



DOHA BANK Q.S.C
DOHA - QATAR

CONSOLIDATED
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2009

DOHA BANK Q.S.C

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2009

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. The consolidated financial statements include the assets, liabilities and results of operations of one of the branches which has been audited by other auditor who issued their unqualified audit report on the respective financial statements. The audit report was furnished to us, and our opinion in so far as it relates to the amounts included for the Branch, is based solely on the report of other auditor. The Branch with a total assets of QR 273 million (December 31, 2008: QR 168 million), total liabilities of QR 120 million (December 31, 2008: QR 142 million) and net loss of QR 1.03 million (December 31, 2008 profit: QR 9.74 million) are presented in these consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained and the report of the other auditor are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and based on the report of other auditors, the accompanying consolidated financial statements give a true and fair view of the financial position of the Bank as of December 31, 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and Qatar Central Bank regulations.

Report on Other Legal and Regulatory Requirements

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

For **Deloitte & Touche**

Doha – Qatar
January 20, 2010

Muhammad Bahemia
License No. 103

DOHA BANK Q.S.C**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As of December 31, 2009

	Notes	2009	2008
		QR'000	QR'000
ASSETS			
Cash and balances with central banks	5	10,753,828	2,552,024
Due from banks and other financial institutions	6	4,399,729	7,949,767
Loans and advances and financing activities to customers	7	25,895,855	23,933,229
Financial investments	8	3,825,497	3,379,757
Investment in associate company	8	12,110	12,231
Property, furniture and equipment	9	570,466	495,567
Other assets	10	538,697	647,883
Total assets		45,996,182	38,970,458
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	11	10,488,856	8,160,567
Customer deposits	12	26,177,986	22,206,605
Subordinated debt	13	824,860	1,232,079
Other liabilities	14	941,326	1,420,859
		38,433,028	33,020,110
Unrestricted investment depositors' accounts	16	1,712,371	1,037,593
Shareholders' equity			
Paid up share capital	17(a)	1,808,606	1,722,482
Advance capital received	17(b)	368,611	368,611
Statutory reserve	17(c)	2,433,631	2,148,424
Risk reserve	17(d)	364,650	352,431
Fair value reserve	17(e)	(80,451)	(492,364)
Hedge reserve		(52,689)	(97,251)
Foreign currency translation reserve	17(f)	(2,417)	(2,981)
Proposed dividends	17(g)	904,303	861,241
Retained earnings		106,539	52,162
Total shareholders' equity		5,850,783	4,912,755
Total liabilities, unrestricted investment depositors' accounts and shareholders' equity		45,996,182	38,970,458

Fahad Bin Mohammad Bin Jabor Al Thani
Chairman

Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director

Raghavan Seetharaman
Chief Executive Officer

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

DOHA BANK Q.S.C
CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2009

	Notes	2009	2008
		----- QR'000	----- QR'000
Interest income	18	2,253,065	1,985,968
Interest expense	19	(1,166,646)	(1,060,497)
Net interest income		1,086,419	925,471
Fees and commission income	20	416,954	344,394
Fees and commission expense		(4,858)	(4,473)
Net fees and commission income		412,096	339,921
Income from Islamic financing and investing activities		220,608	253,525
Unrestricted investment depositors' share of profit		(66,279)	(71,518)
Net Islamic financing and Investing Income		154,329	182,007
Gross written premium		80,711	62,822
Premium ceded		(27,918)	(42,854)
Net claims paid		(31,640)	(10,004)
Net Income from Insurance Activities		21,153	9,964
Dividend income	21	42,315	15,544
Gain on foreign exchange activities	22(a)	75,248	56,448
Net Income from financial investments	22(b)	221,046	172,515
Share of loss from associate company	23	(685)	(293)
Net loss on derivatives	24	(32,290)	(64,951)
Other operating income	25	64,698	38,560
Total other income		370,332	217,823
Net operating income		2,044,329	1,675,186
General and administration expenses	26	(603,888)	(497,316)
Depreciation of property, furniture and equipment	9	(40,629)	(42,488)
Impairment of financial investments		(298,950)	(131,541)
Impairment of loans and advances	7	(126,314)	(56,934)
Net profit for the year before taxes		974,548	946,907
Income tax expense		(929)	(405)
Net profit for the year		973,619	946,502
Basic and diluted earnings per share (QR)	27	5.38	5.67
Weighted average number of shares		180,860,610	167,009,927

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

DOHA BANK Q.S.C**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the year ended December 31, 2009

	Note	2009	2008
	-----	-----	-----
		QR.'000	QR.'000
Net Profit for the year		973,619	946,502
		-----	-----
Other Comprehensive Income:			
Net movement in fair value of available for sale investments	17(e)	411,913	(562,818)
Net movement in fair value of cash flow hedge		44,562	(79,631)
Foreign currency translation adjustment	17(f)	564	(2,981)
		-----	-----
Total other Comprehensive Income		457,039	(645,430)
		-----	-----
Total Comprehensive Income for the year		1,430,658	301,072
		=====	=====

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

DOHA BANK Q.S.C

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2009

	Note	Share capital	Advance capital	Statutory reserve	Risk reserve	Fair value reserve	Hedge reserve	Foreign currency translation reserve	Proposed dividends	Proposed bonus shares	Retained earnings	Total
		QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2009		1,722,482	368,611	2,148,424	352,431	(492,364)	(97,251)	(2,981)	861,241	--	52,162	4,912,755
Net profit for the year		--	--	--	--	--	--	--	--	--	973,619	973,619
Other Comprehensive income		--	--	--	--	411,913	44,562	564	--	--	--	457,039
Total Comprehensive income		--	--	--	--	411,913	44,562	564	--	--	973,619	1,430,658
Increase in share capital		86,124	(368,611)	282,487	--	--	--	--	--	--	--	--
Dividends paid		--	--	--	--	--	--	--	(861,241)	--	--	(861,241)
Advance Capital received	17 (b)	--	368,611	--	--	--	--	--	--	--	--	368,611
Net movement in risk reserve	17 (d)	--	--	--	12,219	--	--	--	--	--	(12,219)	--
Transfer to statutory reserve	17 (c)	--	--	2,720	--	--	--	--	--	--	(2,720)	--
Proposed dividend		--	--	--	--	--	--	--	904,303	--	(904,303)	--
Balance at December 31, 2009		1,808,606	368,611	2,433,631	364,650	(80,451)	(52,689)	(2,417)	904,303	--	106,539	5,850,783

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

DOHA BANK Q.S.C

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2009

	Note	Share capital	Advance capital	Statutory reserve	Risk reserve	Fair value reserve	Hedge reserve	Foreign currency translation reserve	Proposed dividends	Proposed bonus shares	Retained earnings	Total
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
		QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2008		1,248,175	--	1,248,175	280,431	70,454	(17,620)	--	499,270	249,635	40,452	3,618,972
Net profit for the year		--	--	--	--	--	--	--	--	--	946,502	946,502
Other Comprehensive income		--	--	--	--	(562,818)	(79,631)	(2,981)	--	--	--	(645,430)
		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Comprehensive income		--	--	--	--	(562,818)	(79,631)	(2,981)	--	--	946,502	301,072
Dividends paid		--	--	--	--	--	--	--	(499,270)	--	--	(499,270)
Bonus shares issued		249,635	--	--	--	--	--	--	--	(249,635)	--	--
Rights issue		224,672	--	--	--	--	--	--	--	--	--	224,672
Advance Capital receive	17 (b)	--	368,611	--	--	--	--	--	--	--	--	368,611
Share premium on rights issue		--	--	898,698	--	--	--	--	--	--	--	898,698
Net movement in risk reserve	17 (d)	--	--	--	72,000	--	--	--	--	--	(72,000)	--
Transfer to statutory reserve	17 (c)	--	--	1,551	--	--	--	--	--	--	(1,551)	--
Proposed dividend		--	--	--	--	--	--	--	861,241	--	(861,241)	--
		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 2008		1,722,482	368,611	2,148,424	352,431	(492,364)	(97,251)	(2,981)	861,241	--	52,162	4,912,755
		=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

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

DOHA BANK Q.S.C

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

	Note	2009	2008
	-----	-----	-----
		QR'000	QR'000
Operating Activities			
Net profit for the year before taxes		974,548	946,907
Adjustments for:			
Depreciation of property, furniture and equipment		40,629	42,488
Amortisation of financing costs		1,191	762
Provision for impairment of loans and advances		126,314	56,934
Profit on sale of property, furniture and equipment		(67)	(84)
Profit on sale of financial investments		(221,046)	(172,515)
Provision for impairment of investments		298,950	131,541
Net loss on derivatives		32,290	64,951
		-----	-----
Profits before changes in operating assets and liabilities		1,252,809	1,070,984
Net (increase) / decrease in assets			
Due from banks and other financial institutions		(787,034)	(33,463)
Loans and advances and financing activities to customers		(2,088,940)	(4,882,676)
Other assets		109,186	(254,347)
Net increase / (decrease) in liabilities			
Due to banks and other financial institutions		2,328,289	3,789,652
Customer deposits		4,646,159	3,233,352
Other liabilities		(479,533)	627,252
		-----	-----
Net cash from operating activities		4,980,936	3,550,754
INVESTING ACTIVITIES			
Purchase of financial investments		(3,786,841)	(3,407,562)
Proceeds from sale of financial investments		3,682,948	2,459,027
Purchase of property, furniture and equipment		(98,537)	(239,271)
Proceeds from sale of property, furniture and equipment		75	84
		-----	-----
Net cash used in investing activities		(202,355)	(1,187,722)
FINANCING ACTIVITIES			
Subordinated debt repurchased		(407,219)	--
Net proceeds from rights issue		--	1,123,370
Advance capital received		368,611	368,611
Dividends paid		(861,241)	(499,270)
		-----	-----
Net cash (used in) from financing activities		(899,849)	992,711
		-----	-----
Net increase in cash and cash equivalents during the year		3,878,732	3,355,743
Cash and cash equivalents – Beginning of the year		8,009,791	4,654,048
		-----	-----
Cash and cash equivalents – end of the year	32	11,888,523	8,009,791
Operational cash flows from interest and dividend			
Interest paid		1,239,618	921,075
Interest received		2,265,057	1,935,393
Dividend received		42,315	15,544

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Doha Bank Q.S.C. (“Doha Bank”) was incorporated on March 15, 1979, as a Joint Stock Company under Emiri Decree No. 51 of 1978.

Doha Bank is engaged in commercial and Islamic banking activities and operates through its head office in Doha and 35 local branches including five Islamic branches, three overseas branches in the United States of America, the United Arab Emirates and the State of Kuwait and representative offices in: London, Singapore, Turkey, China, Japan, South Korea and Romania. In addition, the Bank owns 100% of the issued share capital of Doha Bank Assurance Company L.L.C, an insurance company registered under Qatar Financial Centre and Dbank Tech L.L.C, an information technology company with operations in the United Arab Emirates. Doha Bank and its subsidiaries are referred to as “the Bank”.

Islamic banking

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

The consolidated financial statements for the year ended December 31, 2009 were authorized for issue in accordance with a resolution of the Board of Directors on January 20, 2010.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretations effective in the current period

At the date of authorization of these consolidated financial statements, the following standards and interpretations were effective:

(i) Revised standards:

- IAS 1 (Revised) - IAS 1 has introduced the following:
 - Terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
 - Comprehensive revision including requiring a statement of comprehensive income
- IAS 23 (Revised) - The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these consolidated financial statements because it has always been the Bank’s accounting policy to capitalise borrowing costs incurred on qualifying assets.

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 Standards and Interpretations effective in the current period (continued)

- IFRS 7 (Revised) – The amendments to IFRS 7 expand the disclosures required in respect of Financial Instruments fair value measurements and liquidity risk.

In addition to the amendments described above, a number of standards were also amended. The Improvements have led to changes in the details of the Bank's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

(ii) New Standards

- IFRS 8 – *Operating Segments*

This is a disclosure standard requiring operating segments to be identified on the basis of internal reports about components of the bank that are regularly reviewed by the Chief Operating decision maker, in order to allocate resources to the segments and to assess their performance.

(iii) New Interpretations

- IFRIC 13 – *Customer Loyalty Programmes*
- IFRIC 15 – *Agreement for Construction of Real Estate*
- IFRIC 16 – *Hedges of Net Investment in Foreign Operations*

The adoption of these new standards and Interpretations had no significant effect on the consolidated financial statements of the Bank for the year ended December 31, 2009, other than certain presentation and disclosure changes.

2.2 Standards and Interpretations in issue not yet effective

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

(i) Revised Standards

Effective for annual periods beginning on or after July 1, 2009

- IAS 27 (Revised) – *Consolidated and Separate Financial Statements*
- IAS 28 (Revised) – *Investments in Associates*
- IAS 31 (Revised) – *Interest In Joint Ventures*
- IAS 38 (Revised) – *Intangible Assets*
- IAS 39 (Revised) – *Financial Instruments: Recognition & Measurement*
- IFRS 2 (Revised) – *Share-based Payments*
- IFRS 3 (Revised) – *Business Combinations*
- IFRS 5 (Revised) – *Non Current assets Held for Sale & Discontinued Operations*

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Effective for annual periods beginning on or after January 1, 2010

- IAS 1- *Presentation of Financial statements*
- IAS 7 (Revised) - *Statement of Cash Flows*
- IAS 17 (Revised) - *Leases*
- IAS 36 (Revised) - *Impairment of Assets*
- IAS 39 (Revised) – *Financial Instruments: Recognition & Measurement*
- IFRS 1 (Revised) - *First time adoption*
- IFRS 2 (Revised) - *Share-based Payments*
- IFRS 5 (Revised) – *Non Current assets Held for Sale & Discontinued Operations*
- IFRS 8 (Revised) – *Operating Segments*

Effective for annual periods beginning on or after January 1, 2011.

- IAS 24 (Revised) – *Related Party Disclosures.*

(ii) New Standard

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed)

- IFRS 9- *Financial Instruments –Classification and Measurement*

(iii) New Interpretations

Effective for annual periods beginning on or after July 1, 2009

- IFRIC 17 - *Distributions of Non-Cash Assets to Owners*

Effective for transfers from customers received on or after July 1, 2009

- IFRIC 18 - *Transfers of Assets from Customers*

Effective for annual periods beginning on or after July 1, 2010

- IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments*

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Bank in the period of initial application, other than certain presentation and disclosure changes. Management has yet to decide when to adopt IFRS 9 and will only be in a position to assess its potential impact on the financial statements at the time of adoption.

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

Basis of consolidation

Subsidiaries

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

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

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

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

<u>Company Name</u>	<u>Country of Incorporation and Operation</u>	<u>Capital QR'000</u>	<u>Ownership Interest %</u>	<u>Principal Activity</u>
Doha Bank Assurance Company L.L.C	Qatar	100,000	100%	General Insurance
Dbank Tech L.L.C	UAE	991	100%	Information Technology

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates

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

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

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

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

<u>Company Name</u>	<u>Country of incorporation and operation</u>	<u>Ownership interest</u>		<u>Principal activity</u>
		<u>2009</u> %	<u>2008</u> %	
Doha Brokerage and Financial Services Limited	India	49%	49%	Brokerage and assets management

Summary of significant accounting policies

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

Foreign currency transactions

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

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

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Date of recognition

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

Initial recognition of financial instruments

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

Derivatives

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

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

In relation to cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other comprehensive income. The gains or losses on cash flow hedges previously recognized in other comprehensive income and accumulated in equity are reclassified 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 were previously recognized in other comprehensive income and accumulated in shareholders' equity are included in the initial measurement of the cost of the related asset or liability. In relation to fair value hedges, any gains or losses arising from changes in the fair value of the hedging instrument is taken directly to the statement of income for the period together with any changes in the fair value of the hedged item attributable to the hedged risk.

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derivatives (continued)

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 amortized over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognized in equity is held therein until the forecasted transaction occurs. When the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the statement of income.

Loans and advances

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

Available-for-sale financial investments

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

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

Held to Maturity Financial Investments

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subordinated debt

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

Derecognizing of financial assets and financial liabilities

Financial assets

A financial asset is derecognized where:

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

Financial liabilities

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

Determination of fair value

The fair value for financial instruments traded in active financial markets is determined by reference to quoted market prices (bid price for long positions and ask price for short positions) at the close of business on the statement of financial position date.

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

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and advances and financing activities to customers

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

Specific provisions for the impairment of loans and advances and financing activities to customers are calculated based on the difference between the book value of the loans and advances and their recoverable amount, being the net present value of the expected future cash flows, discounted at the original interest rates. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less the costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Collective assessment of loans and advances

Where individually assessed loans are evaluated and no evidence of loss is present or has been identified, there may be losses based upon risk rating and expected migrations product or industry characteristics. Impairment covers losses which may arise from individual performing loans that are impaired at the reporting date but were not specifically identified as such until sometime in the future. The estimated impairment is calculated by the Bank's management for each identified portfolio as per the requirements of Qatar Central Bank based on historical experience, credit rating and expected migrations in addition to the assessed inherent losses which are reflected by the economic and credit conditions.

Available-for-sale financial investments

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

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognized in the statement of income is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; rather increases in their fair value following impairment are recognized directly in the comprehensive income and accumulated in equity.

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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

Revenue recognition

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

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

Property acquired against settlement of customer debts

Properties acquired by the Bank against settlement of debts are stated in the statement of financial position under "other assets" at their net acquired values. Unrealized losses, due to the diminution in fair value of those assets are shown in the statement of income. Future unrealized gains on such property are taken to the statement of income to the extent of unrealized losses previously recognized.

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

Property, furniture and equipment

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

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, furniture and equipment (continued)

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

Employees' end of service benefits and pension fund

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

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

Other provisions

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

Unrestricted investment depositors' share of profit

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

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

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

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

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Taxes

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

Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the bank and accordingly are not part of the consolidated statement of financial position.

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

Definition and classification

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

The significant accounting policies adopted by the Bank in respect of recognition and measurement of the key financial instruments and their related income and expenses are disclosed in Note 3 "Significant Accounting Policies".

Fair Value of Financial Instruments

Floating rate financial instruments

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

Fixed rate financial instruments

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

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	2009		2008	
	Carrying Value QR'000	Fair Value QR'000	Carrying Value QR'000	Fair Value QR'000
Held to maturity investments	<u>2,239,798</u>	<u>2,276,680</u>	<u>1,134,614</u>	<u>1,050,579</u>

Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u> <u>QR'000</u>	<u>Level 2</u> <u>QR'000</u>	<u>Level 3</u> <u>QR'000</u>	<u>Total</u> <u>QR'000</u>
Financial Assets at FVTPL				
Derivative financial assets	--	52,689	--	52,689
Available for sale financial assets				
Quoted equities	987,460	--	--	987,460
Unquoted equities	--	--	598,239	598,239
	<u>987,460</u>	<u>52,689</u>	<u>598,239</u>	<u>1,638,388</u>

Risk Management Framework

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

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Risk management structure

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

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

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

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

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

Credit risk

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

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

Note 7 to the consolidated financial statements discloses the distribution of the loans and advances and financing activities by economic sectors. Note 30 to the consolidated financial statements disclose the geographical distribution of the Bank's assets and liabilities.

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**Credit Exposure**

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

	2009	2008
	-----	-----
	QR'000	QR'000
ASSETS:		
Cash and balances with Central Banks (excluding cash on hand)	10,482,088	2,126,897
Due from banks and other financial institutions	4,399,729	7,949,767
Loans and advances and financing activities to customers	25,895,855	23,933,229
Investments	3,837,607	3,391,988
Other assets	538,697	647,883
	<u>45,153,976</u>	<u>38,049,764</u>
Contingent liabilities and commitments	<u>19,661,477</u>	<u>17,612,007</u>
Total credit exposure	<u>64,815,453</u>	<u>55,661,771</u>

The fair value of derivatives shown on the statement of financial position included in other assets represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in fair value. For the purpose of disclosing the maximum credit risk exposure, the fair value of the derivatives excluded from the other assets and the total exposure is shown under contingent liabilities and commitments.

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED):

Interest rate risk

The Bank's interest sensitivity position of assets, liabilities and off balance sheet items as at December 31, 2009 and 2008 based on the earlier of contract re-pricing or maturity is as follows:

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non interest sensitive	Total	Effective interest rate
<u>December 31, 2009</u>	----- QR'000	----- QR'000	----- QR'000	----- QR'000	----- QR'000	----- QR'000	-----
Cash and balances with Central Banks	--	--	--	--	10,753,828	10,753,828	
Due from banks and other financial institutions	3,183,962	621,904	593,863	--	--	4,399,729	1.67%
Loans and advances and financing activities to customers	4,936,320	4,267,576	13,822,301	--	2,869,658	25,895,855	8.84%
Financial Investments	63,583	234,865	2,832,642	--	706,517	3,837,607	6.54%
Property, furniture and equipment	--	--	--	--	570,466	570,466	
Other assets	--	--	--	--	538,697	538,697	
Total Assets	8,183,865	5,124,345	17,248,806	--	15,439,166	45,996,182	
Due to banks and other financial institutions	8,975,527	1,513,329	--	--	--	10,488,856	1.70%
Customer deposits	15,623,844	6,651,713	74,660	--	3,827,769	26,177,986	5.18%
Subordinated debt	824,860	--	--	--	--	824,860	1.15%
Other liabilities	--	--	--	--	941,326	941,326	
Unrestricted investment depositors' accounts	--	--	--	--	1,712,371	1,712,371	4.10%
Shareholder's equity	--	--	--	--	5,850,783	5,850,783	
Total Liabilities, Unrestricted investment depositors' accounts and Shareholders' Equity	25,424,231	8,165,042	74,660	--	12,332,249	45,996,182	
On Balance sheet gap	(17,240,366)	(3,040,697)	17,174,146	--	3,106,917	--	
Off Balance sheet gap	837,545	--	--	--	--	837,545	
Total Interest Rate Sensitivity Gap	(16,402,821)	(3,040,697)	17,174,146	--	3,106,917	--	
Cumulative Interest Rate Sensitivity Gap	(16,402,821)	(19,443,518)	(2,269,372)	(2,269,372)	837,545	--	

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non interest sensitive	Total	Effective interest rate
<u>December 31, 2008</u>	----- QR'000	----- QR'000	----- QR'000	----- QR'000	----- QR'000	----- QR'000	-----
Cash and balances with Central Banks	--	-	--	--	2,552,024	2,552,024	
Due from banks and other financial institutions	6,634,451	589,949	725,367	--	--	7,949,767	4.33%
Loans and advances and financing activities to Customers	6,138,071	3,002,503	11,651,877	--	3,140,778	23,933,229	9.50%
Financial Investments	274,659	192,814	969,276	746,517	1,208,722	3,391,988	6.30%
Property, furniture and equipment	--	--	--	--	495,567	495,567	
Other assets	--	--	--	--	647,883	647,883	
Total Assets	13,047,181	3,785,266	13,346,520	746,517	8,044,974	38,970,458	
Due to banks and other financial institutions	6,884,952	1,275,615	--	--	--	8,160,567	3.40%
Customer deposits	17,690,655	1,245,709	43,998	--	3,226,243	22,206,605	5.40%
Subordinated debt	1,232,079	--	--	--	--	1,232,079	6.20%
Other liabilities	--	--	--	--	1,420,859	1,420,859	
Unrestricted investment depositors' accounts	--	--	--	--	1,037,593	1,037,593	3.60%
Shareholder's equity	--	--	--	--	4,912,755	4,912,755	
Total Liabilities, Unrestricted investment depositors' accounts and Shareholders' Equity	25,807,686	2,521,324	43,998	--	10,597,450	38,970,458	
On Balance sheet gap	(12,760,505)	1,263,942	13,302,522	746,517	(2,552,476)	--	
Off Balance sheet gap	1,460,000	--	--	--	--	1,460,000	
Total Interest Rate Sensitivity Gap	(11,300,505)	1,263,942	13,302,522	746,517	(2,552,476)	--	
Cumulative Interest Rate Sensitivity Gap	(11,300,505)	(10,036,563)	3,265,959	4,012,476	1,460,000	--	

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

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

Assuming that the financing and size of the interest sensitive assets / liability remain the same, the bank will incur a loss of about QR. 1.8 million (2008: QR. 1.1) with the increase of 1 bp in interest rate. In case the interest rate declines by 1 bp the bank will benefit by the same amount.

Liquidity risk

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

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

Liquidity risk

	In 1 month	1 to 3 months	3 months to 1 year	1 to 5 Years	Over 5 years	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
As at December 31, 2009						
Cash and balances with Central Banks	8,352,086	1,001,068	--	--	1,400,674	10,753,828
Due from banks and other financial institutions	2,300,920	883,042	621,904	593,863	--	4,399,729
Loans and advances and financing activities to customers	3,472,452	1,463,868	4,267,576	9,683,956	7,008,003	25,895,855
Financial Investments	556,474	--	--	2,087,051	1,194,082	3,837,607
Property, furniture and equipment	--	--	--	--	570,466	570,466
Other assets	538,697	--	--	--	--	538,697
Total Assets	15,220,629	3,347,978	4,889,480	12,364,870	10,173,225	45,996,182
Due to banks and other financial institutions	8,171,377	804,150	238,804	1,274,525	--	10,488,856
Customer deposits	13,932,974	5,518,639	6,651,713	74,660	--	26,177,986
Subordinated debt	--	--	--	--	824,860	824,860
Other liabilities	941,326	--	--	--	--	941,326
Unrestricted investment depositors' accounts	846,353	762,549	103,469	--	--	1,712,371
Shareholders' equity	--	--	--	--	5,850,783	5,850,783
Total Liabilities, Unrestricted investment depositors' accounts and Shareholders' Equity	23,892,030	7,085,338	6,993,986	1,349,185	6,675,643	45,996,182
Net Liquidity Gap	(8,671,401)	(3,737,360)	(2,104,506)	11,015,685	3,497,582	--

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

	In 1 month	1 to 3 months	3 months to 1 year	1 to 5 Years	Over 5 years	Total
	----- QR'000	----- QR'000	----- QR'000	----- QR'000	----- QR'000	----- QR'000
As at December 31, 2008						
Cash and balances with Central Banks	1,375,340	--	--	--	1,176,684	2,552,024
Due from banks and other financial institutions	6,036,167	598,284	589,949	725,367	--	7,949,767
Loans and advances and financing activities to customers	4,920,663	1,184,892	3,002,503	6,553,993	8,271,178	23,933,229
Financial Investments	680,267	--	179,049	1,112,417	1,420,255	3,391,988
Property furniture and equipment	--	--	--	--	495,567	495,567
Other assets	647,883	--	--	--	--	647,883
Total Assets	13,660,320	1,783,176	3,771,501	8,391,777	11,363,684	38,970,458
Due to banks and other financial institutions	6,809,401	75,551	1,090	1,274,525	--	8,160,567
Customer deposits	17,096,236	3,820,662	1,245,709	43,998	--	22,206,605
Subordinated debt	--	--	--	--	1,232,079	1,232,079
Other liabilities	1,420,859	--	--	--	--	1,420,859
Unrestricted investment depositors' accounts	512,838	462,059	62,696	--	--	1,037,593
Shareholders' equity	--	--	--	--	4,912,755	4,912,755
Total Liabilities, Unrestricted investment depositors' accounts and Shareholders' Equity	25,839,334	4,358,272	1,309,495	1,318,523	6,144,834	38,970,458
Net Liquidity Gap	(12,179,014)	(2,575,096)	2,462,006	7,073,254	5,218,850	--

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

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

	<u>Qatar Riyals</u>	<u>US Dollar</u>	<u>Euro</u>	<u>Pound Sterling</u>	<u>Other currencies</u>	<u>Total</u>
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
As at December 31, 2009						
Assets	34,417,206	8,803,781	252,125	143,339	2,379,731	45,996,182
Liabilities, Unrestricted investment depositors' accounts and Shareholders' Equity	(35,568,800)	(8,772,180)	(259,498)	(148,501)	(1,247,203)	(45,996,182)
Net currency position	(1,151,594)	31,601	(7,373)	(5,162)	1,132,528	--
As at December 31, 2008						
Assets	24,876,847	11,692,656	271,994	76,200	2,052,761	38,970,458
Liabilities, Unrestricted investment depositors' accounts and Shareholders' Equity	(23,775,987)	(14,244,997)	(292,798)	(73,904)	(582,772)	(38,970,458)
Net currency position	1,100,860	(2,552,341)	(20,804)	2,296	1,469,989	--

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (continued)

Foreign currency sensitivity analysis

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

<u>Currency</u>	<u>Percentage</u>	<u>Profit / loss</u>	
		<u>2009</u>	<u>2008</u>
		<u>QR'000</u>	<u>QR'000</u>
GBP	+/- 3%	155	69
EURO	+/- 3%	221	624
KWD	+/- 3%	6,057	3,926
YEN	+/- 3%	4,973	28

Price Risk

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

	<u>2009</u>		<u>2008</u>	
	<u>Change in Price</u> <u>%</u>	<u>Effect on Equity</u> <u>QR'000</u>	<u>Change in Price</u> <u>%</u>	<u>Effect on Equity</u> <u>QR'000</u>
Quoted investments	+/-10%	98,746	+/- 10%	139,502

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Capital adequacy

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

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

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

Regulatory capital

	2009	2008
	----- QR'000	----- QR'000
Tier 1 capital	4,231,397	4,258,679
Tier 2 capital	1,072,544	924,914
Total capital	----- 5,303,941	----- 5,183,593
Risk weighted assets	----- 36,804,237	----- 38,461,315
Tier 1 Capital ratio	11.50%	11.07%
Total Capital ratio	14.41%	13.48%

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

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

Customers' investment management risks

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Operational and other risks

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

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

5. CASH AND BALANCES WITH CENTRAL BANKS

	2009	2008
	----- QR'000	----- QR'000
Cash and bank balances	411,418	411,768
Cash reserve with Qatar Central Bank	1,262,696	1,103,892
Cash reserve with other Central Banks	137,978	72,792
Other balances with Central Banks	8,941,736	963,572
	----- 10,753,828	----- 2,552,024
	=====	=====

The cash reserve with Qatar Central Bank amounting to QR1,263 million (2008: QR 1,104 million) and balances with other central banks representing the cash reserve with the Federal Reserve Bank of New York, Central bank of UAE and Central Bank of Kuwait amounting to QR 138 million (2008: QR 73 million) are mandatory reserves and are not available for use in the Bank's day-to-day operations. The bank does not have any other cash and cash equivalent that are not available for use.

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009	2008
	----- QR'000	----- QR'000
Current accounts	128,218	179,408
Deposits	2,586,711	5,746,732
Loans to banks	1,684,800	2,023,627
	----- 4,399,729	----- 7,949,767
	=====	=====

Included in loans to banks is an amount of QR. 115 million against which an impairment of QR. 51 million has been recognized.

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

7. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS

	2009	2008
	QR'000	QR'000
7. a. By Type		
<i>(i) Conventional banking loans and advances</i>		
Loans	21,273,080	19,511,384
Overdrafts	2,529,257	1,864,725
Discounted notes	74,679	98,086
	-----	-----
Gross loans and advances	23,877,016	21,474,195
Specific provision for impairment	(685,714)	(546,476)
	-----	-----
Net conventional loans and advances	23,191,302	20,927,719
	-----	-----
<i>(ii) Islamic Financing activities to customers</i>		
Murabaha and Musawama	1,523,097	1,302,491
Istisna	230,798	209,153
Ijara	911,532	1,673,257
Mudaraba & Musharaka	334,636	117,446
Others	4,542	3,451
	-----	-----
Islamic gross financing activities to customers	3,004,605	3,305,798
Less: Deferred income	(268,638)	(283,246)
Less: Specific provision for impairment	(31,414)	(17,042)
	-----	-----
Net Islamic financing activities to customers	2,704,553	3,005,510
	-----	-----
Net loans and advances and financing activities to customers	25,895,855	23,933,229
	=====	=====

As a part of government assistance program, the Bank disposed of certain loans and advances in the amount of QR 1,664 million to the government in consideration for cash and State of Qatar bonds. The loss on sale of loans and advances amounted to QR. 30 million was expensed off.

The aggregate amount of non-performing loans and advances as at December 31, 2009 amounted to QR 851 million representing 3.14 % (2008: QR 723.7 million 2.89%) of the total gross loans and advances and financing activities to customers.

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

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

7.b. By Sector

	2009				2008			
	Loans	Overdrafts	Discounted notes	Total	Loans	Overdrafts	Discounted notes	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Government	37,907	1,140,203	--	1,178,110	49,569	110,299	--	159,868
Government agencies	836,153	3	--	836,156	675,803	93,097	--	768,900
Industry	995,252	52,302	6,347	1,053,901	855,269	91,722	3,142	950,133
Commercial	3,868,793	569,438	49,255	4,487,486	2,847,882	629,583	39,571	3,517,036
Services	1,909,518	68,427	2,060	1,980,005	1,691,832	70,659	18,568	1,781,059
Contracting	2,930,515	352,963	8,585	3,292,063	2,123,875	300,279	28,066	2,452,220
Real estate	3,860,516	83,112	--	3,943,628	4,345,592	88,614	8,000	4,442,206
Personal	9,043,972	445,302	2,409	9,491,683	9,930,393	480,382	739	10,411,514
Others	605,392	11,594	1,603	618,589	293,516	3,541	--	297,057
	24,088,018	2,723,344	70,259	26,881,621	22,813,731	1,868,176	98,086	24,779,993

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

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

7.c. Supplementary Information

Distribution of Retail, Corporation and Real Estate Portfolio

As at December 31, 2009

<u>Business Sector</u>	Performing Loans	Non- Performing Loans	Total	Provisions for impairment
	QR'000	QR'000	QR'000	QR'000
Government	2,014,264	--	2,014,264	--
Corporate	12,476,881	264,861	12,741,742	283,236
Retail	7,567,379	576,024	8,143,403	431,856
Real Estate	3,972,278	9,934	3,982,212	2,036
	<u>26,030,802</u>	<u>850,819</u>	<u>26,881,621</u>	<u>717,128</u>

As at December 31, 2008

<u>Business Sector</u>	Performing Loans	Non- Performing Loans	Total	Provisions for impairment
	QR'000	QR'000	QR'000	QR'000
Government	928,768	--	928,768	--
Corporate	11,327,751	358,240	11,685,991	296,937
Retail	7,358,331	365,471	7,723,802	266,581
Real Estate	4,441,432	--	4,441,432	--
	<u>24,056,282</u>	<u>723,711</u>	<u>24,779,993</u>	<u>563,518</u>

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

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

7.d. Movement in provisions

	2009			2008		
	Specific	Interest in Suspense	Total	Specific	Interest in Suspense	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
At January 1,	347,817	215,701	563,518	325,924	233,332	559,256
Net provisions during the year	126,314	67,706	194,020	56,934	39,939	96,873
Provisions made during the year	187,479	91,534	279,013	124,056	69,685	193,741
Recoveries during the year	(61,165)	(23,828)	(84,993)	(67,122)	(29,746)	(96,868)
Written off during the year	(7,223)	(33,187)	(40,410)	(35,041)	(57,570)	(92,611)
At December 31,	466,908	250,220	717,128	347,817	215,701	563,518

7.e. Analysis of Impaired Financial Assets

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

Classification	2009		2008	
	Net Exposure	Collateral	Net Exposure	Collateral
	QR'000	QR'000	QR'000	QR'000
90 - 180 days	220,352	67,575	170,756	67,306
180 to 365 days	195,400	33,774	128,655	52,045
Above 365 days	435,067	64,757	424,300	161,164
	850,819	166,106	723,711	280,515

The past due but not impaired loans and advances and financing activities to customers at the end of the year were QR. 585 million (2008: QR 240 million).

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

	2009	2008
	QR'000	QR'000
Corporate lending	24,128	29,325
Retail lending	54,435	47,878
	78,563	77,203

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

8. FINANCIAL INVESTMENTS

Available-for-sale and held to maturity investments

	2009	2008
	----- QR '000	----- QR '000
Available-for-sale investments (a)	1,585,699	2,245,143
Held to maturity investments (b)	2,239,798	1,134,614
	----- 3,825,497	----- 3,379,757
	=====	=====

(a). Available for sale investments

	2009			2008		
	<u>Quoted</u>	<u>Unquoted</u>	<u>Total</u>	<u>Quoted</u>	<u>Unquoted</u>	<u>Total</u>
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Equities	248,353	93,496	341,849	608,593	66,627	675,220
State of Qatar debt securities	348,276	504,200	852,476	259,415	782,944	1,042,359
Other debt securities	38,816	-	38,816	31,020	--	31,020
Mutual funds	352,015	543	352,558	496,001	543	496,544
	-----	-----	-----	-----	-----	-----
	987,460	598,239	1,585,699	1,395,029	850,114	2,245,143
	=====	=====	=====	=====	=====	=====

During the period, the Bank sold its investments in local shares in the amount of QR. 536.6 million to the government. According to the agreement with the government, the Bank is eligible to repurchase those investments at the same price within a period of 5 years.

Fixed rate debt securities and floating rate debt securities amounted to QR 826 million and QR 65 million respectively as at December 31, 2009 (December 31, 2008: QR. 962 million and QR 111 million respectively).

Included in equities are securities with a market value of QR 16.2 million (2008: QR 11.1 million) restricted due to the Bank holding directorships in investee companies and securities with a market value of QR 30.9 million (2008: QR 18.3 million) restricted due to contractual agreement with the investee companies.

(b). Held to maturity investments

	2009			2008		
	<u>Quoted</u>	<u>Unquoted</u>	<u>Total</u>	<u>Quoted</u>	<u>Unquoted</u>	<u>Total</u>
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Debt securities	1,076,769	1,163,029	2,239,798	1,134,614	--	1,134,614
	=====	=====	=====	=====	=====	=====

Quoted debt securities include QR 1,882 millions of Government Bonds. (2008: QR. 713 million). Fixed rate debt securities and floating rate debt securities amounted to QR 1,958 million and QR. 282 million respectively as at December 31, 2009 (2008: Fixed rate debt security QR 605 million and Floating rate debt security QR. 345 million respectively).

Held-to-maturity Investments include bonds provided by the Government in settlement of some loans and advances to customers and other exposures as stated in note 7(a).

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

8. FINANCIAL INVESTMENTS (CONTINUED)

(c). Investment in Associate Company

	2009	2008
	----- QR '000	----- QR '000
Investment in Associate	12,110	12,231
	=====	=====
The movement of investment in associate is as follows:		
Balance at January 1,	12,231	10,256
Acquisition during the year	--	5,249
Foreign currency translation	564	(2,981)
Share of net loss	(685)	(293)
	-----	-----
Balance at the end of the year	12,110	12,231
	=====	=====

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

	2009	2008
	----- QR '000	----- QR '000
Total assets	20,234	16,711
	=====	=====
Total liabilities	(8,644)	(5,800)
	=====	=====
Net assets	11,590	10,911
	=====	=====
Bank's share of net assets of associate	5,679	5,346
	=====	=====
Total Revenue	1,623	8,839
	=====	=====
Net loss for the year/period	(1,398)	(598)
	=====	=====
Bank's share of (loss) profit	(685)	(293)
	=====	=====

Investment in associate Company includes an amount of QR. 6.4 million representing the excess of cost over the Bank's share of the net assets of the associate.

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

9. PROPERTY, FURNITURE AND EQUIPMENT

	Land and Buildings	Leasehold Improvements	Furniture and Equipment	Vehicles	Total
	----- QR'000	----- QR'000	----- QR'000	----- QR'000	----- QR'000
At December 31, 2009					
Cost:					
Balance at January 1,	438,886	100,091	176,695	10,620	726,292
Additions	86,881	8,232	19,001	1,423	115,537
Disposals	--	--	(629)	(821)	(1,450)
	-----	-----	-----	-----	-----
	525,767	108,323	195,067	11,222	840,379
	-----	-----	-----	-----	-----
Depreciation:					
Balance at January 1,	43,109	50,100	132,752	4,764	230,725
Depreciation for the year	3,164	11,432	24,067	1,966	40,629
Disposals	--	--	(620)	(821)	(1,441)
	-----	-----	-----	-----	-----
	46,273	61,532	156,199	5,909	269,913
	-----	-----	-----	-----	-----
Net Book Value	479,494	46,791	38,868	5,313	570,466
	=====	=====	=====	=====	=====
At December 31, 2008					
Cost:					
Balance at January 1,	228,931	88,312	163,956	8,383	489,582
Additions	209,955	12,251	14,004	3,061	239,271
Disposals	--	(472)	(1,265)	(824)	(2,561)
	-----	-----	-----	-----	-----
	438,886	100,091	176,695	10,620	726,292
	-----	-----	-----	-----	-----
Depreciation:					
Balance at January 1,	36,824	39,500	110,462	4,012	190,798
Depreciation for the year	6,285	11,072	23,555	1,576	42,488
Related to disposals	--	(472)	(1,265)	(824)	(2,561)
	-----	-----	-----	-----	-----
	43,109	50,100	132,752	4,764	230,725
	-----	-----	-----	-----	-----
Net Book Value	395,777	49,991	43,943	5,856	495,567
	=====	=====	=====	=====	=====

Land and buildings include capital work in progress at December 31, 2009 amounting to QR 281 million (2008: QR 208 million). Included in Land and Buildings is an amount of QR 31 million related to finance cost capitalized.

DOHA BANK Q.S.C**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2009

10. OTHER ASSETS

	<u>2009</u> QR'000	<u>2008</u> QR'000
Interest receivable	174,305	186,297
Advance payments	82,963	76,563
Accounts receivable	6,076	4,180
Derivative instruments (Note 28)	--	106,055
Others	<u>275,353</u>	<u>274,788</u>
	<u>538,697</u>	<u>647,883</u>

11. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>2009</u> QR'000	<u>2008</u> QR'000
Due to Qatar Central Bank	134,912	2,096,833
Demand and call deposits	200,081	227,203
Term deposits	46,729	136,394
Borrowings from banks	<u>10,107,134</u>	<u>5,700,137</u>
	<u>10,488,856</u>	<u>8,160,567</u>

12. CUSTOMER DEPOSITS

	<u>2009</u> QR'000	<u>2008</u> QR'000
(a) By type		
(i) Conventional banking customer deposits		
Current and call accounts	5,831,087	5,371,663
Savings accounts	929,946	712,617
Term deposits	<u>19,150,277</u>	<u>15,864,324</u>
	<u>25,911,310</u>	21,948,604
(ii) Islamic banking current accounts	<u>266,676</u>	258,001
	<u>26,177,986</u>	<u>22,206,605</u>
(b) By sector		
Government	2,504,306	2,392,839
Government agencies	5,140,870	6,485,912
Corporate	9,234,574	7,281,113
Individuals	<u>9,298,236</u>	<u>6,046,741</u>
	<u>26,177,986</u>	<u>22,206,605</u>

DOHA BANK Q.S.C**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2009

13. SUBORDINATED DEBT

	2009	2008
	-----	-----
	QR'000	QR'000
<i>Subordinated notes</i>		
Nominal value	832,083	1,238,110
Less: Un-amortized portion of financing costs	(7,223)	(6,031)
	<u>832,083</u>	<u>1,238,110</u>
Amortized cost at December 31,	824,860	1,232,079
	<u>824,860</u>	<u>1,232,079</u>

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

The Bank has repurchased part of its subordinated debt amounting to QR. 405.3 million. The difference between the carrying amount of the repurchased subordinated debt and the consideration paid has been recognized in statement of income.

14. OTHER LIABILITIES

	2009	2008
	-----	-----
	QR'000	QR'000
Provision for end of service benefits (Note 15)	81,657	73,433
Staff provident fund	40,532	31,316
Accrued expenses	226,794	289,751
Derivative instruments (Note 28)	55,254	151,521
Other payables	537,089	874,838
	<u>941,326</u>	<u>1,420,859</u>

The staff provident fund provision includes Qatari staff pension fund contributions amounting to QR 3.7 million (2008: QR 2.6 million).

15. PROVISION FOR END OF SERVICE BENEFITS

	2009	2008
	-----	-----
	QR'000	QR'000
Balance at January 1,	73,433	58,070
Provision for the year	16,413	19,529
Provision used during the year	(8,189)	(4,166)
	<u>73,433</u>	<u>58,070</u>
Balance at December 31,	81,657	73,433
	<u>81,657</u>	<u>73,433</u>

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

16. UNRESTRICTED INVESTMENT DEPOSITORS' ACCOUNTS

	2009	2008
	-----	-----
	--	--
	QR'000	QR'000
Call investment accounts	20,681	33,359
Saving accounts	65,641	59,435
Term deposits	1,621,784	901,150
Unrestricted investment depositor's share of profit	4,265	43,649
	<u>1,712,371</u>	<u>1,037,593</u>

17. SHAREHOLDERS' EQUITY**(a) Paid Up Share capital**

	2009	2008
	-----	-----
	Number of shares	Number of shares
	(Thousand)	(Thousand)
Authorised		
Shares of QR 10 each	<u>180,861</u>	<u>172,248</u>
	Number of shares	Number of shares
	(Thousand)	(Thousand)
Issued and fully paid		
At January 1,	172,248	124,818
Bonus shares issued	--	24,964
Additional Shares Issued (Note 17. b)	8,613	--
Rights issue	--	22,466
At December 31,	<u>180,861</u>	<u>172,248</u>

(b) Advance capital received

In accordance with the shareholders approval of the extra ordinary general assembly held on December 21, 2008, the bank approved a 20% additional share capital to Qatar Investment Authority (QIA). As a part of additional share capital, the bank received an advance payment of 5% from QIA including share premium on December 25, 2008 against which shares were allotted in the year 2009. The bank received an additional advance payment of a further 5% from QIA towards additional share capital on December 30, 2009. The amount is shown as advance capital in shareholders' equity and will be transferred to share capital after the general assembly meeting.

DOHA BANK Q.S.C**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2009

17. SHAREHOLDERS' EQUITY (CONTINUED)**(c) Statutory reserve**

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

(d) Risk reserve

In accordance with the Qatar Central Bank regulations a minimum requirement of 1.5% of the net loans and advances and financing activities to customers except for facilities granted to Government is required as risk reserve to cover any contingencies.

During the year the Bank has transferred an amount of QR 12.2 million to the risk reserve.

(e) Fair value reserve

	2009	2008
	QR'000	QR'000
Balance at January 1,	(492,364)	70,454
Revaluation	73,974	(650,320)
Amount transferred to the statement of income	337,939	87,502
Net change during the year	411,913	(562,818)
Balance at December 31,	(80,451)	(492,364)

(f) Foreign currency translation reserve

Foreign currency translation reserve represents exchange difference relating to the valuation of the foreign investments in the associate company and this reserve is not available for distribution.

(g) Proposed dividends

The Board of Directors in its meeting held on January 20, 2010 has proposed a cash dividend of 50% (QR. 5 per share) (2008: 50% QR. 5 per share). The above is subject to the approval of the shareholders in the forthcoming general assembly.

DOHA BANK Q.S.C**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2009

18. INTEREST INCOME

	2009	2008
	----- QR'000	----- QR'000
Loans and advances to customers	1,906,046	1,626,142
Bonds/Securities (Government and others)	178,712	132,628
Due from banks and other financial institutions	99,268	209,016
Balances with Central Bank	69,039	18,182
	<u>2,253,065</u>	<u>1,985,968</u>

19. INTEREST EXPENSE

	2009	2008
	----- QR'000	----- QR'000
Customer deposits	976,820	813,836
Borrowings from banks	127,845	82,757
Due to banks and other financial institutions	61,981	163,904
	<u>1,166,646</u>	<u>1,060,497</u>

20. FEES AND COMMISSION INCOME

	2009	2008
	----- QR'000	----- QR'000
Indirect credit facilities	128,909	112,326
Bank services fee	126,998	99,849
Loans and advances	126,048	118,526
Investment activities to customers	4,434	1,077
Others	30,565	12,616
	<u>416,954</u>	<u>344,394</u>

21. DIVIDEND INCOME

	2009	2008
	----- QR'000	----- QR'000
Available-for-sale financial investments	42,315	15,544

DOHA BANK Q.S.C**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2009

22. (a) GAIN ON FOREIGN EXCHANGE ACTIVITIES

	2009	2008
	-----	-----
	QR'000	QR'000
Gains on foreign exchange dealings	26,400	23,564
Revaluation of assets and liabilities	48,848	32,884
	<u>75,248</u>	<u>56,448</u>

22. (b) NET INCOME FROM FINANCIAL INVESTMENTS

	2009	2008
	-----	-----
	QR'000	QR'000
Income from investments	237,261	177,609
Amortization of Held to Maturity investments	(16,215)	(5,094)
	<u>221,046</u>	<u>172,515</u>

23. SHARE OF LOSS FROM ASSOCIATE COMPANY

	2009	2008
	-----	-----
	QR'000	QR'000
Total revenue	<u>1,623</u>	<u>8,839</u>
Total loss for the year / period	<u>(1,398)</u>	<u>(598)</u>
Share of Loss from Associate company	<u>(685)</u>	<u>(293)</u>

24. NET LOSS ON DERIVATIVES

	2009	2008
	-----	-----
	QR'000	QR'000
Losses on derivatives	<u>(32,290)</u>	<u>(64,951)</u>

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

25. OTHER OPERATING INCOME

	2009	2008
	-----	-----
	QR'000	QR'000
Profit on disposal of property, furniture and equipment	67	1,820
Rental income	12,239	8,088
Others	52,392	28,652
	<u>64,698</u>	<u>38,560</u>

DOHA BANK Q.S.C**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2009

26. GENERAL AND ADMINISTRATION EXPENSES

	2009	2008
	----- QR'000	----- QR'000
Salaries, allowances and other staff costs	259,236	237,007
Directors remuneration	14,000	14,000
End of service benefits	16,413	19,529
Staff provident fund	6,089	4,938
Advertising and marketing	25,919	28,237
Legal and professional fees	9,044	9,703
Communication, utilities and insurance	83,428	48,965
Rent and maintenance	74,865	67,294
Others	114,894	67,643
	<u>603,888</u>	<u>497,316</u>

27. BASIC AND DILUTED EARNINGS PER SHARE

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

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

	2009	2008
	----- QR'000	----- QR'000
Net profit for the year (QR'000)	<u>973,619</u>	<u>946,502</u>
Weighted average number of shares (Thousands)	<u>180,861</u>	<u>167,009</u>
Basic and diluted earnings per share (QR)	<u>5.38</u>	<u>5.67</u>

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

28. DERIVATIVE INSTRUMENTS

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analyzed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved.

	Positive Fair Value QR'000	Negative Fair Value QR'000	Notional Amount QR'000	Notional amount by term to maturity			
				Within 3 Months QR'000	3 – 12 Months QR'000	1-5 Years QR'000	More than 5 Years QR'000
December 31, 2009:							
Derivatives held for trading:							
Swaps	--	4,754	61,906	--	--	61,906	--
Derivatives held as cash flow hedges:							
Interest Rate Swaps	--	47,935	837,545	--	--	837,545	--
Foreign exchange fair value hedge:							
Foreign currency forward contracts	--	2,565	4,696,786	1,499,111	3,184,972	12,703	--
Total	--	55,254	5,596,237	1,499,111	3,184,972	912,154	--
December 31, 2008:							
Derivatives held for trading:							
Swaps	--	54,270	316,811	--	36,500	280,311	--
Derivatives held as cash flow hedges:							
Interest Rate Swaps	--	97,251	1,456,600	--	--	1,456,600	--
Foreign exchange fair value hedge:							
Foreign currency forward contracts	106,055	--	1,203,186	1,160,580	42,606	--	--
Total	106,055	151,521	2,976,597	1,160,580	79,106	1,736,911	--

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

29. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Bank issues various irrevocable commitments and contingent liabilities. Although these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. In some instances, the amounts recognized on statement of financial position for incurred obligation do not represent the loss potential of the arrangement in full.

The total outstanding commitments and contingent liabilities are as follows:

	2009	2008
	----- QR'000	----- QR'000
a) Contingent liabilities		
Acceptances	315,314	623,432
Guarantees	11,526,845	9,161,250
Letters of credit	2,657,265	2,025,181
Others	559,518	778,453
	<u>15,058,942</u>	<u>12,588,316</u>
(b) Other commitments		
Unused facilities	4,540,629	4,706,880
Capital commitments	142,181	123,306
Forward foreign exchange contracts	4,696,786	1,203,186
Interest rate swaps	837,545	1,456,600
Credit default swaps	25,491	207,566
Total return swaps	36,415	109,245
	<u>10,279,047</u>	<u>7,806,783</u>
Total	<u>25,337,989</u>	<u>20,395,099</u>
Acceptances, guarantees and letters of credit		

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

Unused facilities

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

Capital commitments

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

29. CONTINGENT LIABILITIES AND COMMITMENTS

Operating lease commitments

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

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

	2009	2008
	-----	-----
	QR'000	QR'000
Within one year	34,759	35,209
After one year but not more than five years	20,829	40,219
	55,588	75,428

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

30. GEOGRAPHICAL DISTRIBUTION

	<u>Qatar</u> QR'000	<u>Other GCC Countries</u> QR'000	<u>Europe</u> QR'000	<u>North America</u> QR'000	<u>Other Countries</u> QR'000	<u>Total</u> QR'000
As at December 31, 2009						
Cash and balances with Central Banks	10,478,617	150,697	--	124,514	--	10,753,828
Due from banks and other financial institutions	2,452,038	507,568	536,412	57,921	845,790	4,399,729
Loans and advances and financing activities to customers	24,283,681	1,246,953	3,058	1,412	360,751	25,895,855
Investments	2,928,528	509,504	124,407	124,840	150,328	3,837,607
Property, furniture and equipment	557,836	11,073	--	1,557	--	570,466
Other assets	526,238	9,755	--	2,704	--	538,697
Total Assets	<u>41,226,938</u>	<u>2,435,550</u>	<u>663,877</u>	<u>312,948</u>	<u>1,356,869</u>	<u>45,996,182</u>
Due to banks and other financial institutions	6,927,054	2,096,859	55,062	--	1,409,881	10,488,856
Customer deposits	23,413,932	2,102,759	58	--	661,237	26,177,986
Subordinated debt	--	--	824,860	--	--	824,860
Other liabilities	785,257	--	--	156,069	--	941,326
Unrestricted investment depositors' accounts	1,712,371	--	--	--	--	1,712,371
Shareholders' equity	5,850,783	--	--	--	--	5,850,783
Total Liabilities, Unrestricted investment depositors' accounts and Shareholders' Equity	<u>38,689,397</u>	<u>4,199,618</u>	<u>879,980</u>	<u>156,069</u>	<u>2,071,118</u>	<u>45,996,182</u>

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

30. GEOGRAPHICAL DISTRIBUTION (CONTINUED)

	<u>Qatar</u> QR'000	<u>Other GCC Countries</u> QR'000	<u>Europe</u> QR'000	<u>North America</u> QR'000	<u>Other Countries</u> QR'000	<u>Total</u> QR'000
As at December 31, 2008						
Cash and balances with Central Banks	2,353,570	145,391	--	53,063	--	2,552,024
Due from banks and other financial institutions	3,227,239	2,813,935	436,856	131,607	1,340,130	7,949,767
Loans and advances and financing activities to customers	22,786,650	754,149	8,303	24,302	359,825	23,933,229
Investments	2,213,146	570,211	303,041	--	305,590	3,391,988
Property, furniture and equipment	481,946	11,303	--	2,318	--	495,567
Other assets	644,954	2,477	--	452	--	647,883
Total Assets	<u>31,707,505</u>	<u>4,297,466</u>	<u>748,200</u>	<u>211,742</u>	<u>2,005,545</u>	<u>38,970,458</u>
Due to banks and other financial institutions	5,563,955	1,070,242	137,402	459	1,388,509	8,160,567
Customer deposits	21,756,636	449,039	899	31	--	22,206,605
Subordinated debt	--	--	1,232,079	--	--	1,232,079
Other liabilities	1,405,627	10,476	--	4,756	--	1,420,859
Unrestricted investment depositors' accounts	1,037,593	--	--	--	--	1,037,593
Shareholders' equity	4,912,755	--	--	--	--	4,912,755
Total Liabilities, Unrestricted investment depositors' accounts and Shareholders' Equity	<u>34,676,566</u>	<u>1,529,757</u>	<u>1,370,380</u>	<u>5,246</u>	<u>1,388,509</u>	<u>38,970,458</u>

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

31. RELATED PARTY TRANSACTIONS

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

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

	2009			2008		
	<u>Board of Directors</u> QR'000	<u>Others</u> QR'000	<u>Total</u> QR'000	<u>Board of Directors</u> QR'000	<u>Others</u> QR'000	<u>Total</u> QR'000
Statement of financial position items (as at December 31)						
Loans and advances	822,273	--	822,273	727,804	--	727,804
Deposits	83,170	6,476	89,646	60,100	1,404	61,504
Contingent liabilities and other commitments	239,494	--	239,494	101,312	--	101,312
Statement of income items (for the year ended December 31)						
Interest and commission income	41,476	--	41,476	30,568	--	30,568
Interest and commission expense	5,738	361	6,099	5,158	15	5,173

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

Compensation of key management personnel of the Bank

	2009			2008		
	<u>Board of Directors</u> QR'000	<u>Others</u> QR'000	<u>Total</u> QR'000	<u>Board of Directors</u> QR'000	<u>Others</u> QR'000	<u>Total</u> QR'000
Salaries and other benefits	9,296	15,761	25,057	7,311	15,666	22,977
End of service indemnity benefits and provident fund	1,360	1,051	2,411	1,144	1,127	2,271
	<u>10,656</u>	<u>16,812</u>	<u>27,468</u>	<u>8,455</u>	<u>16,793</u>	<u>25,248</u>

Board of Directors' Fees

The Board of Director's fees for the year 2009 which amounted to QR 14 million (not included in the above) is subject to the approval of General Assembly (2008: QR 14 million).

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

32. CASH AND CASH EQUIVALENTS

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

	2009	2008
	-----	-----
	QR'000	QR'000
Cash and balances with Central Banks	9,353,154	1,375,340
Due from banks and other financial institutions with original maturities of 3 months or less	<u>2,535,369</u>	<u>6,634,451</u>
	<u>11,888,523</u>	<u>8,009,791</u>

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

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

33. SEGMENT INFORMATION

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

	2009				
	<u>Conventional banking</u> QR'000	<u>Islamic banking</u> QR'000	<u>Insurance</u> QR'000	<u>Others</u> QR'000	<u>Total</u> QR'000
Net premium	--	--	21,153	--	21,153
Net interest income	1,086,419	--	--	--	1,086,419
Net fees and commission income	401,471	9,475	--	1,150	412,096
Net income from Islamic financing and investment activities	--	154,329	--	--	154,329
Loss from Associate Company	(685)	--	--	--	(685)
Total other operating income	359,618	3,010	8,389	--	371,017
Provision for impairment of loans and advances	(114,244)	(12,070)	--	--	(126,314)
Net operating income	1,732,579	154,744	29,542	1,150	1,918,015
General and administration expenses	(561,890)	(24,065)	(16,624)	(1,309)	(603,888)
Depreciation	(37,886)	(1,865)	(878)	--	(40,629)
Impairment losses on financial investments	(298,950)	--	--	--	(298,950)
Segment results/net profit before taxes	833,853	128,814	12,040	(159)	974,548
Income tax expense	(929)	--	--	--	(929)
Net profit/(loss) for the year	<u>832,924</u>	<u>128,814</u>	<u>12,040</u>	<u>(159)</u>	<u>973,619</u>
Assets and liabilities					
Total assets	<u>42,801,267</u>	<u>3,007,170</u>	<u>186,615</u>	<u>1,130</u>	<u>45,996,182</u>
Total liabilities	<u>37,986,303</u>	<u>2,090,568</u>	<u>68,321</u>	<u>207</u>	<u>40,145,399</u>
Other segment information					
Capital expenditure	<u>88,509</u>	<u>3,631</u>	<u>6,397</u>	--	<u>98,537</u>

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

33. SEGMENT INFORMATION (Continued)

Geographically, the Bank operates in the State of Qatar, the United States of America, the State of Kuwait and the United Arab Emirates. Qatar operations contributed 99.7 % of the Bank's profit (2008: 98.7%) and more than 97.6% of the assets (2008: 98.3%). Geographic distribution of the Bank's assets and liabilities is further detailed in Note 30.

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

	2008				
	<u>Conventional banking</u> QR'000	<u>Islamic banking</u> QR'000	<u>Insurance</u> QR'000	<u>Others</u> QR'000	<u>Total</u> QR'000
Net premium	--	--	16,718	--	16,718
Net interest income	925,471	--	--	--	925,471
Net fees and commission income	329,711	10,210	--	--	339,921
Net income from Islamic financing and investment activities	--	182,007	--	--	182,007
Loss from Associate Company	(293)	--	--	--	(293)
Other operating income	201,366	3,115	6,018	863	211,362
Provision for impairment of loans and advances	(44,782)	(12,152)	--	--	(56,934)
Net operating income	1,411,473	183,180	22,736	863	1,618,252
General and administration expenses	(464,949)	(15,661)	(15,988)	(718)	(497,316)
Depreciation property, furniture and equipment	(41,169)	(1,259)	(60)	--	(42,488)
Impairment losses on financial investments	(131,541)	--	--	--	(131,541)
Segment results/net profit before taxes	773,814	166,260	6,688	145	946,907
Income tax expense	371	--	(776)	--	(405)
Net profit for the year	<u>774,185</u>	<u>166,260</u>	<u>5,912</u>	<u>145</u>	<u>946,502</u>
Assets and liabilities					
Total assets	<u>35,546,392</u>	<u>3,262,606</u>	<u>160,262</u>	<u>1,198</u>	<u>38,970,458</u>
Total liabilities	<u>31,132,627</u>	<u>2,872,047</u>	<u>52,967</u>	<u>62</u>	<u>34,057,703</u>
Other segment information					
Capital expenditure	<u>224,873</u>	<u>164</u>	<u>234</u>	<u>--</u>	<u>225,271</u>

DOHA BANK Q.S.C

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

34. COMPARATIVE FIGURES

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

35. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Fair values of financial instruments

The fair value of financial assets traded in an organized financial market is determined by reference to quoted market bid prices at the close of business at the reporting date. Where the fair value of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows from the asset, or internal pricing models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Impairment losses on loans and advances

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

Impairment of equity investments

The Bank treats available for sale equity investments as impaired when there has been objective evidence that the estimated future cash flows of the investment will be impacted leading to a permanent decline in the fair value of the investment. In deciding on permanent impairments and in light of the recent and unprecedented levels of volatility in the financial markets the Bank evaluates many factors. These include an analysis of normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities, along with a comprehensive analysis of the strength of the underlying fundamentals of the investments and the macro economic environments in which they operate.

Doha Bank Q.S.C
SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

Islamic Banking

The statements of financial position and income of the Bank's Islamic Branches are presented below:

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

(i) Statement of financial position as at December 31, 2009

	2009	2008
	-----	-----
	QR'000	QR'000
ASSETS		
Cash	7,461	6,390
Due from financing activities to customers	2,704,553	3,005,510
Financial investments	6,364	14,566
Furniture and equipment	7,016	6,380
Other assets	<u>281,776</u>	<u>229,760</u>
TOTAL ASSETS	<u>3,007,170</u>	<u>3,262,606</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Customer current accounts	266,676	258,001
Other liabilities	<u>111,522</u>	<u>1,576,453</u>
TOTAL LIABILITIES	<u>378,198</u>	<u>1,834,454</u>
UNRESTRICTED INVESTMENT DEPOSITORS' ACCOUNTS	<u>1,712,370</u>	<u>1,037,593</u>
EQUITY		
Funds provided by the Head Office	500,000	125,000
Retained earnings	<u>416,602</u>	<u>265,559</u>
TOTAL EQUITY	<u>916,602</u>	<u>390,559</u>
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT DEPOSITORS' ACCOUNTS AND EQUITY	<u>3,007,170</u>	<u>3,262,606</u>

Doha Bank Q.S.C
SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

ii) Statement of income for the year ended December 31, 2009

	2009	2008
	QR'000	QR'000
Income from financing activities	220,403	252,896
Income from investing activities	205	629
Total income from financing and investing activities	220,608	253,525
Fees and commission income	9,475	10,210
Other operating income	3,010	3,115
TOTAL OPERATING INCOME	233,093	266,850
General and administration expenses	(24,065)	(15,661)
Provision	(12,070)	(12,152)
Depreciation of furniture and equipment	(1,865)	(1,259)
NET PROFIT FOR THE YEAR	195,093	237,778
Less:		
Unrestricted investment depositor's share of profit	(66,279)	(71,518)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	128,814	166,260