QNB

Consolidated Financial Statements

31 December 2010

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

Report on consolidated financial statements

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

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

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

Report on other legal and regulatory requirements

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the financial information contained therein is in agreement with the books and records of the Group. We are not aware of any violations of the provisions of Qatar Central Bank Law No. 33 of 2006, Qatar Commercial Law No. 5 of 2002 and the terms of Articles of Association and the amendments thereto having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as at 31 December 2010. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

10 January 2011
Doha
State of Qatar

Qatar National Bank S.A.Q.
Consolidated Statement of Financial Position
As at 31 December 2010

	Note	2010 QR000	2009 QR000 (Restated)
ASSETS			
Cash and Balances with Central Banks	4	33,912,459	9,880,170
Due from Banks and Other Financial Institutions	5	24,686,826	30,181,027
Loans and Advances and Financing Activities to Customers	6	131,696,000	108,783,261
Investment Securities	7	24,047,736	23,332,759
Investments in Associates	8	4,648,318	4,443,666
Property and Equipment	9	914,931	713,036
Other Assets	10	3,476,177	1,994,995
Total Assets		**223,382,447**	**179,328,914**
LIABILITIES			
Due to Banks and Other Financial Institutions	11	12,160,273	20,794,043
Repurchase Agreements		2,184,300	2,085,852
Customer Deposits	12	140,086,810	108,772,496
Other Borrowings	13	12,136,410	6,723,541
Other Liabilities	14	6,638,343	3,977,254
		173,206,136	**142,353,186**
Unrestricted Investment Accounts	16	25,383,623	17,099,719
Total Liabilities and Unrestricted Investment Accounts		**198,589,759**	**159,452,905**
EQUITY			
Issued Capital	17	3,914,570	3,011,208
Statutory Reserve	17	8,554,060	7,650,698
Other Reserves	17	1,732,643	1,769,386
Risk Reserve	17	1,500,000	1,410,000
Fair Value Reserve	17	700,404	489,147
Proposed Dividend	17	1,957,285	1,204,483
Proposed Bonus Shares	17	1,174,371	903,362
Proposed Transfer to Statutory Reserve	17	1,174,371	903,362
Retained Earnings	17	3,529,760	2,343,671
Total Equity Attributable to Equity Holders of the Bank		**24,237,464**	**19,685,317**
Non - Controlling Interest	18	555,224	190,692
Total Equity		**24,792,688**	**19,876,009**
Total Liabilities, Unrestricted Investment Accounts and Equity		**223,382,447**	**179,328,914**

These financial statements were approved by the Board of Directors on 10 January 2011 and were signed on its behalf by:

Yousef Hussain Kamal
Chairman

Ali Shareef Al-Emadi
Group Chief Executive Officer

The attached notes 1 to 37 form an integral part of these consolidated financial statements .

Qatar National Bank S.A.Q.
Consolidated Statement of Financial Position
As at 31 December 2010

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Chairman

Ali Shareef Al-Emadi
Group Chief Executive Officer

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Qatar National Bank S.A.Q.
Consolidated Income Statement
For the Year Ended 31 December 2010

	Note	2010 QR000	2009 QR000
Continuing Operations			
Interest Income	19	7,889,807	6,394,834
Interest Expense	20	(3,241,878)	(3,080,578)
Net Interest Income		**4,647,929**	**3,314,256**
Income from Islamic Financing and Investing Activities	21	2,041,964	900,872
Unrestricted Investment Account Holders' Share of Profit		(1,014,887)	(488,866)
Net Income from Islamic Financing and Investing Activities		**1,027,077**	**412,006**
Net Interest Income and Income from Islamic Financing and Investing Activities		**5,675,006**	**3,726,262**
Fee and Commission Income	22	1,199,660	1,031,037
Fee and Commission Expense		(78,713)	(63,291)
Net Fee and Commission Income		**1,120,947**	**967,746**
Dividend Income	23	41,068	204,962
Net Gains from Foreign Currency Transactions	24	358,691	304,809
Net Gains from Investment Securities	25	175,172	142,266
Share in Profit of Associates	8	216,306	292,795
Other Operating Income		22,198	18,337
Operating Income		**7,609,388**	**5,657,177**
General and Administrative Expenses	26	(1,145,461)	(995,860)
Depreciation	9	(146,596)	(110,998)
Net Impairment Losses on Loans and Advances	6	(537,664)	(281,106)
Net Impairment Losses on Investment Securities		(62,706)	(73,823)
Other Provisions	15	615	(3,950)
Recovery of Provision for Properties Acquired against Settlement of Debts		112	-
Profit Before Income Taxes		**5,717,688**	**4,191,440**
Income Tax Expense		(15,520)	(17,140)
Profit for the Year from Continuing Operations		**5,702,168**	**4,174,300**
Profit from Discontinued Operations	27	-	14,167
Profit for the Year		**5,702,168**	**4,188,467**
Attributable to:			
Equity Holders of the Bank		**5,704,299**	**4,201,723**
Non - Controlling Interest		(2,131)	(13,256)
Profit for the Year		**5,702,168**	**4,188,467**
Basic and Diluted Earnings Per Share (QR)	28	14.6	10.7

The attached notes 1 to 37 form an integral part of these consolidated financial statements .

Qatar National Bank S.A.Q.
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2010

	Note	2010 QR000	2009 QR000
Profit for the Year		**5,702,168**	**4,188,467**
Other Comprehensive Income, net of Income Tax			
Foreign Currency Translation Differences for Foreign Operations		(51,025)	(20,528)
Share of Other Comprehensive Income of Associates		14,282	127
Effective Portion of Changes in Fair Value of Cash Flow Hedges	17	(51,825)	49,460
Net Gain on Revaluation of Available for Sale Investment Securities	17	263,082	713,854
Total Other Comprehensive Income for the Year, net of Income Tax		**174,514**	**742,913**
Total Comprehensive Income for the Year		**5,876,682**	**4,931,380**
Attributable to:			
Equity Holders of the Bank		5,878,813	4,944,636
Non - Controlling Interest		(2,131)	(13,256)
Total Comprehensive Income for the Year		**5,876,682**	**4,931,380**

The attached notes 1 to 37 form an integral part of these consolidated financial statements .

Qatar National Bank S.A.Q.
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2010

	Issued Capital	Statutory Reserve	Other Reserves	Risk Reserve	Fair Value Reserve	Proposed Dividend	Proposed Bonus Shares	Proposed Transfer to Statutory Reserve	Retained Earnings	Equity Attributable to Equity Holders of Parent	Non Controlling Interest	Total
	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000
Balance at 1 January 2010	3,011,208	7,650,698	1,769,386	1,410,000	489,147	1,204,483	903,362	903,362	2,343,671	19,685,317	190,692	19,876,009
Total Comprehensive Income for the Year												
Profit for the Year	-	-	-	-	-	-	-	-	5,704,299	5,704,299	(2,131)	5,702,168
Other Comprehensive Income, net of Income Tax												
Net Movement in Currency Translation Differences	-	-	(51,025)	-	-	-	-	-	-	(51,025)	-	(51,025)
Share of Other Comprehensive Income of Associates	-	-	14,282	-	-	-	-	-	-	14,282	-	14,282
Net Movement in Fair Value Reserve (Note 17)	-	-	-	-	211,257	-	-	-	-	211,257	-	211,257
Total Other Comprehensive Income	-	-	**(36,743)**	-	**211,257**	-	-	-	-	**174,514**	-	**174,514**
Total Comprehensive Income for the Year	-	-	**(36,743)**	-	**211,257**	-	-	-	**5,704,299**	**5,878,813**	**(2,131)**	**5,876,682**
Dividend Declared for the year 2009	-	-	-	-	-	(1,204,483)	-	-	-	(1,204,483)	-	(1,204,483)
Bonus Shares for the year 2009	903,362	-	-	-	-	-	(903,362)	-	-	-	-	-
Transfer to Statutory Reserve for the Year 2009	-	903,362	-	-	-	-	-	(903,362)	-	-	-	-
Net Movement in Risk Reserve	-	-	-	90,000	-	-	-	-	(90,000)	-	-	-
Proposed Dividend	-	-	-	-	-	1,957,285	-	-	(1,957,285)	-	-	-
Proposed Bonus Shares	-	-	-	-	-	-	1,174,371	-	(1,174,371)	-	-	-
Proposed Transfer to Statutory Reserve	-	-	-	-	-	-	-	1,174,371	(1,174,371)	-	-	-
Transfer to Social and Sports Fund	-	-	-	-	-	-	-	-	(118,027)	(118,027)	-	(118,027)
Transactions Costs and Other Adjustments	-	-	-	-	-	-	-	-	(4,156)	(4,156)	(3,100)	(7,256)
Net Movement in Non controlling Interest	-	-	-	-	-	-	-	-	-	-	369,763	369,763
Balance at 31 December 2010	**3,914,570**	**8,554,060**	**1,732,643**	**1,500,000**	**700,404**	**1,957,285**	**1,174,371**	**1,174,371**	**3,529,760**	**24,237,464**	**555,224**	**24,792,688**
Balance at 1 January 2009	2,408,966	6,829,459	1,789,787	1,410,000	(274,167)	1,806,724	602,242	821,239	1,248,975	16,643,225	-	16,643,225
Total Comprehensive Income for the Year												
Profit for the Year	-	-	-	-	-	-	-	-	4,201,723	4,201,723	(13,256)	4,188,467
Other Comprehensive Income, net of Income Tax												
Net Movement in Currency Translation Differences	-	-	(20,528)	-	-	-	-	-	-	(20,528)	-	(20,528)
Share of Other Comprehensive Income of Associates	-	-	127	-	-	-	-	-		127	-	127
Net Movement in Fair Value Reserve	-	-	-	-	763,314	-	-	-	-	763,314	-	763,314
Total Other Comprehensive Income	-	-	**(20,401)**	-	**763,314**	-	-	-	-	**742,913**	-	**742,913**
Total Comprehensive Income for the Year	-	-	**(20,401)**	-	**763,314**	-	-	-	**4,201,723**	**4,944,636**	**(13,256)**	**4,931,380**
Dividend Declared for the Year 2008	-	-	-	-	-	(1,806,724)	-	-	-	(1,806,724)	-	(1,806,724)
Bonus Shares for the Year 2008	602,242	-	-	-	-	-	(602,242)	-	-	-	-	-
Transfer to Statutory Reserve for the Year 2008	-	821,239	-	-	-	-	-	(821,239)	-	-	-	-
Proposed Dividend	-	-	-	-	-	1,204,483	-	-	(1,204,483)	-	-	-
Proposed Bonus Shares	-	-	-	-	-	-	903,362	-	(903,362)	-	-	-
Proposed Transfer to Statutory Reserve	-	-	-	-	-	-	-	903,362	(903,362)	-	-	-
Transfer to Social and Sports Fund		-	-	-	-	-	-	-	(95,820)	(95,820)	-	(95,820)
Net Movement in Non controlling Interest	-	-	-	-	-	-	-	-	-	-	203,948	203,948
Balance at 31 December 2009	**3,011,208**	**7,650,698**	**1,769,386**	**1,410,000**	**489,147**	**1,204,483**	**903,362**	**903,362**	**2,343,671**	**19,685,317**	**190,692**	**19,876,009**

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2010

	Note	2010 QR000	2009 QR000
Cash Flows from Operating Activities			
Profit for the Year Before Taxes		5,717,688	4,205,607
Adjustments for:			
Depreciation	9	146,596	110,998
Net Impairment Loss on Loans and Advances	6	537,664	281,106
Net Impairment Loss on Investment Securities		62,706	73,823
Other Provisions	15	5,714	8,974
Net Gain on Sale of Property and Equipment		(8,869)	(3,543)
Net Gain on Sale of Investment Securities	25	(175,172)	(142,266)
Net Amortisation of Premium or Discount on Financial Investments		3,431	3,469
Net Gain from Sale of Discontinued Operations		-	(14,167)
Share in Profit of Associates, net of Dividends Received	8	(117,343)	(174,648)
Provision for Property Acquired Against Settlement of Debts		(112)	-
		6,172,303	**4,349,353**
Changes in:			
Due from Banks and Other Financial Institutions		(1,463,552)	(467,256)
Loans and Advances and Financing Activities to Customers		(23,450,403)	(21,864,332)
Other Assets		(1,470,739)	(450,688)
Due to Banks and Other Financial Institutions		(8,633,770)	1,079,621
Repurchase Agreements		98,448	(181,564)
Customer Deposits and Unrestricted Investment Accounts		39,598,218	22,790,803
Other Liabilities		2,802,702	1,511,002
Cash Generated from Operations		**13,653,207**	**6,766,939**
Income Tax Paid		(22,265)	(8,005)
Staff Indemnity Paid	15	(1,890)	(3,566)
Net Cash from Operating Activities		**13,629,052**	**6,755,368**
Cash Flows from Investing Activities			
Acquisition of Investment Securities		(3,576,449)	(4,968,959)
Proceeds from Sale / Redemption of Investment Securities		3,218,229	7,381,867
Investments in Associates	8	(71,882)	(100,688)
Acquisition of Property and Equipment	9	(358,846)	(240,237)
Proceeds from Sale of Property and Equipment		10,179	50,750
Disposal of Discontinued Operations, net of cash disposed of		-	117,178
Net Cash (used in) / from Investing Activities		**(778,769)**	**2,239,911**
Cash Flows from Financing Activities			
Dividend Paid		(1,208,629)	(1,820,206)
Proceeds from the Eurobond Issue		5,408,424	-
Net Cash from / (used in) Financing Activities		**4,199,795**	**(1,820,206)**
Net Increase in Cash and Cash Equivalents		**17,050,078**	**7,175,073**
Effect of Exchange Rate Fluctuations on Cash Held		24,458	(46,361)
Cash and Cash Equivalents at 1 January		35,097,896	27,969,184
Cash and Cash Equivalents at 31 December	35	**52,172,432**	**35,097,896**

The attached notes 1 to 37 form an integral part of these consolidated financial statements .

1. CORPORATE INFORMATION

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

The Bank together with its subsidiaries (together referred to as the "Group") is engaged in Commercial and Islamic banking activities and operates through its head office in Doha and a total of 59 branches and offices in Qatar, in addition to the branches in the United Kingdom, France, Singapore, Yemen, Kuwait, Sultanate of Oman, Mauritania and Sudan, and Representative Offices in Iran and Libya. In addition, QNB owns 100% of the issued share capital of Ansbacher Group Holdings Limited, a wealth management financial institution with operations in the United Kingdom. QNB owns Ansbacher Group Holdings Limited through a Luxembourg based holding company, QNB International Holdings Limited. In addition, QNB owns 100% of QNB Switzerland, 50.8% of QNB Syria and 100% of QNB Capital, a corporate advisory firm registered in the Qatar Financial Center. During the year, the Bank received priliminary approval from the Qatar Financial Market Authority ("QFMA") to commence brokerage activities in Qatar, and is in the process of establishing a separate legal entity for this purpose.

2. SIGNIFICANT ACCOUNTING POLICIES

a) New Standards, Amendments and Interpretations

New Standards, Amendments and Interpretations Effective from 1 January 2010

- Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. Improvements to IFRS comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No changes to accounting policies are made as a result of these amendments.

New Standards, Amendments and Interpretations that are not yet Effective for the Year Ended 31 December 2010 and not yet Adopted

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

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

- **Revised IAS 24 (revised), Related Party Disclosures,** issued in November 2009. It supersedes IAS 24, Related party disclosures, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information.

b) Basis of Measurement, Presentation and Consolidation

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

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

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

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. The details of the subsidiaries are as follows:

Name of subsidiary	Country of Incorporation	Share Capital QR000	Year of Incorporation	Ownership %
QNB International Holdings Limited	Luxembourg	393,259	2004	100%
QNB Property	France	24,105	2008	100%
QNB Capital	Qatar	54,608	2008	100%
QNB Switzerland	Switzerland	198,549	2009	100%
QNB Syria	Syria	1,165,501	2009	50.8%
QNB Finance Ltd.	Cayman Islands	0.4	2010	100%

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

c) Islamic Banking

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

d) Foreign Currencies

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

e) Derivatives

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

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

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

In relation to cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in other comprehensive income. Gains or losses on cash flow hedges initially recognised in other comprehensive income are transferred to the consolidated income statement in the period in which the hedged transaction impacts the consolidated income statement. Where the hedged transaction results in the recognition of an asset or a liability, the associated gains or losses that had initially been recognised in other comprehensive income are included in the initial measurement of the cost of the related asset or liability.

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

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

f) Revenue Recognition

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

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

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

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

g) Investment Securities

Available-for-Sale Financial Assets

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

Held to Maturity Financial Assets

After initial measurement at fair value, held to maturity investments are measured at amortised cost using the effective interest method, less any provision for impairment. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

h) Investment in Associates

An associate is an entity over which the Group exerts significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 to 50 percent of the voting power of the associate. Such investments are accounted for under the equity method of accounting.

Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's profit or loss. Goodwill relating to an investee is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated income statement its share of the total recognised consolidated income statement of the investee from the data that significant influence effectively commenced until the data that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the investee's equity. The Group's share of those changes are recognised directly in the other comprehensive income. Unrealised gain on transactions with investees are eliminated to the extent of the Group's share in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impaiment losses recognised in prior years no longer exist.

i) Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of financial assets traded in organised financial markets is determined by reference to quoted market bid prices on a regulated exchange at the close of business on the reporting date. For financial assets where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same. Where it is not possible to arrive at a reliable estimate of the fair value, the financial assets are carried at cost until reliable measure of the fair value is available.

j) Recognition / Derecognition of Financial Instruments

All financial assets are recognised using the settlement date.

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

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

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

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

l) Properties Acquired Against Settlement of Debts

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

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

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

m) Property and Equipment

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

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

Freehold land is stated at cost.

n) Impairment of Financial Assets

Assets carried at amortised cost

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a financing arrangement by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in payment status of borrowers or issuers.

Impairment is the difference between carrying amount and the present value of the estimated future cash flows discounted at the original effective profit rate.

Significant financial assets are assessed for impairment on an individual basis. All significant financial assets found not to be impaired are assessed collectively for any impairment that has been incurred but not yet identified. All financial assets that are not individually significant are collectively assessed for impairment by grouping together on the basis that share similar credit risk characteristics.

Assets classified as available-for-sale

Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income to the consolidated income statement. The cumulative loss that is removed from other comprehensive income and recognised in the consolidated income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the consolidated income statement. Impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement. Where available-for-sale securities are carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment loss

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale debt securities, the reversal is recognised in the consolidated income statement. For available-for-sale equity securities, the reversal is recognised directly in other comprehensive income.

o) Employees' Termination Benefits and Pension Fund

Defined Benefit Plan - Expatriate Employees

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

Defined Contribution Scheme - Qatari Employees

With respect to Qatari employees, the Group makes a contribution to the Qatari Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions. The cost is considered as part of general and administrative expenses and is disclosed in note 26.

p) Other Provisions

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

q) Repurchase Agreements

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

r) Contingent Liabilities and Other Commitments

At the consolidated statement of financial position date, contingent liabilities and other commitments do not represent actual assets or liabilities.

s) Other Borrowings

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

t) Unrestricted Investment Accounts' Share of Profit

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

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

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

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

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

u) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash, balances with central banks and balances with banks and other financial institutions with an original maturity of three months or less as disclosed in note 35.

v) Taxes

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group operations inside Qatar are not subject to income tax, except for QNB Capital whose profits are subject to tax as per the Qatar Financial Center Authority tax regulations.

w) Financial Guarantees

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

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

x) Fiduciary Assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the statement of financial position.

y) Discontinued operations

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

z) Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Aa) Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT

I. Financial Instruments

a) Definition and Classification

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

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

b) Fair Value of Financial Instruments

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

Financial Assets	**Carrying amount 2010**	**Fair value 2010**	**Carrying amount 2009**	**Fair value 2009**
Cash and Balances with Central Banks	33,912,459	33,912,459	9,880,170	9,880,170
Due from Banks and Other Financial Institutions	24,686,826	24,686,826	30,181,027	30,181,027
Loans and Advances and Financing Activities	131,696,000	131,696,000	108,783,261	108,783,261
Available for Sale Financial Investments	6,209,861	6,209,861	5,843,087	5,843,087
Held to Maturity Financial Investments	17,837,875	18,651,167	17,489,672	17,682,779
Derivatives Held for Trading	78,252	78,252	88,971	88,971
Derivatives Held as Cash Flow Hedges	67	67	33	33
Financial Liabilities				
Due to Banks and Other Financial Institutions	12,160,273	12,160,273	20,794,043	20,794,043
Repurchase Agreements	2,184,300	2,151,451	2,085,852	2,104,879
Customer Deposits	165,470,433	165,470,433	125,872,215	125,872,215
Other Borrowings	12,136,410	12,101,364	6,723,541	6,723,541
Derivatives Held for Trading	72,254	72,254	22,149	22,149
Derivatives Held as Cash Flow Hedges	191,827	191,827	139,968	139,968

Fair Value Hierarchy

The fair values for available-for-sale financial assets comprise of QR683 million (2009: QR691 million) under the level 1 category, QR1,537 million (2009: QR1,260 million) under the level 2 category and QR3,990 million (2009: QR3,892 million) under level 3 of the fair value hierarchy. Moreover, the fair values for held to maturity financial assets comprise of QR4,548 million (2009: QR3,508 million) under the level 2 category and QR14,103 million (2009: QR14,175 million) under the level 3 category.

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

Financial Instruments for which Fair Value Approximates Carrying Value
For financial assets and financial liabilities that are liquid or having a term maturity less than three months, the carrying amounts approximate to their fair value.

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

II. Risk Management

a) Risk Management Framework

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to their responsibilities. The Group is exposed to credit risk, liquidity risk, operational 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 Group's strategic planning process.

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Structure

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

Risk Committee

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

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

Information compiled from all businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division.

Internal Audit

Risk management processes throughout the Group are audited by the Group Internal Audit as part of each audit which examines both the adequacy and compliance with the procedures in addition to specific audit of Group Risk function itself as per approved audit plan. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit and Compliance Committee.

Risk Mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Group. The effectiveness of all hedge relationships is monitored by the Risk Management on a monthly basis. In a situation of hedge ineffectiveness, the Group will enter into a new hedge relationship to mitigate risk on a continuous basis.

b) Credit Risk

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

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

Note 6 discloses the distribution of loans and advances and financing activities by industrial sector . Note 31 discloses the geographical distribution of the Group's assets and liabilities.

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

	Gross Maximum Exposure	
	2010	**2009**
Cash and Balances with Central Banks (excluding Cash on Hand)	33,115,928	9,348,155
Due from Banks and Other Financial Institutions	24,686,826	30,181,027
Loans and Advances and Financing Activities	131,696,000	108,783,261
Investment Securities	24,047,736	23,332,759
Other Assets	3,476,177	1,994,995
	217,022,667	**173,640,197**
Contingent Liabilities	38,371,455	41,744,781
Total	**255,394,122**	**215,384,978**

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	Gross Maximum Exposure 2010	Net Maximum Exposure 2010	Gross Maximum Exposure 2009	Net Maximum Exposure 2009
Government	48,188,853	-	45,966,859	-
Government Agencies	39,547,787	20,864,876	24,652,268	14,922,568
Industry	2,601,544	2,124,560	2,565,154	2,030,273
General Trade	3,773,463	2,702,018	4,339,465	2,967,046
Services	82,153,778	62,875,191	59,751,041	48,858,978
Contractors	2,177,322	595,447	2,214,560	1,770,306
Real Estate	16,946,474	3,493,141	15,658,007	1,239,327
Consumption	13,165,626	1,260,275	14,391,621	2,209,179
Others	8,467,820	6,237,139	4,101,222	2,257,597
Contingent Liabilities	38,371,455	37,960,176	41,744,781	37,451,144
Total	**255,394,122**	**138,112,823**	**215,384,978**	**113,706,418**

d) Credit Risk Exposure for each Internal Risk Rating

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

Equivalent Grades	**Total 2010**	**Total 2009**
AAA to AA-	88,269,425	61,915,423
A+ to A-	64,414,203	60,069,912
BBB+ to BBB-	641,964	1,069,172
BB+ to B-	3,859,050	4,000,180
Below B-	48,190	
Unrated	98,161,290	88,330,291
Total	**255,394,122**	**215,384,978**

Unrated exposures represent credit facilities granted to corporations and individuals which do not have external credit ratings. Also, the ratings used by the Group are in line with the ratings and definitions published by international rating agencies. The above exposures include loans and advances which are neither past due nor impaired amounting to QR 131,587 million (2009: QR108,645 million).

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

As at 31 December 2010	**Less than 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Total**
Corporate Lending	134,264	39,987	82,514	256,765
Small Business Lending	117	401	64	582
Consumer Lending	83,439	1,613	1,512	86,564
Residential Mortgages	866	123	164	1,153
Total	**218,686**	**42,124**	**84,254**	**345,064**
As at 31 December 2009				
Corporate Lending	111,392	40,775	2,818	154,985
Small Business Lending	4,323	854	34	5,211
Consumer Lending	16,440	20,106	10,407	46,953
Residential Mortgages	-	3,171	2,220	5,391
Total	**132,155**	**64,906**	**15,479**	**212,540**

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

f) Renegotiated Loans and Advances and Financing Activities

	2010	2009
Corporate Lending	87,169	87,485
Small Business Lending	21,026	36,736
Consumer Lending	726,804	623,386
Residential Mortgages	29,215	-
Total	864,214	747,607

g) Market Risk

The Group takes on exposure to market risks from interest rates, foreign exchange rates and equity prices due to general and specific market movements. The Group applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group has a set of limits on the value of risk that may be accepted, which is monitored on a daily basis.

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

Market Indices	Change in Equity Price %	Effect on Other Comprehensive Income	Effect on Other Comprehensive Income %	Effect on Equity
Qatar Exchange		2010		2009
	±10	77,431	±10	350,494

h) Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel and other risks having an operational risk impact. The Group seeks to minimise actual or potential losses from operational risks failure through a framework of policies and procedures that identify, assess, control, manage and report those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

i) Other Risks

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

j) Risk of Managing Customer Investments

The Group provides custody and corporate administration to third parties in relation to mutual funds marketed or managed by the Group. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures and internal audits to assure compliance. Note 33 lists mutual funds marketed by the Group.

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

k) Interest Rate Risk

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

	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
At 31 December 2010:							
Cash and Balances with Central Banks	26,102,580	16,955	-	-	7,792,924	33,912,459	
Due from Banks	24,304,182	12,041	-	-	370,603	24,686,826	0.81%
Loans and Advances	94,189,959	12,441,511	966,303	-	24,098,227	131,696,000	6.77%
Investment Securities	526,817	717,831	11,161,375	10,017,236	6,272,795	28,696,054	6.02%
Other Assets	-	-	-	-	4,391,108	4,391,108	
Total Assets	**145,123,538**	**13,188,338**	**12,127,678**	**10,017,236**	**42,925,657**	**223,382,447**	
Due to Banks	11,457,100	377,268	-	-	325,905	12,160,273	0.79%
Repurchase Agreements	2,184,300	-	-	-	-	2,184,300	
Customer Deposits	114,681,675	10,961,353	471,955	-	13,971,827	140,086,810	3.01%
Other Borrowings	-	6,727,986	5,408,424	-	-	12,136,410	
Unrestricted Investment Accounts	25,383,623	-	-	-	-	25,383,623	
Other Liabilities	-	-	-	-	6,638,343	6,638,343	
Total Equity	-	-	-	-	24,792,688	24,792,688	
Total Liabilities and Equity	**153,706,698**	**18,066,607**	**5,880,379**	**-**	**45,728,763**	**223,382,447**	
Balance Sheet Items	(8,583,160)	(4,878,269)	6,247,299	10,017,236	(2,803,106)	0	
Off-Balance Sheet Items	464,376	7,002,915	(7,176,054)	(291,237)	-	-	
Interest Rate Sensitivity Gap	**(8,118,784)**	**2,124,646**	**(928,755)**	**9,725,999**	**(2,803,106)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**(8,118,784)**	**(5,994,138)**	**(6,922,893)**	**2,803,106**	**0**	**-**	
At 31 December 2009:							
Cash and Balances with Central Banks	3,610,018	-	-	-	6,270,152	9,880,170	
Due from Banks	29,828,621	50,850	-	-	301,556	30,181,027	0.97%
Loans and Advances	83,800,287	9,962,959	526,632	-	14,493,383	108,783,261	6.48%
Investment Securities	781,323	843,278	10,693,706	9,587,133	5,870,985	27,776,425	6.21%
Other Assets	-	-	-	-	2,708,031	2,708,031	
Total Assets	**118,020,249**	**10,857,087**	**11,220,338**	**9,587,133**	**29,644,107**	**179,328,914**	
Due to Banks	19,795,801	696,915	-	-	301,327	20,794,043	0.91%
Repurchase Agreements	2,085,852	-	-	-	-	2,085,852	
Customer Deposits	86,818,954	9,833,895	506,882	-	11,612,765	108,772,496	3.32%
Other Borrowings	-	6,723,541	-	-	-	6,723,541	
Unrestricted Investment Accounts	17,099,719	-	-	-	-	17,099,719	
Other Liabilities	-	-	-	-	3,977,254	3,977,254	
Total Equity	-	-	-	-	19,876,009	19,876,009	
Total Liabilities and Equity	**125,800,326**	**17,254,351**	**506,882**	**-**	**35,767,355**	**179,328,914**	
Balance Sheet Items	(7,780,077)	(6,397,264)	10,713,456	9,587,133	(6,123,248)	-	
Off-Balance Sheet Items	638,562	5,772,834	(5,880,218)	(531,178)	-	-	
Interest Rate Sensitivity Gap	**(7,141,515)**	**(624,430)**	**4,833,238**	**9,055,955**	**(6,123,248)**	**-**	
Cumulative Interest Rate Sensitivity Gap	**(7,141,515)**	**(7,765,945)**	**(2,932,707)**	**6,123,248**	**-**	**-**	

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

l) Interest Rate Sensitivity

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

			Sensitivity of Other Comprehensive Income				
	Increase in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency		2010	2010	2010	2010	2010	2010
Qatari Riyal	10	9,526	23,309	(1,612)	(551)	3,361	24,507
US$	10	(14,225)	(22,595)	(39)	9,066	6,652	(6,916)
Euro	10	1,110	1,467	(33)	81	-	1,515
Pounds Sterling	10	1,279	1,377	143	14	-	1,534
Other Currencies	10	(606)	(1,150)	196	962		8

			Sensitivity of Other Comprehensive Income				
	Decrease in Basis Points	Sensitivity of Net Interest Income	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Currency		2010	2010	2010	2010	2010	2010
Qatari Riyal	10	(7,016)	(24,923)	1,424	27	(3,700)	(27,172)
US$	10	15,700	20,024	(436)	(7,417)	(7,313)	4,858
Euro	10	(947)	(1,566)	(3)	(81)	-	(1,650)
Pounds Sterling	10	(1,195)	(1,493)	(157)	8	-	(1,642)
Other Currencies	10	691	1,018	(211)	(1,005)		(198)

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

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

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT(Continued)

m) Liquidity Risk

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

	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
At 31 December 2010:						
Cash and Balances with Central Banks	27,740,152	109,545	16,955	31,825	6,013,982	33,912,459
Due from Banks	23,237,439	1,160,826	12,041	276,520	-	24,686,826
Loans and Advances	69,027,121	11,635,023	13,183,885	33,981,602	3,868,369	131,696,000
Investment Securities	59,728	83,084	470,324	11,941,018	16,141,900	28,696,054
Other Assets	2,857,952	36,058	5,317	1,451	1,490,330	4,391,108
Total Assets	**122,922,392**	**13,024,536**	**13,688,522**	**46,232,416**	**27,514,581**	**223,382,447**
Due to Banks	10,908,300	2,881,188	555,085	0	-	14,344,573
Customer Deposits	85,108,580	32,593,854	12,196,414	10,187,962	-	140,086,810
Other Borrowings				12,136,410	-	12,136,410
Unrestricted Investment Accounts	16,129,259	3,289,809	5,964,555	-	-	25,383,623
Other Liabilities	2,158,670	1,966,507	213,332	143,223	26,949,299	31,431,031
Total Liabilities and Equity	**114,304,809**	**40,731,358**	**18,929,386**	**22,467,595**	**26,949,299**	**223,382,447**
Difference	**8,617,583**	**(27,706,822)**	**(5,240,864)**	**23,764,821**	**565,282**	-
At 31 December 2009:						
Cash and Balances with Central Banks	5,067,431	-	-	-	4,812,739	9,880,170
Due from Banks	24,588,888	4,535,023	962,444	94,672	-	30,181,027
Loans and Advances	49,314,289	11,375,984	28,380,140	14,615,323	5,097,525	108,783,261
Investment Securities	1,163,125	286,738	945,150	15,466,927	9,914,485	27,776,425
Other Assets	1,389,179	35,498	1,679	75,113	1,206,562	2,708,031
Total Assets	**81,522,912**	**16,233,243**	**30,289,413**	**30,252,035**	**21,031,311**	**179,328,914**
Due to Banks	17,106,810	5,222,587	489,062	61,436	-	22,879,895
Customer Deposits	78,529,793	17,420,923	12,307,548	514,232	-	108,772,496
Other Borrowings				6,723,541		6,723,541
Unrestricted Investment Accounts	11,994,388	3,555,278	1,550,053	-	-	17,099,719
Other Liabilities	1,831,400	583,173	267,972	203,356	20,967,362	23,853,263
Total Liabilities and Equity	**109,462,391**	**26,781,961**	**14,614,635**	**7,502,565**	**20,967,362**	**179,328,914**
Difference	**(27,939,479)**	**(10,548,718)**	**15,674,778**	**22,749,470**	**63,949**	-

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

n) Liquidity Risk

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

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

	One month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
At 31 December 2010:						
Due to Banks	8,918,102	2,945,126	573,174	-	-	12,436,402
Repurchase Agreements	2,198,421	-	-	-	-	2,198,421
Derivative Financial Instruments						
- Contractual Amounts Payable	1,979,100	2,306,843	101,466	-	-	4,387,409
- Contractual Amounts Receivable	(1,979,147)	(2,306,898)	(101,469)	-	-	(4,387,514)
Customer Deposits	103,493,106	36,649,740	18,744,274	10,243,187	-	169,130,307
Other Borrowings	-	-	-	12,157,985	-	12,157,985
Total Liabilities	114,609,582	39,594,811	19,317,445	22,401,172	-	195,923,010
At 31 December 2009:						
Due to Banks	15,219,354	5,291,567	495,522	62,247	-	21,068,690
Repurchase Agreements	2,096,562	-	-	-	-	2,096,562
Derivative Financial Instruments						
- Contractual Amounts Payable	2,672,631	3,674,743	12,547,961	4,410,097	-	23,305,432
- Contractual Amounts Receivable	(2,676,204)	(3,679,656)	(12,564,737)	(4,415,993)	-	(23,336,590)
Customer Deposits	91,719,827	21,253,254	14,040,630	521,023	-	127,534,734
Other Borrowings	-	-	-	6,723,659	-	6,723,659
Total Liabilities	109,032,170	26,539,908	14,519,376	7,301,033	-	157,392,487

o) Liquidity Risk and Funding Management

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

	On Demand	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
At 31 December 2010:						
Contingent Liabilities	780,216	11,774,201	12,050,216	11,875,809	1,891,013	38,371,455
At 31 December 2009:						
Contingent Liabilities	178,989	14,765,662	14,378,858	10,879,380	1,541,892	41,744,781

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

p) Currency Risk

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

	QR	US$	Euro	Pounds Sterling	Other Currencies	Total
At 31 December 2010:						
Assets	151,616,466	53,754,548	4,544,093	1,665,854	11,801,486	223,382,447
Liabilities and Equity	132,095,568	79,124,365	4,154,081	1,722,274	6,286,159	223,382,447
Net Balance Sheet Position	**19,520,898**	**(25,369,817)**	**390,012**	**(56,420)**	**5,515,327**	**-**
At 31 December 2009:						
Assets	113,669,015	47,130,386	6,711,530	3,083,603	8,734,380	179,328,914
Liabilities and Equity	97,622,327	67,670,692	5,923,614	3,288,831	4,823,450	179,328,914
Net Balance Sheet Position	**16,046,688**	**(20,540,306)**	**787,916**	**(205,228)**	**3,910,930**	**-**

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

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

	Change in Currency Rate	Effect on Consolidated Income Statement	
Currency	**%**	**2010**	**2009**
US$	+2	(507,396)	(410,806)
Euro	+3	11,700	23,637
Pounds Sterling	+2	(1,128)	(4,105)
Other Currencies	+3	165,460	117,328
US$	-2	507,396	410,806
Euro	-3	(11,700)	(23,637)
Pounds Sterling	-2	1,128	4,105
Other Currencies	-3	(165,460)	(117,328)

(All amounts are shown in thousands of Qatari Riyals)

3. FINANCIAL RISK MANAGEMENT (Continued)

r) Capital Management

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

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

s) Capital Adequacy

	2010	2009
Tier 1 Capital	17,119,158	13,856,775
Tier 2 Capital	-	-
Total Capital	**17,119,158**	**13,856,775**
Risk Weighted Assets	**112,003,237**	**105,248,653**
Tier 1 Capital ratio	15.3%	13.2%
Total Capital ratio	15.3%	13.2%

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

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

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

4. CASH AND BALANCES WITH CENTRAL BANKS

	2010	2009
Cash	796,531	532,015
Cash Reserve with Qatar Central Bank	6,013,982	4,808,011
Other Balances with Qatar Central Bank	25,733,219	3,733,387
Balances with Other Central Banks	1,368,727	806,757
Total	**33,912,459**	**9,880,170**

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

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010	2009
Current Accounts	623,981	643,330
Placements	23,149,314	28,546,136
Loans	913,531	991,561
Total	**24,686,826**	**30,181,027**

(All amounts are shown in thousands of Qatari Riyals)

6. LOANS AND ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS

a) By Type

	2010	2009
(i) Conventional Banking Loans and Advances		
Loans	97,592,192	86,108,265
Overdrafts	8,182,868	9,035,750
Bills Discounted	325,290	12,477
	106,100,350	**95,156,492**
Specific Impairment of Loans and Advances	(1,403,851)	(871,437)
Net Conventional Banking Loans and Advances	**104,696,499**	**94,285,055**
(ii) Financing Activities		
Murabaha and Musawama	31,140,328	13,915,793
Musharaka	650,274	683,401
Mudaraba	162,248	110,758
Istisna	2,272	57,763
Ijara	3,062,010	3,809,383
Others	15,268	3,353
	35,032,400	**18,580,451**
Specific Impairment of Financing Activities	**(168,630)**	**(52,169)**
Financing Activities Deferred Profit	**(7,864,269)**	**(4,030,076)**
Net Financing Activities	**26,999,501**	**14,498,206**
Net Loans and Advances and Financing Activities	**131,696,000**	**108,783,261**

In 2009, the Group disposed of certain loans and advances to the Government of Qatar as part of the Government assistance program for Qatari banks, in consideration for State of Qatar bonds.

The aggregate amount of non-performing loans and advances and financing activities amounted to QR 1,336 million, which represents 0.9% of total loans and advances and financing activities (2009: QR849.0 million, 0.7% of total loans and advances and financing activities).

Specific impairment of loans and advances and financing activities includes QR 313.3 million of interest and profit in suspense (2009: QR201.0 million).

b) By Industry

At 31 December 2010:	Loans & Advances	Overdrafts	Bills Discounted	Financing Activities	Total
Government	23,773,727	1,828,190	-	6,525,820	32,127,737
Government Agencies	20,809,692	4,130,836	-	16,497,122	41,437,650
Industry	1,748,799	8,794	7,300	580,558	2,345,451
Commercial	2,009,892	128,931	7,448	1,586,852	3,733,123
Services	24,118,994	51,474	274,606	150,632	24,595,706
Contracting	1,655,351	519,871	-	135,644	2,310,866
Real Estate	10,570,076	26,581	-	5,902,054	16,498,711
Personal	9,934,098	1,424,856	235	3,152,633	14,511,822
Others	2,971,563	63,335	35,701	501,085	3,571,684
Total	**97,592,192**	**8,182,868**	**325,290**	**35,032,400**	**141,132,750**

At 31 December 2009:	Loans & Advances	Overdrafts	Bills Discounted	Financing Activities	Total
Government	21,496,592	6,919,606	-	9,101	28,425,299
Government Agencies	19,876,748	126,874	-	5,056,627	25,060,249
Industry	1,901,096	5,528	9,235	276,599	2,192,458
Commercial	2,483,867	150,807	3,026	2,730,271	5,367,971
Services	13,601,434	182,665	-	979,620	14,763,719
Contracting	1,680,724	367,209	-	196,862	2,244,795
Real Estate	9,675,200	108.00	-	6,082,237	15,757,545
Personal	11,890,360	1,049,068	216	2,993,925	15,933,569
Others	3,502,244	233,885	-	255,209	3,991,338
Total	**86,108,265**	**9,035,750**	**12,477**	**18,580,451**	**113,736,943**

The amounts above include both conventional banking and Islamic banking gross figures before subtracting specific impairment and deferred profit.

(All amounts are shown in thousands of Qatari Riyals)

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

c) Movement in Impairment of Loans and Advances and Financing Activities

	2010	2009
Balance at 1 January	923,606	624,961
Foreign Currency Translation	(1,706)	1,859
Net Provisions during the Year	653,649	306,490
Provisions Made during the Year	712,870	474,442
Recoveries during the Year	(59,221)	(167,952)
Written off during the Year	(3,068)	(9,704)
Balance at 31 December	**1,572,481**	**923,606**

d) Impairment on Loans and Advances and Financing Activities

	Corporate Lending	Small Business Lending	Consumer Lending	Residential Mortgages	Total
Balance at 1 January 2010	91,675	38,098	686,387	107,446	923,606
Foreign Currency Translation	(735)	-	(29)	(942)	(1,706)
Provisions Made during the Year	183,675	39,509	477,269	12,417	712,870
Recoveries during the Year	(3,232)	(13,851)	(42,138)		(59,221)
Written off during the Year	(222)	-	(2,846)	-	(3,068)
Balance At 31 December 2010	**271,161**	**63,756**	**1,118,643**	**118,921**	**1,572,481**
Balance at 1 January 2009	112,362	10,122	424,258	78,219	624,961
Foreign Currency Translation	(80)	-	10	1,929	1,859
Provisions Made during the Year	50,882	36,244	339,127	48,189	474,442
Recoveries during the Year	(69,491)	(8,268)	(69,302)	(20,891)	(167,952)
Written off during the Year	(1,998)		(7,706)	-	(9,704)
Balance At 31 December 2009	**91,675**	**38,098**	**686,387**	**107,446**	**923,606**

e) Net Impairment during the Year

	2010	2009
Corporate Lending	(169,783)	(20,842)
Small Business Lending	(21,591)	(27,399)
Consumer Lending	(333,882)	(205,155)
Residential Mortgages	(12,408)	(27,710)
Total	**(537,664)**	**(281,106)**

(All amounts are shown in thousands of Qatari Riyals)

7. INVESTMENT SECURITIES

Investments as at 31 December 2010 totaled QR24,048 million (2009: QR23,333 million). The analysis of investment securities is detailed below:

a) Available for Sale Financial Investments	**2010**		**2009**	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
Equities	683,051	116,405	654,214	126,782
State of Qatar Debt Securities	781,891	3,000,000	646,007	3,000,000
Other Debt Securities	714,741	53,788	614,111	130,534
Mutual Funds	25,500	834,485	37,203	634,236
Total	**2,205,183**	**4,004,678**	**1,951,535**	**3,891,552**

Fixed rate securities and floating rate securities amounted to QR 4,291 million and QR294.9 million respectively (2009: QR3,928 million and QR488.3 million respectively).

During 2009, the Group disposed of certain available-for-sale equity securities listed on the Qatar Exchange to the Government of Qatar at a sales price of QR 4,013 million, comprising cash of QR1,788 million and a five year term bond of QR2,225 million at an interest yield of 5.5% per annum. This sales price was equal to cost less impairment booked for these securities, hence there is no impact on the income statement for the period. The available-for-sale reserve amount transferred from equity in relation to this sale was QR 917 million.

b) Held to Maturity Financial Investments	**2010**		**2009**	
- By Issuer	**Quoted**	**Unquoted**	**Quoted**	**Unquoted**
State of Qatar Debt Securities	697,171	13,029,475	701,581	12,970,938
Other Debt Securities	3,337,296	773,933	2,664,385	1,152,768
Total	**4,034,467**	**13,803,408**	**3,365,966**	**14,123,706**
- By Interest Rate				
Fixed Rate Securities	3,558,849	13,708,566	2,635,236	13,986,544
Floating Rate Securities	475,618	94,842	730,730	137,162
Total	**4,034,467**	**13,803,408**	**3,365,966**	**14,123,706**

The carrying amount and fair value of securities pledged under repurchase agreements amounted to QR 2,184 million and QR2,151 million respectively (2009: QR2,086 million and QR2,105 million respectively).

8. INVESTMENTS IN ASSOCIATES

	2010	**2009**
Balance at 1 January	4,443,666	4,596,644
Foreign Currency Translation	265	46,452
Investments Acquired during the Year	71,882	100,688
Share in Profit	216,306	292,795
Cash Dividend	(98,963)	(118,147)
Associates Sold / Transferred	-	(475,662)
Other Movements	15,162	896
Balance at 31 December	**4,648,318**	**4,443,666**

Name of Associate	**Country**	**Ownership %**	
Mansoor Bank	Iraq	23.1	23.1
Housing Bank for Trade and Finance	Jordan	34.4	34.0
Al Jazeera Islamic Company	Qatar	20.0	20.0
Commercial Bank International	UAE	23.8	23.8
Tunisian Qatari Bank	Tunisia	50.0	50.0

The published share prices for Housing Bank for Trade and Finance and Commercial Bank International as at 31 December 2010 are QR41.6 and QR1.25 respectively (2009: QR36.5 and QR1.50 respectively). All other investments are not listed. Moreover, total assets of Housing Bank for Trade and Finance, Commercial Bank International and Al Jazeera Islamic Company amounted to QR 31,176 million, QR11,568 million and QR2,212 million respectively, based on the reviewed financial information as at 30 September 2010. Also, total revenue for Housing Bank for Trade and Finance, Commercial Bank International and Al Jazeera Islamic Company amounted to QR1,011 million, QR389.7 million and QR78.5 million respectively for the nine months period ended 30 September 2010. Furthermore, total liabilities of Housing Bank for Trade and Finance , Commercial Bank International and Al Jazeera Islamic Company amounted to QR 26,056 million, QR9,799 million and QR1,480 million respectively, based on the reviewed financial information as at 30 September 2010. Profit for the period ended 30 September 2010 amounted to QR328.4 million, QR106.9 million and QR46.8 million for Housing Bank for Trade and Finance, Commercial Bank International and Al Jazeera Islamic Company respectively.

(All amounts are shown in thousands of Qatari Riyals)

9. PROPERTY AND EQUIPMENT

Balance At 31 December 2010	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Cost:					
Balance at 1 January	495,526	241,871	414,716	1,230	1,153,343
Additions / Transfers	186,114	75,366	95,037	2,329	358,846
Disposals	-	(39,705)	(34,901)	(372)	(74,978)
Foreign Currency Translation	(7,200)	(2,425)	(4,350)	(48)	(14,023)
	674,440	**275,107**	**470,502**	**3,139**	**1,423,188**
Accumulated Depreciation:					
Balance at 1 January	67,932	98,992	273,077	306	440,307
Charged during the Year	16,318	63,305	66,051	922	146,596
Disposals	-	(39,701)	(34,118)	(208)	(74,027)
Foreign Currency Translation	(631)	(993)	(2,980)	(15)	(4,619)
	83,619	**121,603**	**302,030**	**1,005**	**508,257**
Net Carrying Amount	**590,821**	**153,504**	**168,472**	**2,134**	**914,931**

Balance At 31 December 2009	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Cost:					
Balance at 1 January	465,860	199,202	450,138	974	1,116,174
Additions / Transfers	88,677	74,054	76,971	535	240,237
Disposals	(72,344)	(36,192)	(123,724)	(271)	(232,531)
Foreign Currency Translation	13,333	4,807	11,331	(8)	29,463
	495,526	**241,871**	**414,716**	**1,230**	**1,153,343**
Accumulated Depreciation:					
Balance at 1 January	99,648	77,919	320,068	302	497,937
Charged during the Year	11,467	37,868	61,541	122	110,998
Disposals	(47,206)	(19,319)	(118,687)	(112)	(185,324)
Foreign Currency Translation	4,023	2,524	10,155	(6)	16,696
	67,932	**98,992**	**273,077**	**306**	**440,307**
Net Carrying Amount	**427,594**	**142,879**	**141,639**	**924**	**713,036**

10. OTHER ASSETS

	2010	2009
Interest Receivable	1,581,934	1,249,413
Prepaid Expenses	79,432	33,760
Capital Expenditure in Progress	256,974	220,950
Properties Acquired Against Settlement of Debts	-	360
Positive Fair Value of Derivatives (Note 32)	78,319	89,004
Sundry Debtors	476,248	202,092
Others	1,003,270	199,416
Total	**3,476,177**	**1,994,995**

11. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010	2009
Balances Due to Central Banks	560,421	777,550
Current Accounts	955,141	843,104
Deposits	10,644,711	19,173,389
Total	**12,160,273**	**20,794,043**

(All amounts are shown in thousands of Qatari Riyals)

12. CUSTOMER DEPOSITS

	2010	2009
a) By Type		
(i) Conventional Banking Customer Deposits		
Current and Call Accounts	41,351,014	35,701,714
Saving Accounts	1,122,605	925,999
Time Deposits	95,647,936	70,435,794
	138,121,555	**107,063,507**
(ii) Islamic Banking Current Accounts	1,965,255	1,708,989
Total	**140,086,810**	**108,772,496**

Customer deposits include QR183.0 million of margins held for direct and indirect facilities (2009: QR123.0 million).

	2010	2009
b) By Sector		
Government	26,208,975	8,963,904
Government Agencies	35,847,851	43,058,356
Individuals	18,161,772	19,502,658
Corporate	59,868,212	37,247,578
Total	**140,086,810**	**108,772,496**

13. OTHER BORROWINGS

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

Other borrowings also include a Eurobond of USD 1.5 billion (QR5,461 million), which was issued during the year at an issue price of 99.017%. The Eurobond carries an interest of 3.125% per annum, with maturity date of 16 November 2015.

14. OTHER LIABILITIES

	2010	2009
Interest Payable	4,058,409	1,396,666
Expense Payable	425,316	284,346
Other Provisions (Note 15)	47,693	44,627
Tax Payable	21,218	18,408
Negative Fair Value of Derivatives (Note 32)	264,081	162,117
Unearned Revenue	576,001	477,099
Social and Sports Fund	118,027	95,820
Others	1,127,598	1,498,171
Total	**6,638,343**	**3,977,254**

15. OTHER PROVISIONS

	Staff Indemnity	Legal Provision	Total 2010	Total 2009
Balance at 1 January	38,322	6,305	44,627	39,505
Foreign Currency Translation	-	(59)	(59)	186
Provisions Made during the Year	6,329	1,442	7,771	8,974
	44,651	**7,688**	**52,339**	**48,665**
Provisions Recovered during the Year	-	(2,057)	(2,057)	-
Provisions Paid and Written off during the Year	(1,890)	(699)	(2,589)	(4,038)
Balance at 31 December	**42,761**	**4,932**	**47,693**	**44,627**

(All amounts are shown in thousands of Qatari Riyals)

16. UNRESTRICTED INVESTMENT ACCOUNTS

a) By Type

	2010	2009
Call Accounts	3,485,046	2,831,873
Saving Accounts	589,587	413,618
Time Deposits	21,308,990	13,854,228
Total	**25,383,623**	**17,099,719**

b) By Sector

	2010	2009
Customers	17,495,140	13,437,213
Banks and Other Financial Institutions	7,888,483	3,662,506
Total	**25,383,623**	**17,099,719**

Following are the Profit Distribution Rates for Unrestricted Investment Accounts:

	2010 %	2009 %
One Year Term	3.87	5.62
Nine Months Term	3.76	5.62
Six Months Term	3.49	5.29
Three Months Term	3.22	4.96
Saving Accounts	1.88	3.31
Call Accounts	1.88	3.31

17. SHAREHOLDERS' EQUITY

a) Issued Capital

The authorised, issued and fully paid up share capital of the Bank totaling QR 3,915 million consists of 391,457,029 ordinary shares of QR10 each (2009: 301,120,792 shares of QR10 each). Qatar Investment Authority holds 50% of the ordinary shares of the Bank with the remaining 50% held by members of the public.

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

	2010	2009
Number of Shares Outstanding at the Beginning of the Year	301,120,792	240,896,634
Bonus Shares	90,336,237	60,224,158
Number of Shares Outstanding at the End of the Year	**391,457,029**	**301,120,792**

(All amounts are shown in thousands of Qatari Riyals)

b) Statutory Reserve

In accordance with Qatar Central Bank Law , at least 20% of profit for the year is required to be transferred to the statutory reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No . 5 of 2002 and after Qatar Central Bank approval. Due to the proposal of bonus shares, an increase in the statutory reserve is proposed equivalent to the increase in capital to enhance the financial position of the Group.

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

c) Other Reserves

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

	2010	2009
General Reserve	1,770,034	1,770,034
Currency Translation Adjustments	(64,912)	(13,887)
Share of Changes Recognised Directly in Associates' Equity, excluding Share of Profit	27,521	13,239
Total	**1,732,643**	**1,769,386**

d) Risk Reserve

In accordance with Qatar Central Bank regulations, a risk reserve is made to cover contingencies on loans and advances and financing activities, with a minimum requirement of 1.50% of the total direct facilities after excluding provisions for credit losses, deferred profits, exposures granted to or guaranteed by Government and exposures against cash collaterals.

e) Fair Value Reserve

	Cash Flow Hedges	Available-for-Sale Investments	Total 2010	Total 2009
Balance at 1 January	(139,935)	629,082	489,147	(274,167)
Revaluation Impact	(51,825)	425,359	373,534	900,502
Reclassified to Consolidated Income Statement	-	(162,277)	(162,277)	(137,188)
Net Movement during the Year	(51,825)	263,082	211,257	763,314
Balance at 31 December	**(191,760)**	**892,164**	**700,404**	**489,147**

Fair value reserve for available-for-sale investment securities as at 31 December 2010 includes a negative fair value amounting to QR1.2 million (2009: QR4.1 million).

f) Retained Earnings

Retained earnings include the Groups share in profit of associates. These profits are distributable to the shareholders only to the extent of the cash received.

g) Dividend Paid and Proposed

The Board of Directors have proposed a cash dividend of 50% of the nominal share value (QR5.0 per share) and a bonus share of 30% of the share capital for the year ended 31 December 2010 (2009: cash dividend 40% of the nominal share value (QR4.0 per share) and a bonus share of 30% of the share capital). The amounts are subject to the approval of the General Assembly.

h) Social and Sports Fund

During the year, the Group made an appropriation of QR 95.8 million representing 2.5% of the net profit generated from Qatar operations for the year ended 31 December 2009, pursuant to the Law No. 13 for the year 2008 and further clarifications for the Law issued in 2010. This appropriation has been considered as a restatement of the 2009 retained earnings in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". Morover, the Group made a provision of QR 118.0 million for the year ended 31 December 2010 in relation to the aforementioned Law.

18. NON CONTROLLING INTEREST

Represents the non - controlling interest in QNB Syria amounting to 49.2% (2009: 51.0%) of the share capital.

19. INTEREST INCOME

	2010	2009
Due from Central Banks	177,109	86,851
Due from Banks and Other Financial Institutions	419,391	115,929
Debt Securities	1,352,891	1,059,816
Loans and Advances	5,940,416	5,132,238
Total	**7,889,807**	**6,394,834**

(All amounts are shown in thousands of Qatari Riyals)

20. INTEREST EXPENSE

	2010	2009
Due to Banks and Other Financial Institutions	478,989	551,520
Customer Deposits	2,608,944	2,465,985
Others	153,945	63,073
Total	**3,241,878**	**3,080,578**

21. INCOME FROM ISLAMIC FINANCING AND INVESTING ACTIVITIES

	2010	2009
Due from Banks and Other Financial Institutions	23,253	181,843
Investing Activities	37,903	37,797
Financing Activities	1,980,808	681,232
Total	**2,041,964**	**900,872**

22. FEE AND COMMISSION INCOME

	2010	2009
Loans and Advances	581,650	505,938
Off-Balance Sheet Items	145,764	141,334
Bank Services	282,160	196,886
Investment Activities for Customers	160,005	144,145
Others	30,081	42,734
Total	**1,199,660**	**1,031,037**

23. DIVIDEND INCOME

	2010	2009
Available-for-Sale Securities	39,811	204,023
Mutual Funds	1,257	939
Total	**41,068**	**204,962**

24. NET GAINS FROM FOREIGN CURRENCY TRANSACTIONS

	2010	2009
Dealing in Foreign Currencies	291,600	296,427
Revaluation of Assets and Liabilities	50,574	5,508
Revaluation of Derivatives	16,517	2,874
Total	**358,691**	**304,809**

25. NET GAINS FROM FINANCIAL INVESTMENTS

	2010	2009
Net Gains from Sale of Available-for-Sale Financial Investments	175,172	142,266
Total	**175,172**	**142,266**

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
Staff Costs	611,340	569,330
Staff Pension Fund Costs	13,229	11,462
Staff Indemnity Costs	6,329	5,024
Training	17,682	14,616
Advertising	136,858	96,213
Professional Fees	75,475	79,332
Communication and Insurance	64,098	63,178
Occupancy and Maintenance	126,441	75,060
Computer and IT Costs	69,213	46,582
Printing and Stationary	6,494	8,290
Directors' Fees	11,400	10,280
Others	6,902	16,493
Total	**1,145,461**	**995,860**

(All amounts are shown in thousands of Qatari Riyals)

27. DISCONTINUED OPERATIONS

During 2009, the Group disposed off the Bahamas business which was part of QNB International Holdings Limited subsidiary.

28. EARNINGS PER SHARE

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

	2010	2009
Profit for the Year Attributable to Equity Holders of the Bank	5,704,299	4,201,723
Weighted Average Number of Shares	391,457,029	391,457,029
Earnings Per Share (QR)	**14.6**	**10.7**

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

	2010	2009 (Restated)
Weighted Average Number of Shares at the Beginning of the Year	301,120,792	301,120,792
Effect of Bonus Share Issue	90,336,237	90,336,237
Weighted Average Number of Shares at the End of the Year	391,457,029	391,457,029

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

29. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2010	2009
a) Contingent Liabilities		
Unused Facilities	14,405,289	13,280,872
Acceptances	617,080	385,565
Guarantees	11,784,126	13,937,897
Letters of Credit	4,699,159	5,923,446
Others	6,865,801	8,217,001
Total	**38,371,455**	**41,744,781**
b) Other Commitments		
Forward Foreign Exchange Contracts	4,387,514	23,336,590
Interest Rate Swaps	20,654,259	22,796,440
Options, Caps and Floors	1,100,871	885,356
Mutual Funds	13,015,587	10,175,301
Total	**39,158,231**	**57,193,687**

Unused Facilities

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

Acceptances, Guarantees and Letters of Credit

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

(All amounts are shown in thousands of Qatari Riyals)

30. OPERATING SEGMENTS

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

Corporate Banking

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

Consumer banking

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

Asset and Wealth Management

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

Islamic banking

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

QNB International Holdings Limited (QIHL)

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

International Banking

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

	Qatar Operation							
	Corporate Banking	Consumer Banking	Asset and Wealth Management	Islamic Banking	QIHL (Subsidiary)	International Banking	Unallocated and Intra-group Transactions	Total
At 31 December 2010:								
Operating Income	3,664,804	736,600	428,980	992,756	42,475	1,308,344	435,429	7,609,388
General and Administrative Expenses	(325,517)	(437,387)	(21,322)	(122,990)	(77,691)	(157,950)	(2,604)	(1,145,461)
Profit / (Loss)	3,234,585	27,813	392,758	760,871	(47,894)	1,031,124	305,042	5,704,299
Loans and Advances and Financing Activities	72,484,300	5,760,260	3,685,125	25,798,990	248,383	23,718,942	0	131,696,000
Customer Deposits and Unrestricted Investment Accc	67,522,351	7,537,331	9,341,637	25,809,761	68,787	55,190,566		165,470,433
Total Assets	137,979,005	7,624,712	9,936,981	30,257,069	711,689	89,306,457	(52,433,466)	223,382,447
At 31 December 2009:								
Operating Income	2,531,219	784,546	293,879	487,569	90,992	782,681	686,291	5,657,177
General and Administrative Expenses	(224,492)	(415,926)	(20,020)	(68,234)	(141,259)	(108,219)	(17,710)	(995,860)
Profit / (Loss)	2,267,678	161,525	255,811	377,717	(43,631)	645,575	537,048	4,201,723
Loans and Advances and Financing Activities	68,567,623	6,975,722	3,861,969	14,198,564	1,823,638	13,355,745	-	108,783,261
Customer Deposits and Unrestricted Investment Accc	60,069,668	6,925,913	6,746,383	18,001,978	592,208	33,536,065	-	125,872,215
Total Assets	105,749,783	8,249,229	7,116,863	20,832,292	2,096,189	52,762,632	(17,478,074)	179,328,914

(All amounts are shown in thousands of Qatari Riyals)

31. GEOGRAPHICAL DISTRIBUTION

	Qatar	Other GCC Countries	Europe	North America	Others	Total
At 31 December 2010:						
Cash and Balances with Central Banks	32,454,163	214,229	82,778	-	1,161,289	33,912,459
Due from Banks	1,485,507	2,680,537	19,781,305	396,589	342,888	24,686,826
Loans and Advances	107,728,675	7,822,377	13,400,494	1,882,419	862,035	131,696,000
Investment Securities	21,785,483	2,569,709	235,885	123,339	3,981,638	28,696,054
	163,453,828	**13,286,852**	**33,500,462**	**2,402,347**	**6,347,850**	**218,991,339**
Other Assets						4,391,108
Total Assets						**223,382,447**
Due to Banks	9,368,420	4,736,368	9,980,680	396,409	1,999,106	26,480,983
Customer Deposits	110,211,080	5,911,417	1,225,028	11,189	22,728,096	140,086,810
Unrestricted Investment Accounts	23,397,429	1,263,381	185,277	-	537,536	25,383,623
	142,976,929	**11,911,166**	**11,390,985**	**407,598**	**25,264,738**	**191,951,416**
Other Liabilities						6,638,343
Total Equity						24,792,688
Total Liabilities and Equity						**223,382,447**
At 31 December 2009:						
Cash and Balances with Central Banks	9,031,973	140,551	9,431	-	698,215	9,880,170
Due from Banks	4,357,296	2,479,975	20,409,170	2,424,724	509,862	30,181,027
Loans and Advances	96,851,086	5,296,562	3,680,727	1,682,869	1,272,017	108,783,261
Investment Securities	20,914,624	2,654,055	53,446	159,818	3,994,482	27,776,425
	131,154,979	**10,571,143**	**24,152,774**	**4,267,411**	**6,474,576**	**176,620,883**
Other Assets						2,708,031
Total Assets						**179,328,914**
Due to Banks	3,967,913	6,690,089	9,695,467	1,169,736	8,080,231	29,603,436
Customer Deposits	86,064,717	3,774,483	1,789,259	54,215	17,089,822	108,772,496
Unrestricted Investment Accounts	16,075,817	323,626	144,596	-	555,680	17,099,719
	106,108,447	**10,788,198**	**11,629,322**	**1,223,951**	**25,725,733**	**155,475,651**
Other Liabilities						3,977,254
Total Equity						19,876,009
Total Liabilities and Equity						**179,328,914**

(All amounts are shown in thousands of Qatari Riyals)

32. DERIVATIVES

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

	Positive Fair Value	Negative Fair Value	Notional Amount	Notional / Expected amount by term to maturity Within 3 Months	3 - 12 Months	1-5 Years	More than 5 Years
At 31 December 2010:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	66,277	67,983	4,387,514	4,286,045	101,469	-	-
Options	930	931	209,877	81,518	19,143	109,216	-
Credit Default Swaps	-	109	72,810	-	-	72,810	-
Caps and Floors	3,231	3,231	818,184	-	46,832	-	771,352
Interest Rate Swaps	7,814	-	13,206,928	1,456,200	1,227,954	6,357,338	4,165,436
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	67	191,827	7,447,331	-	124,540	7,031,553	291,238
Total	**78,319**	**264,081**	**26,142,644**	**5,823,763**	**1,519,938**	**13,570,917**	**5,228,026**
At 31 December 2009:							
Derivatives Held for Trading:							
Forward Foreign Exchange Contracts	71,538	18,706	23,336,590	6,355,860	12,564,737	4,415,993	-
Options	3,211	3,166	625,697	496,980	-	128,717	-
Credit Default Swaps		146	72,810	-	-	72,810	-
Caps and Floors	131	131	186,849	17,486	67,446	101,917	-
Interest Rate Swaps	14,091	-	16,354,829	-	3,422,069	7,456,917	5,475,843
Derivatives Held as Cash Flow Hedges:							
Interest Rate Swaps	33	139,968	6,441,611	62,981	111,735	5,735,716	531,179
Total	**89,004**	**162,117**	**47,018,386**	**6,933,307**	**16,165,987**	**17,912,070**	**6,007,022**

Swaps

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

Forwards and futures

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

Forward rate agreements

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

(All amounts are shown in thousands of Qatari Riyals)

32. DERIVATIVES (Continued)

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

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

Derivatives Held for Hedging Purposes

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

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

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

Derivatives Held for Trading Purposes

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

(All amounts are shown in thousands of Qatari Riyals)

33. MUTUAL FUNDS

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

	2010	2009
Al Watani Amana - Notes 2	15,119	15,301
Total	**15,119**	**15,301**

The Group's investment activities also include management of certain investment funds . As at 31 December 2010, third party funds under management amounted to QR 13,000 million (2009: QR10,160 million). The financial statements of these funds are not consolidated with the financial statements of the Group. However, the Group's share of equity in these funds is included in the financial investments of the Group.

34. RELATED PARTIES

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

	2010	2009
Statement of Financial Position Items		
Loans and Advances	2,370,642	2,670,374
Deposits	857,468	965,734
Contingent Liabilities and Other Commitments	83,878	82,883
Income Statement Items		
Interest and Commission Income	152,736	161,489
Interest and Commission Expense	38,366	42,984

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

Compensation of key management personnel is as follows:	2010	2009
Salaries and Other Benefits	20,868	17,871
End of Service Indemnity Benefits	494	369

35. CASH AND CASH EQUIVALENTS

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

	2010	2009
Cash and Balances with Central Banks	27,898,477	5,072,159
Due from Banks Maturing in Three Months	24,273,955	30,025,737
Total	**52,172,432**	**35,097,896**

Cash and balances with Central Banks do not include mandatory reserve deposits. Moreover, non of the cash nor cash equivalents are not available for use by the Group.

36. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATING UNCERTAINTY

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

Impairment of loans and advances and financing activities

The Group reviews its loans and advances portfolio to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and advances before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The actual loss is not materially different from the estimated impairment.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired portfolios of loans and advances, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Impairment of available-for-sale securities

The Group determines that available-for-sale securities are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each available-for-sale security separately. For an investment in an equity security, a 'significant' or 'prolonged' decline in its fair value below its costs is objective evidence of impairment. The Group regards a decline in fair value in excess of 20 percent to be 'significant' and a decline in a quoted market price that persists for nine months or longer to be 'prolonged'.

Useful lives, residual values and related depreciation charges of property and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges of its property and equipment. These estimates are determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

Classification of investment securities

Quoted equity securities could be classified either as available-for-sale or at fair value through profit or loss account. The Group invests in equity securities either locally or overseas and management has primarily classified them based on their potential for long term growth rather than the short term profit basis. Consequently, such investments are recognised as available-for-sale rather than at fair value through profit or loss.

Fair valuation of investment securities

The determination of fair values for unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of financial statements.

Nevertheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

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

37. COMPARATIVE FIGURES

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

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A) PARENT COMPANY

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

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

	2010 QR000	2009 QR000
ASSETS		
Cash and Balances with Central Banks	33,418,691	9,652,001
Due from Banks and Other Financial Institutions	24,610,027	31,030,718
Loans and Advances and Financing Activities to Customers	130,754,425	106,959,623
Investment Securities	23,694,393	23,039,708
Investments in Subsidiaries and Associates	5,882,076	5,284,141
Property and Equipment	751,528	607,412
Other Assets	3,429,636	1,979,230
Total Assets	**222,540,776**	**178,552,833**
LIABILITIES		
Due to Banks and Other Financial Institutions	17,910,717	21,059,191
Repurchase Agreements	2,184,300	2,085,852
Customer Deposits	139,601,225	108,170,919
Other Borrowings	6,727,986	6,723,541
Other Liabilities	6,503,265	3,884,108
	172,927,493	**141,923,611**
Unrestricted Investment Accounts	25,383,623	17,099,719
Total Liabilities and Unrestricted Investment Accounts	**198,311,116**	**159,023,330**
EQUITY		
Issued Capital	3,914,570	3,011,208
Statutory Reserve	8,554,060	7,650,698
Other Reserves	1,715,154	1,754,062
Risk Reserve	1,500,000	1,410,000
Fair Value Reserve	700,404	489,147
Proposed Dividend	1,957,285	1,204,483
Proposed Bonus Shares	1,174,371	903,362
Proposed Transfer to Statutory Reserve	1,174,371	903,362
Retained Earnings	3,539,445	2,203,181
Total Equity	**24,229,660**	**19,529,503**
Total Liabilities, Unrestricted Investment Accounts and Equity	**222,540,776**	**178,552,833**

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

	2010 QR000	2009 QR000
Continuing Operations		
Interest Income	7,865,068	6,353,081
Interest Expense	(3,230,285)	(3,072,445)
Net Interest Income	**4,634,783**	**3,280,636**
Income from Islamic Financing and Investing Activities	2,041,964	900,872
Unrestricted Investment Account Holders' Share of Profit	(1,014,887)	(488,866)
Net Income from Islamic Financing and Investing Activities	**1,027,077**	**412,006**
Net Interest Income and Income from Financing and Investing Activities	**5,661,860**	**3,692,642**
Fee and Commission Income	1,178,822	995,958
Fee and Commission Expense	(77,492)	(62,973)
Net Fee and Commission Income	**1,101,330**	**932,985**
Dividend Income	41,068	204,962
Net Gains from Foreign Currency Transactions	348,091	307,637
Net Gains from Investment Securities	175,172	142,266
Other Operating Income	9,712	5,763
Operating Income	**7,337,233**	**5,286,255**
General and Administrative Expenses	(1,030,971)	(825,987)
Depreciation	(135,743)	(104,522)
Net Impairment Losses on Loans and Advances	(529,111)	(281,106)
Net Impairment Losses on Investment Securities	(62,706)	(73,823)
Other Provisions	517	(3,950)
Recovery of Provision for Properties Acquired against Settlement of Debts	112	-
Profit Before Income Taxes	**5,579,331**	**3,996,867**
Income Tax Expense	(26,037)	(15,180)
Profit for the Year	**5,553,294**	**3,981,687**

B) ISLAMIC BANKING

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

The statement of financial position and income statement of QNB Al Islami are presented below:

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

	2010 QR000	2009 QR000
ASSETS		
Cash and Balances with Central Banks	1,388,295	1,069,612
Due from and Investments with Banks and Financial Institutions	2,322,208	4,938,002
Due from Financing Activities	26,999,501	14,498,206
Investment Securities	964,340	1,167,349
Property and Equipment	59,383	18,063
Other Assets	449,975	285,080
Total Assets	**32,183,702**	**21,976,312**
LIABILITIES		
Due to Banks and Other Financial Institutions	89,293	64,701
Customer Current Accounts	1,965,255	1,708,989
Other Liabilities	1,534,376	356,754
	3,588,924	**2,130,444**
Unrestricted Investment Accounts	25,383,623	17,099,719
Total Liabilities and Unrestricted Investment Accounts	**28,972,547**	**19,230,163**
EQUITY		
Issued Capital	2,300,110	2,320,400
Other Reserves	7,148	5,452
Retained Earnings	903,897	420,297
Total Equity	**3,211,155**	**2,746,149**
Total Liabilities, Unrestricted Investment Accounts and Equity	**32,183,702**	**21,976,312**

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

	2010 QR000	2009 QR000
Income from Financing and Investing Activities	2,041,964	900,872
Total Income from Financing and Investing Activities	**2,041,964**	**900,872**
Fee and Commission Income	122,542	82,411
Fee and Commission Expense	(7,963)	(1,804)
Net Fee and Commission Income	**114,579**	**80,607**
Net Gains from Foreign Currency Transactions	24,164	13,920
Net Gains from Investment Securities	910	2,937
Share in Profit of Associates	7,581	42,909
Other Operating Income	3	71
Operating Income	**2,189,201**	**1,041,316**
General and Administrative Expenses	(134,828)	(75,351)
Depreciation	(11,868)	(5,004)
Net Impairment Losses on Financing Activities	(111,588)	(41,009)
Other Provisions	468	(468)
Profit for the Year before Taxes and Zakat	**1,931,385**	**919,484**
Income Tax and Zakat Expense	(12,601)	(10,321)
Profit for the Year	**1,918,784**	**909,163**
Less:		
Unrestricted Investment Account Holders' Share of Profits	(1,014,887)	(488,866)
Profit for the Year Attributable to Shareholders	**903,897**	**420,297**