies	24,652,268	14,922,568	38,491,015	14,650,326
Industry	2,565,154	2,030,273	4,339,218	3,308,318
General Trade	4,339,465	2,967,046	4,554,129	1,974,388
Services	59,751,041	48,858,978	52,140,848	42,973,051
Contractors	2,214,560	1,770,306	1,769,027	1,166,737
Real Estate	15,658,007	1,239,327	12,858,084	1,932,065
Consumption	14,391,621	2,209,179	20,457,681	8,327,072
Others	4,101,222	2,257,597	3,588,976	2,031,770
Contingent Liabilities	41,744,781	37,451,144	51,043,517	50,148,452
Total	**215,384,978**	**113,706,418**	**197,402,723**	**126,512,179**

d) Credit Risk Exposure for each Internal Risk Rating

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

Equivalent Grades	Total 2009	Total 2008
AAA to AA-	61,915,423	33,121,927
A+ to A-	60,069,912	72,221,677
BBB+ to BBB-	1,069,172	5,034,519
BB+ to B-	4,000,180	5,317,480
Below B-		128,617
Unrated	88,330,291	81,578,503
Total	215,384,978	197,402,723

Unrated exposures represent credit facilities granted to corporations and individuals which do not have external credit ratings. Also, the ratings used by the Group are in line with the ratings and definitions published by international rating agencies. The above exposures include loans and advances which are neither past due nor impaired amounting to QR 108,645 million (2008: QR99,754 million).

e) Aging Analysis of Past Dues not Impaired per Category of Loans and Advances

As at 31 December 2009	Less than 30 Days	31 - 60 Days	61 - 90 Days	Total
Corporate Lending	111,392	40,775	2,818	154,985
Small Business Lending	4,323	854	34	5,211
Consumer Lending	16,440	20,106	10,407	46,953
Residential Mortgages	-	3,171	2,220	5,391
Total	**132,155**	**64,906**	**15,479**	**212,540**
As at 31 December 2008				
Corporate Lending	75,005	8,255	2,658	85,918
Small Business Lending	5,881	2,361	1,736	9,978
Consumer Lending	71,637	20,760	4,735	97,132
Total	**152,523**	**31,376**	**9,129**	**193,028**

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

f) Renegotiated Loans and Advances and Financing Activities

	2009	2008
Corporate Lending	87,485	10,762
Small Business Lending	36,736	-
Consumer Lending	623,386	523,113
Residential Mortgages	-	120,011
Total	747,607	653,886

g) Market Risk

The Group takes on exposure to market risks from interest rates, foreign exchange rates and equity prices due to general and specific market movements. The Group 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 Group has a set of limits on the value of risk that may be accepted, which is monitored on a daily basis.

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The effect on equity due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market Indices	Change in Equity Price % 2009	Effect on Equity 2009	Change in Equity Price % 2008	Effect on Equity 2008
Qatar Exchange	-+10	350,494	-+10	404,046

h) Operational Risk

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 Group seeks to minimize actual or potential losses from operational risks failure through a framework of policies and procedures that identify, assess, control, manage, and report those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

i) Other Risks

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

j) Risk of Managing Customer Investments

The Group provides custody and corporate administration to third parties in relation to mutual funds marketed or managed by the Group. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures and internal audits to assure compliance. Note 34 lists mutual funds marketed by the Group.

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

k) Interest Rate Risk

Interest rate risk reflects the risk of a change in interest rates which might affect future earnings or the fair value of financial instruments. Exposure to interest rate risk is managed by the Group using, where appropriate, various off-balance sheet instruments, primarily interest rate swaps. Maturities of assets and liabilities have been determined on the basis of contractual pricing. The following table summarises the reprising profile of the Group's assets, liabilities and off-balance sheet exposures:

	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
At 31 December 2009:							
Cash and Balances with Central Banks	3,610,018	-	-	-	6,270,152	9,880,170	
Due from Banks	29,828,621	50,850	-	-	301,556	30,181,027	0.97%
Loans and Advances	83,800,287	9,962,959	526,632	-	14,493,383	108,783,261	6.48%
Investment Securities	781,323	843,278	10,693,706	9,587,133	5,870,985	27,776,425	6.21%
Other Assets	-	-	-	-	2,708,031	2,708,031	
Total Assets	**118,020,249**	**10,857,087**	**11,220,338**	**9,587,133**	**29,644,107**	**179,328,914**	
Due to Banks	19,795,801	696,915	-	-	301,327	20,794,043	0.91%
Repurchase Agreements	2,085,852	-	-	-	-	2,085,852	
Customer Deposits	86,818,954	9,833,895	506,882	-	11,612,765	108,772,496	3.32%
Other Borrowings	-	6,723,541	-	-	-	6,723,541	
Unrestricted Investment Accounts	17,099,719	-	-	-	-	17,099,719	
Other Liabilities	-	-	-	-	3,881,434	3,881,434	
Shareholders' Equity	-	-	-	-	19,971,829	19,971,829	
Total Liabilities and Equity	**125,800,326**	**17,254,351**	**506,882**	**-**	**35,767,355**	**179,328,914**	
Balance Sheet Items	(7,780,077)	(6,397,264)	10,713,456	9,587,133	(6,123,248)	-	
Off-Balance Sheet Items	638,562	5,772,834	(5,880,218)	(531,178)	-	-	
Interest Rate Sensitivity Gap	**(7,141,515)**	**(624,430)**	**4,833,238**	**9,055,955**	**(6,123,248)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**(7,141,515)**	**(7,765,945)**	**(2,932,707)**	**6,123,248**	**-**	**-**	
At 31 December 2008:							
Cash and Balances with Central Banks	1,900,000	-	-	-	4,369,596	6,269,596	
Due from Banks	24,923,261	660,571	-	-	1,460,623	27,044,455	3.10%
Loans and Advances	86,949,136	5,915,622	162,640	-	7,026,092	100,053,490	6.66%
Investment Securities	1,081,727	1,186,275	2,846,070	1,209,751	10,087,733	16,411,556	5.24%
Other Assets	-	-	-	-	2,194,521	2,194,521	
Total Assets	**114,854,124**	**7,762,468**	**3,008,710**	**1,209,751**	**25,138,565**	**151,973,618**	
Due to Banks	17,558,490	1,418,043	-	-	744,726	19,721,259	2.78%
Repurchase Agreements	2,267,416	-	-	-	-	2,267,416	
Customer Deposits	78,075,618	6,031,191	340,553	-	10,525,603	94,972,965	3.51%
Other Borrowings	6,719,147	-	-	-	-	6,719,147	
Unrestricted Investment Accounts	9,279,672	-	-	-	-	9,279,672	
Other Liabilities	-	-	-	-	2,369,934	2,369,934	
Shareholders' Equity	-	-	-	-	16,643,225	16,643,225	
Total Liabilities and Equity	**113,900,343**	**7,449,234**	**340,553**	**-**	**30,283,488**	**151,973,618**	
Balance Sheet Items	953,781	313,234	2,668,157	1,209,751	(5,144,923)	-	
Off-Balance Sheet Items	762,713	997,069	(1,162,628)	(597,154)	-	-	
Interest Rate Sensitivity Gap	**1,716,494**	**1,310,303**	**1,505,529**	**612,597**	**(5,144,923)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**1,716,494**	**3,026,797**	**4,532,326**	**5,144,923**	**-**	**-**	

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2009

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

I) Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement.
The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets and financial liabilities including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available for sale financial assets, including the effect of any associated hedges and swaps designated as cash flow hedges.
The sensitivity of equity is analysed by maturity of the asset or swap. Total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

Currency	Increase in Basis Points	Sensitivity of Net Interest Income 2009	Sensitivity of Equity: Within 3 Months 2009	3 - 12 Months 2009	1 - 5 Years 2009	More than 5 Years 2009	Total 2009
Qatari Riyal	10	(49)	8,116	(1,452)	2,441	3,435	12,540
US$	10	(3,720)	(4,878)	1,268	3,405	1,548	1,343
Euro	10	976	1,426	93	(32)	-	1,487
Pounds Sterlir	10	249	392	105	(84)	-	413
Other Currenc	10	274	573	(302)	256	24	551

Currency	Decrease in Basis Points	Sensitivity of Net Interest Income 2009	Sensitivity of Equity: Within 3 Months 2009	3 - 12 Months 2009	1 - 5 Years 2009	More than 5 Years 2009	Total 2009
Qatari Riyal	10	1,719	(8,441)	725	(2,925)	(3,778)	(14,419)
US$	10	4,891	4,059	(1,387)	(3,179)	(1,702)	(2,209)
Euro	10	(782)	(1,509)	(102)	32	-	(1,579)
Pounds Sterlir	10	(187)	(413)	(115)	85	-	(443)
Other Currenc	10	(227)	(621)	270	(260)	(26)	(637)

Currency	Increase in Basis Points	Sensitivity of Net Interest Income 2008	Sensitivity of Equity: Within 3 Months 2008	3 - 12 Months 2008	1 - 5 Years 2008	More than 5 Years 2008	Total 2008
Qatari Riyal	10	14,856	18,333	(1,392)	500	-	17,441
US$	10	(5,619)	(5,040)	(1,572)	3,907	1,295	(1,410)
Euro	10	1,161	1,817	(211)	93	-	1,699
Pounds Sterlir	10	2,464	2,691	(83)	37	-	2,645
Other Currenc	10	(127)	(73)	11	112	69	119

Currency	Decrease in Basis Points	Sensitivity of Net Interest Income 2008	Sensitivity of Equity: Within 3 Months 2008	3 - 12 Months 2008	1 - 5 Years 2008	More than 5 Years 2008	Total 2008
Qatari Riyal	10	(6,929)	(19,856)	1,235	6,254	-	(12,367)
US$	10	11,213	4,203	1,336	865	(1,424)	4,980
Euro	10	(373)	(1,938)	187	484	-	(1,267)
Pounds Sterlir	10	(1,326)	(2,940)	74	997	-	(1,869)
Other Currenc	10	303	47	(12)	21	(77)	(21)

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2009

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT(Continued)

m) Liquidity Risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit down-grades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Group has a diversification of funding sources and a diversified portfolio of high quality liquid assets and readily marketable securities. The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
At 31 December 2009:						
Cash and Balances with Central Banks	9,875,442	-	-	-	4,728	9,880,170
Due from Banks	24,588,888	4,535,023	962,444	94,672	-	30,181,027
Loans and Advances	49,314,289	11,375,984	28,380,140	14,615,323	5,097,525	108,783,261
Investment Securities	1,163,125	286,738	945,150	15,466,927	9,914,485	27,776,425
Other Assets	1,389,179	35,498	1,679	75,113	1,206,562	2,708,031
Total Assets	**86,330,923**	**16,233,243**	**30,289,413**	**30,252,035**	**16,223,300**	**179,328,914**
Due to Banks	17,106,810	5,222,587	489,062	6,784,977	0	29,603,436
Customer Deposits	78,529,793	17,420,923	12,307,548	514,232	0	108,772,496
Unrestricted Investment Accounts	11,994,388	3,555,278	1,550,053	0	0	17,099,719
Other Liabilities	1,831,400	583,173	267,972	203,356	20,967,362	23,853,263
Total Liabilities and Equity	**109,462,391**	**26,781,961**	**14,614,635**	**7,502,565**	**20,967,362**	**179,328,914**
Difference	**(23,131,468)**	**(10,548,718)**	**15,674,778**	**22,749,470**	**(4,744,062)**	-
At 31 December 2008:						
Cash and Balances with Central Banks	6,264,868	-	-	-	4,728	6,269,596
Due from Banks	25,082,300	1,079,279	788,222	94,654	-	27,044,455
Loans and Advances	51,165,668	17,038,904	13,226,928	16,538,800	2,083,190	100,053,490
Investment Securities	829,257	859,755	5,281,281	5,718,708	3,722,555	16,411,556
Other Assets	1,447,578	83,730	64,884	70,017	528,312	2,194,521
Total Assets	**84,789,671**	**19,061,668**	**19,361,315**	**22,422,179**	**6,338,785**	**151,973,618**
Due to Banks	16,892,426	3,611,523	1,418,043	6,785,830	-	28,707,822
Customer Deposits	78,698,455	10,193,164	5,659,927	421,419	-	94,972,965
Unrestricted Investment Accounts	6,591,155	2,199,460	489,057			9,279,672
Other Liabilities	1,294,222	97,581	43,474	126,133	17,451,749	19,013,159
Total Liabilities and Equity	**103,476,258**	**16,101,728**	**7,610,501**	**7,333,382**	**17,451,749**	**151,973,618**
Difference	**(18,686,587)**	**2,959,940**	**11,750,814**	**15,088,797**	**(11,112,964)**	-

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

n) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that customers will not request repayment before the contractual repayment date.

The Group maintains a portfolio of highly marketable and diverse assets readily liquefiable in the event of an unforeseen interruption to cash flow. The Group maintains statutory reserves with Qatar Central Bank and other Central Banks. Liquidity is assessed and managed using a variety of stressed scenarios applicable to the Group.

	One month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
At 31 December 2009:						
Due to Banks	15,219,354	5,291,567	495,522	62,247	-	21,068,690
Repurchase Agreements	2,096,562	-	-	-	-	2,096,562
Derivative Financial Instruments						
- Contractual Amounts Payable	2,672,631	3,674,743	12,547,961	4,410,097	-	23,305,432
- Contractual Amounts Receivable	(2,676,204)	(3,679,656)	(12,564,737)	(4,415,993)	-	(23,336,590)
Customer Deposits	91,719,827	21,253,254	14,040,630	521,023	-	127,534,734
Other Borrowings	-	-	-	6,723,659	-	6,723,659
Total Liabilities	109,032,170	26,539,908	14,519,376	7,301,033	-	157,392,487
At 31 December 2008:						
Due to Banks	17,037,206	1,355,627	1,430,197	67,254	-	19,890,284
Repurchase Agreements	-	2,289,386	-	-	-	2,289,386
Derivative Financial Instruments						
- Contractual Amounts Payable	6,728,219	1,140,253	92,048	4,889,126	-	12,849,646
- Contractual Amounts Receivable	(6,730,334)	(1,140,612)	(92,077)	(4,890,663)	-	(12,853,686)
Customer Deposits	85,686,310	12,450,265	6,177,584	423,379	-	104,737,538
Other Borrowings	-	-	-	6,789,219	-	6,789,219
Total Liabilities	102,721,401	16,094,919	7,607,752	7,278,315	-	133,702,387

o) Liquidity Risk and Funding Management

The table below summarises the contractual expiry dates by maturity of contingent liabilities:

	On Demand	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
At 31 December 2009:						
Contingent Liabilities	178,989	14,765,662	14,378,858	10,879,380	1,541,892	41,744,781
At 31 December 2008:						
Contingent Liabilities	129,554	14,195,545	23,115,059	12,649,432	953,927	51,043,517

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2009

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

p) Currency Risk

The Group takes on exposure to the effect of fluctuations in prevailing foreign currency exchange rates on its financial position. The Group has a set of limits on the level of currency exposure, which are monitored daily. The Group has the following significant net exposures denominated in foreign currencies:

	QR	US$	Euro	Pounds Sterling	Other Currencies	Total
At 31 December 2009:						
Assets	113,669,015	47,130,386	6,711,530	3,083,603	8,734,380	179,328,914
Liabilities and Equity	97,622,327	67,670,692	5,923,614	3,288,831	4,823,450	179,328,914
Net Balance Sheet Position	**16,046,688**	**(20,540,306)**	**787,916**	**(205,228)**	**3,910,930**	-
At 31 December 2008:						
Assets	70,495,439	58,843,751	9,163,028	5,518,918	7,952,482	151,973,618
Liabilities and Equity	67,760,188	66,095,617	8,796,328	5,897,062	3,424,423	151,973,618
Net Balance Sheet Position	**2,735,251**	**(7,251,866)**	**366,700**	**(378,144)**	**4,528,059**	-

q) Currency Risk - Effect of Change in Fair Value of Currency

The table below indicates the effect of a reasonably possible movement of the currency rate against the Qatari Riyal on the statement of income, with all other variables held constant:

	Change in Currency Rate in	Effect on Statement of Income	
Currency	**%**	**2009**	**2008**
US$	+2	(410,806)	(145,037)
Euro	+3	23,637	11,001
Pounds Sterling	+2	(4,105)	(7,563)
Other Currencies	+3	117,328	135,842
US$	-2	410,806	145,037
Euro	-3	(23,637)	(11,001)
Pounds Sterling	-2	4,105	7,563
Other Currencies	-3	(117,328)	(135,842)

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

r) Capital Management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group'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 in supervising the Group.
The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

s) Capital Adequacy

	2009	2008
Tier 1 Capital	13,856,775	13,170,148
Tier 2 Capital	-	215,354
Total Capital	**13,856,775**	**13,385,502**
Risk Weighted Assets	**105,248,653**	**96,056,020**
Tier 1 Capital ratio	13.2%	13.7%
Total Capital ratio	13.2%	13.9%

Tier 1 capital includes issued capital, statutory reserve, other reserves and retained earnings including current year profit and excluding proposed dividend.

Tier 2 capital includes risk reserve (up to 1.25% of risk weighted assets) and 45% of the fair value reserve and currency translation adjustment if the balance is positive and 100% if negative.

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

4. CASH AND BALANCES WITH CENTRAL BANKS

	2009	2008
Cash	532,015	399,531
Cash Reserve with Qatar Central Bank	4,808,011	3,557,278
Other Balances with Qatar Central Bank	3,733,387	2,312,091
Balances with Other Central Banks	806,757	696
Total	**9,880,170**	**6,269,596**

The cash reserve with the Qatar Central Bank is a mandatory reserve and cannot be used to fund the Group's day-to-day operations.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009	2008
Current Accounts	643,330	2,868,605
Placements	28,546,136	22,406,573
Loans	991,561	1,769,277
Total	**30,181,027**	**27,044,445**

(All amounts are shown in thousands of Qatari Riyals)

6. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS

	2009	2008
a) By Type		
(i) Conventional Banking Loans and Advances		
Loans	86,108,265	91,109,436
Overdrafts	9,035,750	2,763,216
Bills Discounted	12,477	2,704
	95,156,492	**93,875,356**
Specific Provision for Credit Losses of Loans and Advances	(871,437)	(613,533)
Net Conventional Banking Loans and Advances	**94,285,055**	**93,261,823**
(ii) Financing Activities		
Murabaha and Musawama	13,915,793	4,833,687
Musharaka	683,401	682,862
Mudaraba	110,758	39,299
Istisna	57,763	6,541
Ijara	3,809,383	2,485,271
Others	3,353	8,685
	18,580,451	**8,056,345**
Specific Provision for Credit Losses of Financing Activities	**(52,169)**	**(11,428)**
Financing Activities Deferred Profit	**(4,030,076)**	**(1,253,250)**
Net Financing Activities	**14,498,206**	**6,791,667**
Net Loans and Advances and Financing Activities	**108,783,261**	**100,053,490**

During the year, the Group disposed off certain loans and advances to the Government of Qatar as part of the Government assistance program for Qatari banks, in consideration for State of Qatar bonds.

The aggregate amount of non-performing loans and advances and financing activities amounted to QR 849.0 million, which represents 0.7% of total loans and advances and financing activities (2008: QR731.5 million, 0.7% of total loans and advances and financing activities).

Specific provision for credit losses of loans and advances and financing activities includes QR 201.0 million of interest and profit in suspense (2008: QR134.4 million).

b) By Industry

At 31 December 2009:	**Loans & Advances**	**Overdrafts**	**Bills Discounted**	**Financing Activities**	**Total**
Government	21,496,592	6,919,606	-	9,101	28,425,299
Government Agencies	19,876,748	126,874	-	5,056,627	25,060,249
Industry	1,901,096	5,528	9,235	276,599	2,192,458
Commercial	2,483,867	150,807	3,026	2,730,271	5,367,971
Services	13,601,434	182,665	-	979,620	14,763,719
Contracting	1,680,724	367,209	-	196,862	2,244,795
Real Estate	9,675,200	108	-	6,082,237	15,757,545
Personal	11,890,360	1,049,068	216	2,993,925	15,933,569
Others	3,502,244	233,885	-	255,209	3,991,338
Total	**86,108,265**	**9,035,750**	**12,477**	**18,580,451**	**113,736,943**

At 31 December 2008:	**Loans & Advances**	**Overdrafts**	**Bills Discounted**	**Financing Activities**	**Total**
Government	5,811,612	24,433	-	-	5,836,045
Government Agencies	36,721,492	693,716	-	251,334	37,666,542
Industry	3,346,531	19,046	-	182,541	3,548,118
Commercial	4,054,854	149,157	2,488	180,508	4,387,007
Services	11,912,129	597,342	-	744,720	13,254,191
Contracting	1,187,887	235,626	-	174,776	1,598,289
Real Estate	8,856,660	0	-	3,402,680	12,259,340
Personal	17,762,860	584,292	216	2,551,525	20,898,893
Others	1,455,411	459,604	-	568,261	2,483,276
Total	**91,109,436**	**2,763,216**	**2,704**	**8,056,345**	**101,931,701**

The amounts above include both conventional banking and Islamic banking gross figures before subtracting

(All amounts are shown in thousands of Qatari Riyals)

6. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS (Continued)

c) Movement in Provisions for Credit Losses of Loans and Advances and Financing Activities

	2009	2008
Balance at 1 January	624,961	408,318
Foreign Currency Translation	1,859	(6,519)
Net Provisions / (Recoveries) during the Year	306,490	252,950
Provisions Made during the Year	474,442	463,039
Recoveries during the Year	(167,952)	(210,089)
Written off during the Year	(9,704)	(29,788)
Balance at 31 December	**923,606**	**624,961**

d) Provisions for Credit Losses on Loans and Advances and Financing Activities

	Corporate Lending	Small Business Lending	Consumer Lending	Residential Mortgages	Total
Balance at 1 January 2009	112,362	10,122	424,258	78,219	624,961
Foreign Currency Translation	(80)	-	10	1,929	1,859
Provisions Made during the Year	50,882	36,244	339,127	48,189	474,442
Recoveries during the Year	(69,491)	(8,268)	(69,302)	(20,891)	(167,952)
Written off during the Year	(1,998)	-	(7,706)	-	(9,704)
At 31 December 2009:	**91,675**	**38,098**	**686,387**	**107,446**	**923,606**
Balance at 1 January 2008	142,401	740	241,218	23,959	408,318
Foreign Currency Translation	(111)	-	57	(6,465)	(6,519)
Provisions Made during the Year	77,651	9,673	314,672	61,043	463,039
Recoveries during the Year	(85,862)	(107)	(123,802)	(318)	(210,089)
Written off during the Year	(21,717)	(184)	(7,887)	-	(29,788)
At 31 December 2008:	**112,362**	**10,122**	**424,258**	**78,219**	**624,961**

e) Net (Provisions) / Recoveries of Credit Losses during the Year

	2009	2008
Corporate Lending	(20,842)	(19,975)
Small Business Lending	(27,399)	(8,115)
Consumer Lending	(205,155)	(159,394)
Residential Mortgages	(27,710)	(60,209)
Total	**(281,106)**	**(247,693)**

(All amounts are shown in thousands of Qatari Riyals)

7. INVESTMENT SECURITIES

Investments as at 31 December 2009 totaled QR23,333 million (2008: QR11,815 million). The analysis of investment securities is detailed below:

a) Available for Sale Financial Investments	2009		2008	
	Quoted	Unquoted	Quoted	Unquoted
Equities	654,214	126,782	3,398,016	370,720
State of Qatar Debt Securities	646,007	3,000,000	204,359	1,001,502
Other Debt Securities	614,111	130,534	416,066	73,066
Mutual Funds	37,203	634,236	71,102	1,651,251
Total	1,951,535	3,891,552	4,089,543	3,096,539

Fixed rate securities and floating rate securities amounted to QR 3,928 million and QR488.3 million respectively (2008: QR1,420 million and QR274.7 million).

During the year, the Group disposed off certain available for sale equity securities listed on the Qatar Exchange to the Government of Qatar at a sales price of QR 4,013 million, comprising cash of QR1,788 million and a five year term bond of QR2,225 million at an interest yield of 5.5% per annum. This sales price was equal to cost less impairment booked for these securities, hence there is no impact on the statement of income for the period. The available for sale reserve amount transferred from equity in relation to this sale was QR 917 million.

b) Held to Maturity Financial Investments	2009		2008	
- By Issuer	Quoted	Unquoted	Quoted	Unquoted
State of Qatar Debt Securities	701,581	12,970,938	920,537	419,604
Other Debt Securities	2,664,385	1,152,768	2,372,425	916,264
Total	3,365,966	14,123,706	3,292,962	1,335,868
- By Interest Rate				
Fixed Rate Securities	2,635,236	13,986,544	2,411,875	1,236,080
Floating Rate Securities	730,730	137,162	881,087	99,788
Total	3,365,966	14,123,706	3,292,962	1,335,868

The carrying amount and fair value of securities pledged under repurchase agreements amounted to QR 2,086 million and QR2,105 million respectively (2008: QR2,267 million and QR2,187 million respectively).

Impairment losses on financial investments amounted to QR 81.0 million while recoveries amounted to QR 7.2 million

8. INVESTMENTS IN ASSOCIATES

	2009	2008
Balance at 1 January	4,596,644	2,703,546
Foreign Currency Translation	46,452	(102)
Investments Acquired during the Year	100,688	1,798,512
Share in Profit	292,795	200,299
Less: Cash Dividend	(118,147)	(121,599)
Associates Sold / Transferred	(475,662)	(269)
Other Movements	896	16,257
Balance at 31 December	4,443,666	4,596,644

Name of Associate	Country	Ownership %	
Mansoor Bank	Iraqi	23.1	23.1
Housing Bank for Trade and Finance	Jordanian	34.0	33.2
Aljazeera Islamic Company	Qatari	20.0	20.0
Commercial Bank International	UAE	23.8	23.8
Tunisian Qatari Bank	Tunisian	50.0	50.0

The published share prices for Housing Bank for Trade and Finance and Commercial Bank International as at 31 Decebmer 2009 are QR36.5 and QR1.50 respectively. (2008: QR41.9 and QR1.64 respectively). All other investments are not listed. Moreover, total assets of Housing Bank for Trade and Finance, Commercial Bank International and Al Jazeera Islamic Company QR29,029 million, QR11,422 million and QR2,554 million respectively, based on the reviewed financial information as at 30 September 2009. Also, total revenues for Housing Bank for Trade and Finance, Commercial Bank International and Al Jazeera Islamic Company QR 992.9 million, QR400.4 million and

(All amounts are shown in thousands of Qatari Riyals)

9. PROPERTY AND EQUIPMENT

	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
At 31 December 2009:					
Cost:					
Balance at 1 January	465,860	199,202	450,138	974	1,116,174
Additions / Transfers	88,677	74,054	76,971	535	240,237
Disposals	(72,344)	(36,192)	(123,724)	(271)	(232,531)
Foreign Currency Translation	13,333	4,807	11,331	(8)	29,463
	495,526	**241,871**	**414,716**	**1,230**	**1,153,343**
Accumulated Depreciation:					
Balance at 1 January	99,648	77,919	320,068	302	497,937
Charged during the Year	11,467	37,868	61,541	122	110,998
Disposals	(47,206)	(19,319)	(118,687)	(112)	(185,324)
Foreign Currency Translation	4,023	2,524	10,155	(6)	16,696
	67,932	**98,992**	**273,077**	**306**	**440,307**
Net Carrying Amount	**427,594**	**142,879**	**141,639**	**924**	**713,036**
At 31 December 2008:					
Cost:					
Balance at 1 January	613,962	96,817	455,960	840	1,167,579
Additions / Transfers	148,665	110,214	84,787	706	344,372
Disposals	(178,774)	(4,574)	(55,443)	(572)	(239,363)
Foreign Currency Translation	(117,993)	(3,255)	(35,166)	-	(156,414)
	465,860	**199,202**	**450,138**	**974**	**1,116,174**
Accumulated Depreciation:					
Balance at 1 January	101,041	63,386	350,939	717	516,083
Charged during the Year	26,815	19,130	54,978	92	101,015
Disposals	(7,823)	(3,460)	(53,251)	(506)	(65,040)
Foreign Currency Translation	(20,385)	(1,137)	(32,598)	(1)	(54,121)
	99,648	**77,919**	**320,068**	**302**	**497,937**
Net Carrying Amount	**366,212**	**121,283**	**130,070**	**672**	**618,237**

10. OTHER ASSETS

	2009	2008
Interest Receivable	1,249,413	537,726
Prepaid Expenses	33,760	30,842
Capital Expenditure in Progress	220,950	136,168
Properties Acquired Against Settlement of Debts	360	360
Positive Fair Value of Derivatives (Note 33)	89,004	61,418
Sundry Debtors	202,092	63,559
Others	199,416	746,211
Total	**1,994,995**	**1,576,284**

Properties acquired against settlement of debts are disclosed net of revaluation provision amounting to QR 0.1 million (2008: QR0.1 million).

11. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009	2008
Balances Due to Central Banks	777,550	1,353,441
Current Accounts	843,104	1,167,537
Deposits	19,173,389	17,200,281
Total	**20,794,043**	**19,721,259**

(All amounts are shown in thousands of Qatari Riyals)

12. CUSTOMER DEPOSITS

	2009	2008
a) By Type		
(i) Conventional Banking Customer Deposits		
Current and Call Accounts	35,701,714	46,594,045
Saving Accounts	925,999	881,831
Time Deposits	70,435,794	46,414,995
	107,063,507	**93,890,871**
(ii) Islamic Banking Current Accounts	**1,708,989**	**1,082,094**
Total	**108,772,496**	**94,972,965**

Customer deposits include QR123.0 million of margins held for direct and indirect facilities (2008: QR262.2 million).

	2009	2008
b) By Sector		
Government	8,963,904	19,133,647
Government Agencies	43,058,356	32,590,765
Individuals	19,502,658	16,135,177
Corporate	37,247,578	27,113,376
Total	**108,772,496**	**94,972,965**

13. OTHER BORROWINGS

Other borrowings represent a syndicated term loan amounting to USD 1.85 billion (QR6,715 million). This is an unsecured bullet repayment loan facility due on 24th July 2012. Interest rate on the loan is 19.5 bp above LIBOR.

14. OTHER LIABILITIES

	2009	2008
Interest Payable	1,396,666	745,968
Expense Payable	284,346	218,358
Other Provisions (Note 15)	44,627	39,505
Tax Payable	18,408	11,086
Negative Fair Value of Derivatives (Note 33)	162,117	355,154
Unearned Revenue	477,099	264,084
Others	1,498,171	735,779
Total	**3,881,434**	**2,369,934**

15. OTHER PROVISIONS

	Staff Indemnity	Legal Provision	Total 2009	Total 2008
Balance at 1 January	36,864	2,641	39,505	34,667
Foreign Currency Translation	-	186	186	(621)
Provisions Made during the Year	5,024	3,950	8,974	9,315
	41,888	6,777	48,665	43,361
Provisions Recovered during the Year	-	-	-	-
Provisions Paid and Written off during the Year	(3,566)	(472)	(4,038)	(3,856)
Balance at 31 December	**38,322**	**6,305**	**44,627**	**39,505**

(All amounts are shown in thousands of Qatari Riyals)

16. UNRESTRICTED INVESTMENT ACCOUNTS

a) By Type

	2009	2008
Call Accounts	2,831,873	2,225,262
Saving Accounts	413,618	329,374
Time Deposits	13,854,228	6,725,036
Total	**17,099,719**	**9,279,672**

b) By Sector

	2009	2008
Customers	13,437,213	7,610,500
Banks and Other Financial Institutions	3,662,506	1,669,172
Total	**17,099,719**	**9,279,672**

Following are the Profit Distribution Rates for Unrestricted Investment Accounts:

	2009 %	2008 %
One Year Term	5.62	5.35
Nine Months Term	5.62	5.35
Six Months Term	5.29	5.03
Three Months Term	4.96	4.72
Saving Accounts	3.31	3.15
Call Accounts	3.31	3.15

17. SHAREHOLDERS' EQUITY

a) Issued Capital

The authorised, issued and fully paid up share capital of the Bank totaling QR 3,011 million consists of 301,120,792 ordinary shares of QR10 each (2008: 240,896,634 shares of QR10 each). Qatar Investment Authority holds 50% of the ordinary shares of the Group with the remaining 50% held by members of the public.

The table below shows the number of shares outstanding at the beginning and end of the year:

	2009	2008
Number of shares outstanding at the beginning of the year	240,896,634	182,497,450
Bonus Shares	60,224,158	40,149,439
Rights Issue	-	18,249,745
Number of shares outstanding at the end of the year	301,120,792	240,896,634

(All amounts are shown in thousands of Qatari Riyals)

b) Statutory Reserve

In accordance with Qatar Central Bank Law, at least 20% of net profit for the year is required to be transferred to the statutory reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No . 5 of 2002 and after Qatar Central Bank approval.

The proceeds received from the rights issue, net of any directly attributable transaction costs, are directly credited to share capital (nominal value of shares) and statutory reserve (share premium on rights issue) when shares have been issued higher than their nominal value as per Qatar Commercial Companies Law No . 5 of 2002.

c) Other Reserves

Other reserves represent mainly a general reserve which, in accordance with the Bank's Articles of Association, shall be employed according to a resolution of the General Assembly upon the recommendation from the Board of Directors and after Qatar Central Bank approval. Currency translation adjustments and share of changes recognised directly in associates' equity are not available for distribution. Details of other reserves are as follows:

	2009	2008
General Reserve	1,770,034	1,770,034
Currency Translation Adjustments	(13,887)	6,641
Share of Changes Recognised Directly in Associates' Equity	13,239	13,112
Total	**1,769,386**	**1,789,787**

d) Risk Reserve

In accordance with Qatar Central Bank regulations, a risk reserve is made to cover contingencies on loans and advances and financing activities, with a minimum requirement of 1.5% of the total direct facilities after excluding provisions for credit losses, deferred profits, exposures granted to or guaranteed by Government and exposures against cash collaterals.

e) Fair Value Reserve

	Cash Flow Hedges	Available for Sale Investments	Total 2009	Total 2008
Balance at 1 January	(189,395)	(84,772)	(274,167)	2,346,658
Revaluation Impact	49,460	851,042	900,502	(2,063,175)
Reclassified to Income Statement	-	(137,188)	(137,188)	(557,650)
Net Movement during the Year	49,460	713,854	763,314	(2,620,825)
Balance at 31 December	**(139,935)**	**629,082**	**489,147**	**(274,167)**

Fair value reserve for available for sale financial investments as at 31 December 2009 includes a negative fair value amounting to QR4.1 million (2008: QR488.6 million).

f) Dividend Paid and Proposed

The Board of Directors have proposed a cash dividend of 40% of the nominal share value (QR4.0 per share) and a bonus share of 30% of the share capital for the year ended 31 December 2009 (2008: cash dividend 75% of the nominal share value (QR7.5 per share) and a bonus share of 25% of the share capital). The amounts are subject to the approval of the general assembly.

18. NON CONTROLLING INTEREST

Represents the non - controlling interest in QNB Syria amounting to 51% of the share capital.

19. INTEREST INCOME	2009	2008
Due from Central Banks	86,851	27,890
Due from Banks and Other Financial Institutions	115,929	696,092
Debt Securities	1,059,816	316,948
Loans and Advances	5,132,238	5,075,208
Total	**6,394,834**	**6,116,138**

(All amounts are shown in thousands of Qatari Riyals)

20. INTEREST EXPENSE

	2009	2008
Due to Banks and Other Financial Institutions	551,520	1,122,314
Customer Deposits	2,465,985	2,397,163
Others	63,073	87,228
Total	**3,080,578**	**3,606,705**

21. INCOME FROM ISLAMIC FINANCING AND INVESTING ACTIVITIES

	2009	2008
Due from Banks and Other Financial Institutions	181,843	230,171
Investing Activities	37,797	21,061
Financing Activities	681,232	437,903
Total	**900,872**	**689,135**

22. FEE AND COMMISSION INCOME

	2009	2008
Loans and Advances	505,938	508,290
Off Balance Sheet Items	141,334	106,370
Bank Services	196,886	171,660
Investment Activities for Customers	144,145	157,631
Others	42,734	48,606
Total	**1,031,037**	**992,557**

23. DIVIDEND INCOME

	2009	2008
Available for Sale Securities	204,023	136,199
Mutual Funds	939	1,325
Total	**204,962**	**137,524**

24. NET GAINS FROM FOREIGN CURRENCY TRANSACTIONS

	2009	2008
Dealing in Foreign Currencies	296,427	148,859
Revaluation of Assets and Liabilities	5,508	177,058
Revaluation of Derivatives	2,874	1,949
Total	**304,809**	**327,866**

25. NET GAINS FROM FINANCIAL INVESTMENTS

	2009	2008
Net Gains from Sale of Available for Sale Financial Investments	142,266	569,286
Total	**142,266**	**569,286**

26. OTHER OPERATING INCOME

Included in 2008 other operating income is the net profit on a sale and operating leaseback transaction amounting to QR76.2 million, related to the Ansbacher Holdings Head Office .

27. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Staff Costs	569,330	562,377
Staff Pension Fund Costs	11,462	10,497
Staff Indemnity Costs	5,024	9,014
Training	14,616	13,455
Advertising	96,213	95,128
Professional Fees	79,332	47,955
Communication and Insurance	63,178	45,229
Occupancy and Maintenance	75,060	75,785
Computer and IT Costs	46,582	38,765
Printing and Stationary	8,290	6,510
Directors' Fees	10,280	11,500
Others	16,493	25,160
	995,860	**941,375**

(All amounts are shown in thousands of Qatari Riyals)

28. DISCONTINUED OPERATIONS

During the year, the Group disposed off one of its subsidiaries' lines of business included within the wealth management operating segment, namely the Bahamas business of the QNB International Holdings Limited subsidiary. The comparative income statement has been re-presented to show the discontinued operations separately from continuing operations. Total revenue for the year till the date of disposal from the operations amounted to QR33.0 million (2008: QR84.8 million) and total expenses amounted to QR 18.8 million (2008: 83.1 million). At the date of disposal, the Bahamas operations comprised assets of QR 587 million and liabilities of QR1,335 million, held at the lower of carrying value and fair value less costs to sell in accordance with IFRS 5 - "Non current assets held for sale and discontinued operations".

29. EARNINGS PER SHARE

Earnings per share for the Group are calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Profit for the Year	4,201,723	3,652,545
Weighted Average Number of Shares	301,120,792	297,322,881
Earnings Per Share (QR)	**14.0**	**12.3**

The weighted average number of shares have been calculated as follows:

	2009	2008
Qualifying Shares at the Beginning of the Year	240,896,634	182,497,451
Effect of Bonus Share Issue	60,224,158	96,723,648
Effect of Rights Issue	-	18,101,782
Total	**301,120,792**	**297,322,881**

There were no potentially dilutive shares outstanding at any time during the year, therefore, the diluted earnings per share are equal to the basic earnings per share.

30. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2009	2008
a) Contingent Liabilities		
Unused Facilities	13,280,872	13,512,538
Acceptances	385,565	1,107,848
Guarantees	13,937,897	19,598,413
Letters of Credit	5,923,446	8,071,390
Others	8,217,001	8,753,328
Total	**41,744,781**	**51,043,517**
b) Other Commitments		
Forward Foreign Exchange Contracts	23,336,590	12,853,686
Interest Rate Swaps	22,796,440	13,167,063
Options, Caps and Floors	885,356	1,141,551
Mutual Funds	10,175,301	10,639,191
Total	**57,193,687**	**37,801,491**

Unused Facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The majority of these expire in the next year. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Acceptances, Guarantees and Letters of Credit

Acceptances, guarantees and letters of credit commits the Group to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

(All amounts are shown in thousands of Qatari Riyals)

31. OPERATING SEGMENTS

The Group organises and manages its operations through six main business segments, as described below, which are the Group's strategic business units. For each strategic business units, the Group management committee reviews internal management reports on at least a quarterly basis. The strategic business units offer different products and services and are managed separately because they require different strategies.

Corporate Banking

Corporate banking; includes loans, deposits, investment and advisory services and other products and services with corporate customers and undertaking the Group's funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short term placements and corporate and government debt securities.

Consumer banking

Consumer banking; includes loans, deposits and other diversified range of products and services to retail customers.

Asset and Wealth Management

Assets and wealth management; includes loans, deposits, assets management, brokerage and custody services to the high wealth customers.

Islamic banking

Islamic banking; includes islamic financing activities, current accounts, unrestricted investment accounts and other products and services to corporate and individual customers under Sharia principles

QNB International Holdings Limited (QIHL)

Includes loans, deposits and other products and services in the Group's subsidiary QNB International Holding Limited in London.

International Banking

International banking; includes loans, deposits and other products and services with corporate and individual customers in the Group's international locations.

	Qatar Operation							
	Corporate Banking	**Consumer Banking**	**Asset and Wealth Management**	**Islamic Banking**	**QIHL (Subsidiary)**	**International Banking**	**Unallocated and Intra-group Transactions**	**Total**
At 31 December 2009:								
Net Operating Income	2,531,219	784,546	293,879	487,569	90,992	782,681	686,291	5,657,177
General and Administrative Expenses	(224,492)	(415,926)	(20,020)	(68,234)	(141,259)	(108,219)	(17,710)	(995,860)
Net Profit / (Loss)	2,267,678	161,525	255,811	377,717	(43,631)	645,575	537,048	4,201,723
Total Assets	105,749,783	8,249,229	7,116,863	20,832,292	2,096,189	52,762,632	(17,478,074)	179,328,914
At 31 December 2008:								
Net Operating Income	2,380,955	811,037	275,469	402,268	289,951	495,895	435,575	5,091,150
General and Administrative Expenses	(154,118)	(358,093)	(19,748)	(61,309)	(245,325)	(96,921)	(5,861)	(941,375)
Net Profit / (Loss)	1,980,287	291,303	220,756	331,322	18,224	384,497	426,156	3,652,545
Total Assets	98,051,196	6,949,958	5,863,515	12,995,986	3,551,357	48,620,845	(24,059,239)	151,973,618

(All amounts are shown in thousands of Qatari Riyals)

32. GEOGRAPHICAL DISTRIBUTION

	Qatar	Other GCC Countries	Europe	North America	Others	Total
At 31 December 2009:						
Cash and Balances with Central Banks	9,031,973	140,551	9,431	-	698,215	9,880,170
Due from Banks	4,357,296	2,479,975	20,409,170	2,424,724	509,862	30,181,027
Loans and Advances	96,851,086	5,296,562	3,680,727	1,682,869	1,272,017	108,783,261
Investment Securities	20,914,624	2,654,055	53,446	159,818	3,994,482	27,776,425
	131,154,979	**10,571,143**	**24,152,774**	**4,267,411**	**6,474,576**	**176,620,883**
Other Assets						2,708,031
Total Assets						**179,328,914**
Due to Banks	3,967,913	6,690,089	9,695,467	1,169,736	8,080,231	29,603,436
Customer Deposits	86,064,717	3,774,483	1,789,259	54,215	17,089,822	108,772,496
Unrestricted Investment Accounts	16,075,817	323,626	144,596	-	555,680	17,099,719
	106,108,447	**10,788,198**	**11,629,322**	**1,223,951**	**25,725,733**	**155,475,651**
Other Liabilities						3,881,434
Shareholders' Equity						19,971,829
Total Liabilities and Equity						**179,328,914**
At 31 December 2008:						
Cash and Balances with Central Banks	5,856,430	331,080	9,170	-	72,916	6,269,596
Due from Banks	7,716,632	6,531,076	7,302,892	4,410,719	1,083,136	27,044,455
Loans and Advances	83,259,934	6,136,221	6,949,167	2,106,921	1,601,247	100,053,490
Investment Securities	9,447,649	2,515,481	397,677	186,136	3,864,613	16,411,556
	106,280,645	**15,513,858**	**14,658,906**	**6,703,776**	**6,621,912**	**149,779,097**
Other Assets						2,194,521
Total Assets						**151,973,618**
Due to Banks	8,104,487	5,051,579	9,571,218	3,119	5,977,419	28,707,822
Customer Deposits	77,644,476	633,170	3,669,263	349,813	12,676,243	94,972,965
Unrestricted Investment Accounts	8,719,341	364,100	189,855	2	6,374	9,279,672
	94,468,304	**6,048,849**	**13,430,336**	**352,934**	**18,660,036**	**132,960,459**
Other Liabilities						2,369,934
Shareholders' Equity						16,643,225
Total Liabilities and Equity						**151,973,618**

(All amounts are shown in thousands of Qatari Riyals)

33. DERIVATIVES

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, or market risk.

				Notional / Expected amount by term to maturity			
	Positive Fair Value	Negative Fair Value	Notional Amount	Within 3 Months	3 - 12 Months	1-5 Years	More than 5 Years
At 31 December 2009:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	71,538	18,706	23,336,590	6,355,860	12,564,737	4,415,993	-
Options	3,211	3,166	625,697	496,980	-	128,717	-
Credit Default Swaps	-	146	72,810	-	-	72,810	-
Caps and Floors	131	131	186,849	17,486	67,446	101,917	-
Interest Rate Swaps	14,091	-	16,354,829	-	3,422,069	7,456,917	5,475,843
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	33	139,968	6,441,611	62,981	111,735	5,735,716	531,179
Total	**89,004**	**162,117**	**47,018,386**	**6,933,307**	**16,165,987**	**17,912,070**	**6,007,022**
At 31 December 2008:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	47,180	162,640	12,853,686	7,870,946	92,077	4,890,663	-
Options	1,253	1,253	264,869	57,397	71,649	135,823	-
Credit Default Swaps	597	182	145,620	-	72,810	72,810	-
Caps and Floors	1,628	1,628	731,062		100,325	630,737	-
Interest Rate Swaps	10,703	-	11,208,971	-	7,281	6,416,573	4,785,117
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	57	189,451	1,958,092	-	384,073	976,866	597,153
Total	**61,418**	**355,154**	**27,162,300**	**7,928,343**	**728,215**	**13,123,472**	**5,382,270**

Swaps

Swaps are commitments to exchange one set of cash flows for another. In the case of interest rate swaps, counterparties generally exchange fixed and floating interest payments in a single currency without exchanging principal. In the case of currency swaps, fixed interest payments and principal are exchanged in different currencies. In the case of cross-currency interest rate swaps, principal, fixed and floating interest payments are exchanged in different currencies. In the case of credit default swaps the counterparties agree to make payments with respect to defined credit events based on specified notional amounts.

Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in future contract values are settled daily.

Forward rate agreements

Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement for the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

(All amounts are shown in thousands of Qatari Riyals)

33. DERIVATIVES (Continued)

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

Caps and floors
An interest rate cap or floor is a contractual arrangement under which the buyer receives money at the end of each specific period in which the agreed interest rates exceeds or is below the agreed strike price of the cap or floor.

Derivatives Held for Hedging Purposes

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

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and interest rate risks. This is generally achieved by hedging specific transactions in the balance sheet.

The Group uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate liabilities. In such cases, the hedging relationship and objective, including details of the hedged items and hedging instruments, are formally documented and the transactions are accounted for as cash flow hedges.

Derivatives Held for Trading Purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. The Group also uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

(All amounts are shown in thousands of Qatari Riyals)

34. MUTUAL FUNDS

As part of the Group's investment activities, the following mutual funds were marketed by the Group:

	2009	2008
Al Watani Amana - Notes 1	-	146
Al Watani Amana - Notes 2	15,301	15,155
Total	**15,301**	**15,301**

The Group's investment activities also include management of certain investment funds . As at 31 December 2009, third party funds under management amounted to QR 10,160 million (2008: QR10,624 million). The financial statements of these funds are not consolidated with the financial statements of the Group. However, the Group's share of these funds is included in the financial investments of the Group.

35. RELATED PARTIES

The Group has transactions in the ordinary course of business with directors, officers of the Group and entities over which they have significant influence and control. The key management personnel are those persons having authority and responsibility in making financial and operating decisions. At the balance sheet date, such significant balances included:

	2009	2008
Balance Sheet Items		
Loans and Advances	2,670,374	2,512,673
Deposits	965,734	724,877
Contingent Liabilities and Other Commitments	82,883	155,272
Statement of Income Items		
Interest and Commission Income	161,489	152,267
Interest and Commission Expense	42,984	32,085

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in notes 6 and 12. All the transactions with the related parties are substantially on the same terms , including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

Compensation of key management personnel is as follows:	2009	2008
Salaries and Other Benefits	17,871	17,624
End of Service Indemnity Benefits	369	534

36. CASH AND CASH EQUIVALENTS

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

	2009	2008
Cash and Balances with Central Banks	5,072,159	2,712,318
Due from Banks Maturing in Three Months	30,025,737	25,256,866
Total	**35,097,896**	**27,969,184**

Cash and balances with Central Banks do not include mandatory reserve deposits.

37. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATING UNCERTAINTY

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists.

The Group reviews its non performing loans and advances on a half yearly basis to assess whether a provision for credit losses should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions of several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

The Group uses fair values of financial assets that are traded in active markets based on quoted market prices i.e. level 1. Where active quoted market prices are not available , the Group uses widely recognised valuation models including common and more simple financial instruments that use only observable market data and require little management judgement and estimation i .e. level 2. The determination of fair values for unquoted investments where no observable market data is also available, requires management to make estimates and assumptions that may affect the reported amount of assets at the date of financial statements i .e. level 3.

38. COMPARATIVE FIGURES

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

Qatar National Bank S.A.Q.
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A) PARENT COMPANY

The statement of financial position and income statement of the parent company are presented below:

(i) Statement of Financial Position as at 31 December:

	2009 QR000	2008 QR000
ASSETS		
Cash and Balances with Central Banks	9,652,001	6,268,898
Due from Banks and Other Financial Institutions	31,030,718	26,573,475
Loans and Advances and Financing Activities to Customers	106,959,623	97,641,267
Investment Securities	23,039,708	11,610,955
Investments in Subsidiaries and Associates	5,284,141	5,022,660
Property and Equipment	607,412	544,340
Other Assets	1,979,230	1,490,810
Total Assets	**178,552,833**	**149,152,405**
LIABILITIES		
Due to Banks and Other Financial Institutions	21,059,191	19,931,336
Repurchase Agreements	2,085,852	2,267,416
Customer Deposits	108,170,919	92,347,156
Other Borrowings	6,723,541	6,719,147
Other Liabilities	3,788,288	2,113,951
Total Liabilities	**141,827,791**	**123,379,006**
Unrestricted Investment Accounts	17,099,719	9,279,672
Total Liabilities and Unrestricted Investment Accounts	**158,927,510**	**132,658,678**
EQUITY		
Issued Capital	3,011,208	2,408,966
Statutory Reserve	7,650,698	6,829,459
Other Reserves	1,754,062	1,759,800
Risk Reserve	1,410,000	1,410,000
Fair Value Reserve	489,147	(273,815)
Proposed Dividend	1,204,483	1,806,724
Proposed Bonus Shares	903,362	602,242
Proposed Transfer to Statutory Reserve	903,362	821,239
Retained Earnings	2,299,000	1,129,112
Total Equity	**19,625,323**	**16,493,727**
Total Liabilities, Unrestricted Investment Accounts and Equity	**178,552,833**	**149,152,405**

Qatar National Bank S.A.Q.
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(ii) Income Statement for the Year Ended 31 December:

	2009 QR000	2008 QR000
Continuing Operations		
Interest Income	6,353,081	5,961,302
Interest Expense	(3,072,445)	(3,526,096)
Net Interest Income	**3,280,636**	**2,435,206**
Income from Islamic Financing and Investing Activities	900,872	689,135
Unrestricted Investment Account Holders' Share of Profit	(488,866)	(362,774)
Net Income from Islamic Financing and Investing Activities	**412,006**	**326,361**
Net Interest Income and Income from Financing and Investing Activities	**3,692,642**	**2,761,567**
Fee and Commission Income	995,958	955,339
Fee and Commission Expense	(62,973)	(74,091)
Net Fee and Commission Income	**932,985**	**881,248**
Dividend Income	204,962	137,524
Net Gains from Foreign Currency Transactions	307,637	320,795
Net Gains from Financial Investments	142,266	569,289
Other Operating Income	5,763	16,254
Net Operating Income	**5,286,255**	**4,686,677**
General and Administrative Expenses	(825,987)	(777,466)
Depreciation	(104,522)	(73,708)
Provisions for Credit Losses on Loans and Advances	(281,106)	(246,585)
Net Impairment Losses on Financial Investments	(73,823)	(130,311)
Other Recoveries	(3,950)	-
Profit Before Income Tax	**3,996,867**	**3,458,607**
Income Tax Expense	(15,180)	(23,696)
Profit for the Year	**3,981,687**	**3,434,911**

Qatar National Bank S.A.Q.
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B) ISLAMIC BANKING

The balance sheet and statement of income of QNB Al Islami 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) Statement of Financial Position as at 31 December:

	2009 QR000	2008 QR000
ASSETS		
Cash and Balances with Central Banks	1,069,612	516,373
Due from and Investments with Banks and Financial Institutions	4,938,002	4,866,576
Due from Financing Activities	14,498,206	6,791,667
Investment Securities	1,167,349	927,082
Property and Equipment	18,063	10,709
Other Assets	285,080	249,045
Total Assets	**21,976,312**	**13,361,452**
LIABILITIES		
Due to Banks and Other Financial Institutions	64,701	217,833
Customer Current Accounts	1,708,989	1,082,094
Other Liabilities	356,754	115,752
Total Liabilities	**2,130,444**	**1,415,679**
Unrestricted Investment Accounts	17,099,719	9,279,672
Total Liabilities and Unrestricted Investment Accounts	**19,230,163**	**10,695,351**
EQUITY		
Issued Capital	2,320,400	2,338,664
Other Reserves	(842)	60
Fair Value Reserve	6,294	(3,932)
Retained Earnings	420,297	331,309
Total Equity	**2,746,149**	**2,666,101**
Total Liabilities, Unrestricted Investment Accounts and Equity	**21,976,312**	**13,361,452**

(ii) Income Statement for the Year Ended 31 December:

	2009 QR000	2008 QR000
Income from Financing and Investing Activities	900,872	689,135
Total Income from Financing and Investing Activities	**900,872**	**689,135**
Fee and Commission Income	82,411	53,746
Fee and Commission Expense	(1,804)	(1,110)
Net Fee and Commission Income	**80,607**	**52,636**
Net Gains from Foreign Currency Transactions	13,920	6,138
Net Gains from Investment Securities	2,937	4,832
Share in Profit of Associates	42,909	15,374
Other Operating Income	71	31
Net Operating Income	**1,041,316**	**768,146**
General and Administrative Expenses	(75,351)	(63,180)
Depreciation	(5,004)	(1,730)
Net Impairment Losses on Financing Activities	(41,009)	(8,164)
Other Provisions	(468)	-
Profit for the Year before Taxes and Zakat	**919,484**	**695,072**
Taxes and Zakat	**(10,321)**	**(989)**
Profit for the Year	**909,163**	**694,083**
Less:		
Unrestricted Investment Account Holders' Share of Profits	(488,866)	(362,774)
Profit for the Year Attributable to Shareholders	**420,297**	**331,309**