ANNUAL REPORT 2012

بنك الدوحة
DOHA BANK

His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Emir of the State of Qatar

His Highness
Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani
Heir Apparent

CONTENTS

Doha Bank
Awards

Due to the strong financial position enjoyed by Doha Bank and its pioneering role in delivering innovative banking products and services which expanded the banking experience in Qatar to a new horizon, the Bank has been conferred with appreciation and recognition from a number of professional bankers and institutions. In addition to the accolades awarded to the Bank in previous years, it has been conferred with the award for the 'Best Bank in Qatar' by Global Banking and finance.

"Best Corporate CSR Programme by a Bank"
Arab Organisation for Social Responsibility – Dec 2012

"The Bizz 2012 – World Business Leader"
World Confederation of Businesses USA – Sep 2012

"The Golden Europe Award for Quality and Commercial Prestige"
OMAC Paris – Jul 2012

"Best Application Development Project Award 2012"
The Asian Banker Technology Awards – May 2012

"Best HR System Implementation Project Award 2012"
The Asian Banker Technology Awards – May 2012

"Golden Peacock Award for Corporate Social Responsibility"
Institute of Directors – Apr 2012

"Best Bank Qatar 2012"
Global Banking and Finance – Mar 2012

"Most Innovative Bank in Middle East 2012"
Global Banking and Finance – Mar 2012

"Best Bank in Qatar"
EMEA Finance – Feb 2012

2012

The Bizz World Business Leader Award
World Confederation of Businesses

2012

The Golden Europe Award for
Quality & Commercial Prestige

2012

Golden Peacock Global Award for
Corporate Social Responsibility

2012

Best Corporate CSR Programme
by a Bank - Arab Organisation for
Social Responsibility

2012

Most Innovative Bank Award
Global Banking Finance Review

2012

Best Bank in Qatar Award
Global Banking Finance Review

2011

Best Bank in Qatar
EMEA

2011

Bank of the Year in Qatar
Arabian Business Awards

2011

Best Commercial Bank in Qatar
World Finance

2011

Golden Peacock Global Award
for Corporate Social Responsibility

2011

Golden Peacock Global Award
for Sustainability

2010

Best Customer Care Centre
in the Middle East

2010

Best Commercial Bank
in the Middle East

2009

Best Commercial Bank
in the Middle East

2008

Best Bank in Qatar

2008

Best Green Bank

Financial Highlights

Key Financials (in QAR Million)	2007	2008	2009	2010	2011	2012	Growth % '12 Vs '11
Total Assets	30,058	38,970	45,996	47,230	52,744	55,212	4.68%
Net Loans & Advances	19,140	23,933	25,896	26,547	31,028	33,775	8.85%
Customer Deposits	20,043	23,244	27,890	30,822	31,699	34,401	8.52%
Total Equity	3,619	4,913	5,851	6,034	7,081	7,551	6.64%
Total Revenue	2,499	2,930	3,375	3,264	2,945	3,095	5.09%
Net Profit	926	947	974	1,054	1,241	1,305	5.14%

Key Ratios (in %)	2007	2008	2009	2010	2011	2012
Return on Average Equity	32.47%	25.78%	21.66%	21.40%	21.98%	20.63%
Return on Average Assets	3.58%	2.74%	2.29%	2.26%	2.48%	2.42%
Total Capital Adequacy Ratio	15.54%	13.48%	14.41%	13.57%	13.22%	13.59%
Shareholders' Equity to Total Assets	12.04%	12.60%	12.72%	12.78%	13.43%	13.68%
Net Loans to Total Assets	63.68%	61.41%	56.30%	56.21%	58.83%	61.17%
Net Loans to Total Deposits	95.49%	102.96%	92.85%	86.13%	97.88%	98.18%

Board of Directors

Sheikh Fahad Bin Mohammad Bin Jabor Al Thani
Chairman of the Board of Directors

Graduate of the Royal Academy,
Sandhurst, UK
Board Member,
Al Khaleej Takaful Insurance & Re Insurance Co.

Sheikh Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director

Chairman of the Board of Directors
and Managing Director,
Qatar Industrial Manufacturing Co.
Chairman of the Board of Directors
Qatar Oman Investment Company
State of Qatar representative
Board Member, National Leasing Holding

Mr. Ahmed Abdul Rahman Yousuf Obaidan Fakhroo
Vice Chairman

General Manager,
Al Waha Contracting & Trading Est.

Sheikh Abdulla Mohamed Jabor Al-Thani
Board Member

Chairman of
Al Khaleej Takaful Insurance & Re Insurance Co.

Sh. Falah Bin Jassim Bin Jabor Bin Mohammad Al-Thani
Board Member

Chairman of the Board of Directors,
National Leasing Holding

Mr. Jabor Bin Sultan Towar Al Kuwari
Board Member

Businessman

Mr. Hamad Mohammed Hamad Abdulla Al Mana
Board Member

Vice Chairman,
Mohammad Hamad Al Mana Group Companies
Board Member,Qatar General Insurance &
Reinsurance Co.
Board member, Qatar Navigation Co
Board Member, Arab Qatari Co. for Dairy Products


QATAR
DUBAI
KUWAIT
ABU DHABI
SHANGHAI
ISTANBUL
FRANKFURT
SEOUL
TOKYO
LONDON
SYDNEY
SINGAPORE

Chairman's Statement

On behalf of myself and the members of the Board of Directors (BOD), I would like to thank you all on this occasion for attending this meeting. I would also like to extend my thanks to the BOD and the Executive Management Team for the achievements realized during the year 2012 in the midst of the fierce competition in the market and the challenges and difficulties faced by the capital markets worldwide.

As you are all aware, the implications of the global financial crisis still exist, and the economies of the European Union countries are still facing great difficulties, in addition, the political events experienced in the Middle East led to a slowdown in the economies of various countries across the Globe including the economies of the developed countries, forcing some of those countries to make economical reforms to exit from crisis.

We, as bankers, must be very cautious because the financial markets in this region would be unpredictable if other disasters occurred in due course. However, despite of all these events and due to the wise leadership of His Highness, Sheikh Hamad Bin Khalifa Al-Thani, The Emir of Qatar, and the strength and durability of Qatar's economy, in addition to Qatar being the hosting nation for the FIFA World Cup in the year 2022, we are being optimistic about the future where we anticipate that Qatar will witness exceptional booming in all economic sectors and subsequently launching of many development projects in the coming years, that will reflect positively on the performance of the banking industry in Qatar in general and of Doha Bank in particular.

By the end of year 2012, we achieved high growth rates in all financial indicators. The total assets rose by 4.7% reaching to QR 55.2 billion, total portfolio of loans and advances rose by 8.9%, total customers' deposits rose by 8.5% and the total shareholders' equity rose by 6.6% reaching to QR 7.6 billion. We also achieved a growth rate of 5.1% in net profit whereas the net profit realized by the end of the year was QR 1.3 billion compared to QR 1.24 billion in 2011 in addition to a growth rate equivalent to 3.6% in total operational income. These robust results were reflected in strong performance ratios particularly the return on average shareholders' equity and the return on average assets which were 20.6% and 2.42% respectively.

In the same year, we approved the bank's three-years strategic plan, and incorporated some amendments on the bank's business strategy especially with regard to the activities of overseas branches and representative offices. The future plan of the bank includes implementation of an effective Risk Management strategy at both the local and international levels, recruiting Qatari nationals, enhancing the levels of staff performance by recruiting highly experienced and qualified human resources, improving the banking services' delivery channels, upgrading the level of corporate governance in the bank, diversifying its income sources and strengthening its financial position with a view to achieving the highest level of effective operational performance.

In order to achieve the bank's strategic goals at the local, regional and international levels, strengthen the bank s lending capacity, improve its competitive edge and realize the highest levels of performance, the Board of Directors resolved in its meeting held in September 2012 to submit a recommendation to the Extraordinary General Assembly to increase the bank s capital during the first quarter of 2013 by 50%. The capital increase instruments are included for discussion in the agenda of the Extraordinary General Assembly Meeting.

We also improved the bank's Corporate Governance system whereby we approved the Corporate Governance Policy Manual in addition to the policies and procedures' manual on the roles, responsibilities and terms of reference of the Board of Directors, the BOD committees, and the Executive Management committees, in addition to the code of ethics. This only complements our efforts to enhance the internal controls in the bank, promote the concepts of transparency and disclosure, improve shareholders relations and protect the rights of stakeholders.

Finally, on behalf of myself and the Board of Directors of Doha Bank, I would like to extend my sincere thanks and gratitude to H.H. The Emir, Sheikh Hamad Bin Khalifa Al-Thani, H.H. The Heir Apparent, Sheikh Tamim Bin Hamad Al-Thani, H.E. The Prime Minister and Foreign Minister, Sheikh Hamad Bin Jassim Al-Thani, H.E. The Minister of Economy and Finance, Mr. Yousef Hussain Kamal, H.E. The Minister of Business & Trade, Sheikh Jassim Bin Abdul Aziz Bin Jassim Bin Hamad Al-Thani, and H.E. The QCB Governor, Sheikh Abdullah Bin Saoud Al-Thani, H.E. The Deputy QCB Governor, Sheikh Fahad Bin Faisal Al-Thani, and to all officials of Qatar Central Bank, the Ministry of Business and Trade, Qatar Financial Markets Authority and Qatar Exchange for their continued cooperation and support.

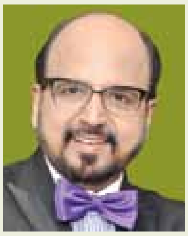
My thanks and appreciation are also extended to the shareholders, customers, Executive Management team and all the staff of the bank for their continuous cooperation and efforts which led to achieving impressive results for Doha Bank.

Al Salamu Alaykum…

Fahad Bin Mohammad Bin Jabor Al-Thani

Chairman

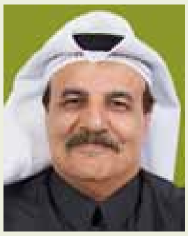
Executive Management



Dr. R. Seetharaman
Group Chief Executive Officer

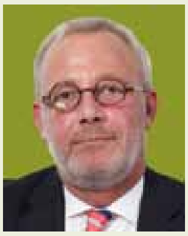
Anthony Lee
Head of Treasury & Investment

David Challinor
Head of Group Finance

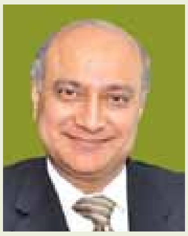


Abdul Rahman Ali A. Al Mohammed
Head of Human Resources

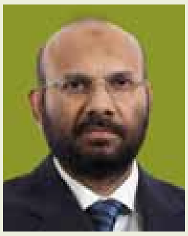
Dag Reichel
Head of Wholesale Banking



Chris Fellner
Head of International Banking

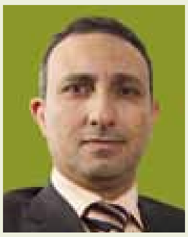


Suresh Bajpai
Head of Retail Banking



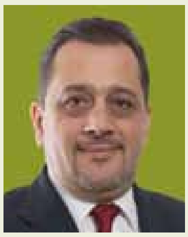
Khalid Latif
Head of Credit Risk Management

David Dougan
Head of Global Governance



Mokhtar Abdel Monem Elhenawy
Legal Advisor & Secretary to the Board of Directors

Jamal Eddin H. Al Sholy
Head of Compliance



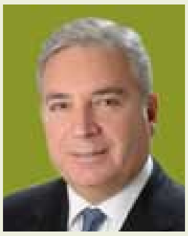
Samer Fares Dababneh
Chief Internal Auditor

International
Banking Offices

Ahmed Yusuf Ahmed Al Mehza
Chief Country Manager
Kuwait Branch

Manoj S. Nair
Head of Branch
Dubai Branch

Pierre Matar
Head of Branch
Abu Dhabi Branch

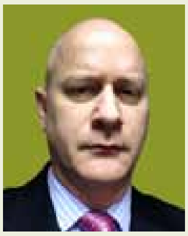


Nezih Akalan
Chief Representative
Turkey
Representative Office

Kanji Shinomiya
Chief Representative
Japan
Representative Office

M. Sathyamurthy
Chief Representative
Singapore
Representative Office

K. S. Kwon
Chief Representative
South Korea
Representative Office



Richard Whiting
Chief Representative
United Kingdom
Representative Office

Maik Gellert
Chief Representative
Germany
Representative Office

Peter Lo
Chief Representative
China
Representative Office

Hilton Keith Wood
Chief Representative
Australia
Representative Office

Management
Report

Global Economy

The global economy was adversely affected during 2012 on account of numerous fiscal and geopolitical events. In continuation of the Global Financial Crisis, these events may further impact both the financial economies and the real economies. Central bankers and politicians have been challenged, to contain the damage but the consequences on account of the same are expected to continue through 2013.

According to the International Monetary Fund's (IMF) October 2012 estimates, the world economy is likely to expand by 3.3% in 2012 and 3.6% in 2013. Advanced economies are expected to grow by 1.3% in 2012 and 1.5% in 2013. However, the UK economy is expected to decline by 0.4% in 2012 and grow by 1.1% in 2013. The US economy is expected to grow by 2.2% in 2012 and 2.1% in 2013. The Euro Zone is expected to decline by 0.4% in 2012 and grow by 0.2% in 2013. The emerging economies are expected to grow by 5.3% in 2012 and 5.6% in 2013. However growth may be sluggish in several large developing countries mainly on account of possible lower exports levels to Europe and the United States. Spillovers from advanced economies and domestic issues have a reduced activity levels in emerging market and the developing economies. IMF expects growth in the Middle East to be stronger this year with a growth forecast of 5.3% as key oil producing countries has increased their production levels and Libya's economy is rebounding, post the 2011 conflict, nevertheless the forecast for 2013 have been lowered to 3.6%.

The year 2012, opened with major concerns in the 'Euro Zone' and the political tensions associated with Iran. Many European countries including France were downgraded by Standard and Poor's (S&P) in January 2012, as policy initiatives were inadequate to sufficiently address the stress in the 'Euro Zone'. However, global capital markets strengthened in the first quarter mainly due to long term refinancing operations from the European Central Bank. It was agreed to use European Union's bailout funds, to support the troubled European banks directly, rather than providing loans to governments to bail out the banks. The problems in Spain were visible, with funding concerns arising for Spanish banks. Further bailouts in Spain could put strain on the European Union's bailout funds. The disbursement of Aid to Greece has been delayed due to the elections and fresh negotiations over spending cuts and structural reforms to meet deficit, thus reducing the growth targets. The 'Euro Zone' had favored giving Greece an extra two years till 2022 to bring its debt levels to 120% of GDP, although the IMF has resisted that extension. The European Union and the IMF are yet to agree to a deal to make Greece's debt within manageable limits. The failure of 'Euro Zone' members to reach a deal to give Greece its bailout payment, could threaten the European Union.

The concerns of high unemployment in the United States (US) had further pressured the 'US Federal Reserve' to embark on a third round of quantitative easing measures during Sept 2012. The 'fiscal cliff', large spending cuts and increased tax recoveries could stall the growth of the US economy, unless the Democrats and Republicans quickly forge compromises. The spending cuts would impact both the military spending favored by Republicans and the social programs supported by the Democrats. The US economy may have to face more than half a trillion dollars on account of tax recoveries and spending cuts next year. But an absence of a major policy level change, it could lead to the reduction in the demand for goods and services, slow economic growth and increased level of unemployment. The impact on the earnings, would have an impact on the financial markets by way of reduced spending levels in the economy. Eventually, there is the possibility that the US economy could fall back into a recession. The other challenge which the US economy faces is a first-ever default by the US Government on its bill-paying obligations, in case the US Congress fails to raise the Federal Debt Limit in the ensuing months. Failure to raise the debt limit in time to

CEO receiving the Golden Peacock Global Award 2012 for Corporate Social Responsibility.

prevent default would not only create fiscal havoc internally, but it could trigger an unraveling of the world's confidence in the US dollar and its Treasury securities.

India's GDP had grown at 5.5% in the second quarter of 2012 but the Inflation levels in the Indian economy is still high and with issues such as the fiscal deficit and current account deficit yet to be sorted out, India's economic growth is a concern in the near term. India is at risk of stagflation and S&P warnings confirm such concerns. The Indian currency had also weakened due to the concerns on the fiscal and current account deficit.

China's second quarter 2012 growth was at 7.6%, but here are concerns over a potential real estate bubble in some parts of China. Lower inflation potentially gives the Chinese government more room to deploy fiscal and monetary stimulus without causing an escalation in the price levels. Russia's economy stabilised in the second quarter of 2012 to 4% as Manufacturing, Retail and Extraction of natural resources slowed. The Russian ruble had reached the lowest level during 2012 ever since April 2009. Brazil had 0.4 % growth in second quarter of 2012 and as their major trade partner is China, the issues in China and European Crisis have had an impact on Brazil.

The outlook for 2013 is a concern despite the resolution of US fiscal cliff as solution for US debt ceiling is still being deliberated. The absence of clear solution in relation to the U.S Debt ceiling issues can create havoc in the financial markets and lack of a long term resolution of the European debt crisis will keep much of Europe and its peripheral nations' economies subdued. Sovereign risks remain at the forefront of market thinking. A global tightening of regulatory oversight, whether at national or international level, will also weigh on financial institutions and the markets.

Domestic Trend

Under the visionary leadership of H.H. the Emir Sheikh Hamad Bin Khalifa Al-Thani and the Heir Apparent H.H. Sheikh Tamim Bin Hamad Al-Thani, Qatar's macroeconomic performance has been sustained and has remained strong and stable. Qatar's economy is expected to grow by 6.3% in 2012 and by 4.9%in 2013.

In 2012, average annual oil prices are expected to advance from their levels in 2011, giving a modest boost to the GDP growth. Qatar's 2012 budget targets a surplus of 23% in 2012 - 13 compared to 16% in 2011-12. (Based on oil price at USD 65 per barrel).

The fiscal surplus is expected to be 7.8% of GDP in 2012. The current account will remain in surplus, buoyed by increased revenues from gas and condensate exports and is expected to be at 22% of GDP in 2012. The fiscal surplus in 2013 is expected to decline to 4.8% as hydrocarbon income stabilizes and spending continues to grow along with the economy and population. Qatar has posted an impressive trade surplus in the first half of 2012 of around QAR 140 billion.

In a move towards harmonizing the financial regulation in Qatar, the Governor of the Qatar Central Bank (QCB) has been appointed as the Chairman of the Qatar Financial Centre Regulatory Authority (QFCRA) in March 2012.

Qatar Exchange (QE) has introduced a number of new equity indices to supplement the existing Qatar Exchange Index in April 2012. Qatar is also planning to start its own credit rating agency.

As per the Global Competitiveness Report 2012-2013 released by Global Economic Forum, Qatar was ranked 11th in the world and continues to be the most competitive economy in the Gulf Cooperation Council (GCC).

Qatar launched its first USD 4 billion Sukuk issue in nearly a decade in July 2012. Qatar has fiscal resilience and considerable financial strength; however its ease in funding the heavy infrastructure pipeline and its other needs could be impaired by adverse global developments such as the 'US Fiscal Cliff' or the 'Euro Zone' events.

QCB has maintained the interest rates at the levels set in August 2012. In a further move to boost the interbank market in Qatar, QCB and Bloomberg teamed up to launch the first Qatar Interbank Offered Rate (QIBOR) based on rates quoted by nine banks on the panel.

The outlook for Qatar remains very positive with further economic growth aided by infrastructure development plans to be in line with the hosting of the FIFA World Cup in 2022, as well as the convergence towards achieving the Qatar National Vision 2030.

Qatar's strong performance and continuing regulatory reforms have been recognized by S&P, which has affirmed its sovereign rating as "AA" which is one of the highest in terms of credit ratings.

Wholesale Banking Group

The Wholesale Banking Group (WBG) is a significant contributor to the revenues of the Bank and is responsible for managing one of the largest Corporate and Commercial lending portfolios in Qatar. WBG has made strong progress in developing customer centric business models which is aligned to the risk appetite of the bank. WBG has grown largely on account of lending within the domestic private sector and has successfully positioned its business for double digit growth percentage and increased profitability in all the business units.

We have established a strong momentum and we continue to see exciting opportunities operating out of one of the economies which is credited with the largest growth rate projections in the world. The year 2012, marked significant changes for the WBG, on account of stronger growth, enhanced operational efficiency and integrated advisory services.

We have identified four key areas of transformation for executing in our business strategy.

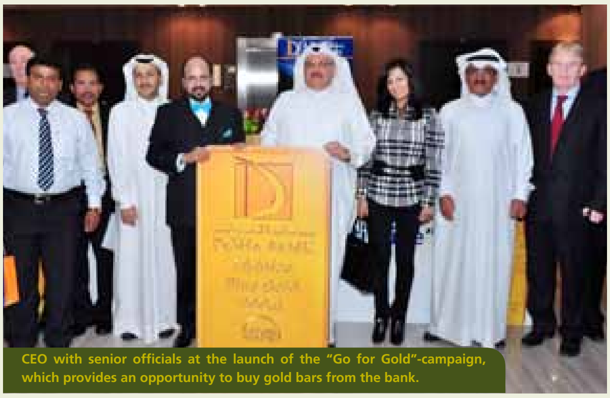
- We have defined new products and services and have grouped them under the newly established business divisions, initiating structured finance, equipment finance and transaction banking. These new business lines are expected to contribute 30% on new asset growth and new revenue growth during the next three years.
- We have intensified focus on our geographical coverage. We developed the business in Qatar as well as other GCC markets which resulted in enhanced asset growth and increased revenues.
- We established a continuous performance improvement program on our operational efficiency. We run cost discipline across all divisions and launched a lean program to enhance the productivity of our support functions. We recruited front-end resources for our overseas operations, predominantly for increased customer coverage and strategic growth segments.
- We expanded our advisory capacities by going beyond lending and applying an integrated advisory approach by better understanding the customer needs, as we seek to be the 'driving force' behind our customers' success.

The WBG consists of majorly the following five divisions: (1) Public Sector Finance (2) Corporate and Commercial Banking, (3) Project Finance and Advisory, (4) Mortgage Finance & Real Estate Services and (5) Private Banking supported by service units viz. Cash Management and Debt Advisory Services. During the year, Small & Medium Enterprises (SME) has been realigned to the Retail Banking Group (RBG).

The Public Sector Unit offers support and solutions to the government and semi-government corporations operating in Qatar. The Public Sector Unit offers a variety of products including foreign exchange, cash management, working capital, letter of credit, structured trade finance, payments and other commercial banking services.

Corporate and Commercial Banking made significant contribution in revenues and is considered the growth engine of the Bank. The division has achieved record revenues despite reduced net interest margins, but was supported by loan growth which was on account of cross-selling, implicating gains on a larger share of customers' wallet. The division followed a well balanced growth strategy, responding to the market challenges with an enhanced spread of advisory capabilities and consolidation. The division focused on effective credit monitoring in order to ensure strong asset quality and at the same time managing the broadened client base by

The inauguration of Lulu Al Khor Electronic branch, Doha Bank's latest and most sophisticated e-branch.



CEO with senior officials at the launch of the "Go for Gold"-campaign, which provides an opportunity to buy gold bars from the bank.

selectively establishing new relationships with prominent local and international clients. The growth was diversified with a primary focus on contract financing which has performed in line with the economic growth of the country.

Project Finance and Advisory, had a successful year and managed to establish new relationships with large multi-national enterprises, in addition to sourcing syndicated transactions as a participant and co-arranger predominately with large regional business houses. The division also acted as business enabler for other business divisions of the WBG by originating, arranging and placing new business through its debt capital markets arm.

Mortgage Finance and Real Estate Services unit responded well to the challenging market environment, maintained its portfolio, increased revenues constantly and explored options by providing value added services to its customers. The division focuses on both standard real estate lending and customised solutions through a variety of tailor-made products. Building long-standing relationships and repetitive transactions is mainly driven by assisting clients in shaping their strategy through advisory capacities, which includes (a) asset analysis, valuation and appraisal, (b) property operations analysis, (c) specifying asset buy-sell strategies. The comprehensive valuation service is designed to meet region specific requirements, drawing its extensive expertise to deliver leading-edge solutions. With co-operations established, the division can quickly apply resources to meet customers' objectives. The division's strength is its deep industry knowledge together with a strategic business advisory approach, forming a part of the clients' decision making team while pursuing their agenda.

Private Banking unit focuses on customized solutions for its high net-worth clients in managing their investments. Having segmented the market in order to be more responsive to the distinctive needs of its clientele this division offers financial solutions through a comprehensive advisory approach. Private wealth-advisors work closely with clients, accessing global resources and specialists across the Bank to develop personalized strategies for all aspects of the client's financial interests.

Despite the macroeconomic, regulatory and other uncertainties which may well persist, the WBG is well positioned, centering its future activities on a balanced market approach, building upon personalised customer relationships and integrated financial services driven by an advisory approach.

Retail Banking Group

The Bank has focused on building a profitable and sustainable Retail banking business in order to capitalise on the high Per capita income of the local population and the influx of expatriates into Qatar and the GCC region. The Retail Banking Group's (RBG) strategy continues to be customer-centric, with an approach designed to maintain market leadership, by offering the most innovative products and the highest levels of customer service and convenience.

RBG has transformed its business model this year, based on a strategic review, driven by an understanding of the competitor,

Management Report

the customer, the industry and the market dynamics. The new business model is shaped based on the changing market dynamics that simulated the design of new market segments, products and services. The objective is to address the priorities with a customer centric approach, especially with regards to sales and performance optimisation.

RBG has set in place a strategy for optimising customer demand by entering new market segments. Specifics include the introduction of the Gold Loan and the Gold Investment products. The Gold Investment products were offered exclusively and for the first time in Qatar for customers who want to invest effortlessly in Gold. With the Gold Investment product, customers can generate higher returns based on improvements in gold prices. We introduced a unique Gold Loan product in which the customers are provided a facility to leverage their own Gold to take a loan. The gold loan is granted up to 60% of the value of gold at the time of taking the loan and this product is offered to customers and non-customers payable in flexible equated monthly installments and the maximum tenure is fixed up to 36 months. It is worthwhile mentioning that the RBG has also introduced the sale of Gold bars over the counter in branches in denominations of 5 grams up to 1 Kilogram and at the most competitive prices. With this variety of gold related products, Doha Bank played a first mover role into gold related products, proving its leadership in introducing new products and services.

This year, in order to augment local network, the Bank inaugurated new branches in Al Wakrah and Museum, Al Mathaf Street. The Bank further also opened an Electronic Branch in Lulu Shopping Mall in Al-Khor. In line with the tradition of introducing new products, Doha Bank has introduced the co-branded Regency Doha Bank Traveller Prepaid Card, available in US Dollars, Euro and Sterling Pound. It offers the best foreign exchange rates with ease and convenience in the wallet, and easy budgeting and expense management features matched with the ability to use online. The Bank also revitalized the long standing special ‘Welcome Package’, an assortment of instant financial services exclusively designed for first timers in Doha, to help them settle down quickly and comfortably.

Moreover, the RBG has been heavily involved in increasing market share through promotions and sales support, driven by the market share index that is an artifact of the product, the price, service, availability and communications.

RBG has rolled for the third consecutive year in a row, the credit cards Summer Campaign with a passport of privileges offered to all Dream, Green and Dream Platinum card members for four consecutive months that commenced early in May 2012. Doha Bank cardholders were able to enjoy the “5-6-7-8” summer promotion in which they benefitted from attractive cash back of 5% and 6% on overseas spend and at Qatar Duty Free. The customers also won lucky draw prizes with spend refunded up to QAR 10,000 each. In total, Doha Bank had credited more than QAR 1 million to the customer accounts as part of the summer promotional campaigns, in addition to a selection of summer benefits from MasterCard and VISA international. Doha Bank Re-ignited the Property Market with Qatar’s Most Competitive Retail Mortgage Loan Offer at 3.99%. The Bank also launched “Transfer Your Loan at 0% Interest Rate” scheme.

In the third quarter of 2012 a successful car loan campaign was launched geared to give customers the chance to buy their car for free with a loan paid off in full in a raffle draw. Another campaign launched during Ramadan gave the customers the chance to benefit from 0% interest rate, up to 3 months grace period, complimentary life insurance, free high performance Titanium window tint, and a selection of uniquely designed package of additional benefits. The Bank continued to offer customers an exciting mix of wide ranging deposit products including saving schemes, long term deposits, and upfront deposits. Also, the Bank introduced the AL JANA series 5 in multiple regional and international currencies up to a 5 years term for higher yields.

Management Report

CEO with Doha Bank officials during the announcement of Al Dana 2012.

The Bank continued to excite the market for the ninth year in a row with its Al DANA Savings Scheme. 'AL DANA 2012' was designed to reward customers with more than QAR 12 million in cash prizes in monthly & quarterly draws. The scheme was tailored as follows, five winners for QAR 50,000 each and one winner for QAR 250,000 monthly, one winner for QAR 500,000 and one winner for QAR 1,000,000 quarterly. As for the Young Savers, one winner for a laptop computer monthly, four winners for play stations monthly, one winner for a Trip to Disneyland quarterly and one winner for 5-year school fees every six months.

RBG continued to follow its segmentation approach with a major focus on the priority banking services. The distinguished 'Al Riyada' customers were offered more privileges via special pricing and personalized services, and were awarded with a customized VISA Infinite credit card.

The unique shopping credit card with LULU hypermarkets continued its major success with its continuous 5% savings throughout the year with additional attractive special promotions. We also engaged in 0% installment schemes with renowned brands such as 51East, Samsung, Joyalukkas, Intertec, Vodafone, Renaissance Hotel for all the Dream credit cardholders.

From the customer services perspective, the bank has been upgrading all types of process, creating efficient problem solving and complaint management systems, in order to ensure the highest service standards. All this is designed in line with the strategic vision in building long term relationships for generating the highest customer loyalty.

Doha Bank has placed exclusive Relationship Manager for its customers at International Relations Centre (IRC) Grand Hamad Avenue to take care of their banking and remittance needs locally in Qatar as well as back in their home country. Doha Bank in partnership with China UnionPay, the biggest and most advanced bankcard association in the Chinese bankcard industry has announced a strategic cooperation to offer greater convenience to China UnionPay Cardholders on Doha Bank ATMs and POS terminals expectantly by the end of this year. Doha Bank entered into an agreement with India bulls Group for offering of Mortgage Loans to NRI customers for acquiring properties in India.

The Bank continued to provide more convenience through technological innovations and the bank was the first to provide a mobile banking application with all facilities including utility bill payments, cards services and mobile remittances.

This year, Doha Bank capitalized on its growing ATM network by offering more payment services available for Doha Bank and non-Doha Bank customers. This includes Q-tel, Vodafone and Kahramaa bill payments for all types of customers by using their own bank cards or even cash.

Doha Sooq, the Bank's pioneering online e-tailing marketplace in Qatar has brought some of the country's leading merchants on board. This substantiates the round-the-clock shopping experience and value addition for merchant business partners. Doha Sooq has signed an agreement with Q-Post for offering delivery services as an additional value added option for customers and merchants. Doha Sooq has also successfully implemented the offerings of Payment Gateways to its merchants this year and has built market confidence among these merchants as a secure and very reliable business partner.

As part of the Bank's ongoing strategy to invest in social media, RBG, for the first time in Qatar, launched this year a new unique application on Facebook, exclusively designed for Ramadan dedicated to all the people who want to know the exact prayer time throughout the holy month, engage in the QUR'AN Al Kareem Recitals and in calculating the Zakat in both currencies Qatari Riyals and US Dollars. These initiatives add to the number of followers on Facebook and deliver an exciting interactive experience across all social media channels - Facebook, Twitter, LinkedIn, Google +, MySpace and YouTube.

Doha Bank is focusing on transforming the approach of Retail Banking into Bank Retailing which aims at delivering a unique and differentiated customer experience. With this in mind, the Bank has been working on a new concept to transform its retail network. RBG has developed the new identity for all its branches to reciprocate the customers' sense of belonging to Doha Bank. The Bank's new branches have been deliberately designed with a contemporary zoning concept inspired by the international standards of planning a retailing environment. The remodeling is intended to create an impressive theme-based environment which is solution-oriented with a Meeter-Greeter ready to guide customers for delivering a fast and smooth experience.

All this and much more underline the significant accomplishments of the RBG during the year and its success in instituting modernisation in accordance with the Bank's slogan, there is so much to look forward to…

Treasury and Investment Group

Treasury and Investments Group (T&I) provides a broad range of financial risk management services and investment products, including foreign exchange, money market, fixed income, mutual funds, equity brokerage, commodities and notably precious metals.

The financial markets, during 2012, were characterized by ongoing uncertainties and volatility, described above in the opening section on the Global Economy. It is against this backdrop that the Treasury & Investment team, along with its clients, operated in 2012.

Growth in Qatar remained strong, off the highs of recent years, and continues to be supported by infrastructure spending aligned to the Qatar National Vision 2030 and its 2022 World Cup preparations – see above "Domestic Trends". The local stock market, the Qatar Exchange, after a volatile first quarter and a move lower into Q2, recovered well in the second half and could end the year broadly unchanged.

Doha Bank remains committed to providing a first class service to its clients and the Bank's Treasury team is no exception to that. The department has, throughout the year, focused on improving all aspects of its client servicing ethos through a dedicated and skilled sales team with a broad and diverse knowledge of both local and international markets. It remains our objective to be customers' trusted partner in providing appropriate risk management solutions.

H.E. the Ambassador of Qatar in the UAE & Their Excellencies the Chairman, Vice Chairman and the Managing Director of Doha Bank, cutting the ribbon at the Abu Dhabi Branch Inauguration.

The Treasury Department led by the Group Chief Executive Officer (CEO) and alongside colleagues from Finance, was key in the hugely successful USD 500 million Senior Debt Issue that débuted in March 2012.

The team has also been instrumental in developing the Bank's Gold bullion initiatives and, in particular, providing an innovative range of both retail and corporate Gold products. The Bank has signed a strategic MOU with a renowned Swiss refinery that will enable the Bank to further develop its range of bullion products and services.

The Bank's financial investment philosophy remains prudent and cautious. There has been only a minimal increase in equity exposures during the year, whether locally or internationally, while in Fixed Income our effort and focus has been toward increasing our holdings of local sovereign debt, issued by the State of Qatar and including Treasury Bills. And in this regard we continue to participate in the local bond market at all levels. Fixed Income investment activity outside of the GCC remains at a minimal level.

During the period ahead, we will be evolving and aligning our investment activity to accommodate the requirements of Basel III.

International Banking Group

International Banking Group (IBG) integrates the Banks' international operations, facilitates and further develops the substantial cross-border trade and is responsible for the overall relationship management with about 750 financial institutions worldwide. IBG also arranges loans and participates in syndicated loans to financial institutions, mainly in the GCC and the Asian regions.

In 2012, a new Representative Office was opened in Sydney, Australia and the Abu Dhabi Representative Office was upgraded into a fully operative branch in Abu Dhabi. The international presence of the bank at the end of 2012 comprises of branches in Dubai, Abu Dhabi and Kuwait. The representative offices in Australia, Japan, Korea, China, Singapore (covering South East Asia), Turkey, Germany (covering Central Europe) and United Kingdom cover all relevant trade and infrastructure partner countries of Qatar, Kuwait and the UAE.

The Dubai Branch has been operating since 2007 being the only Qatari bank to operate in the United Arab Emirates. The establishment of a branch in the State of Kuwait in 2008 and in Abu Dhabi in 2012 has strengthened the branch network across the GCC. These branches offer the entire range of Wholesale, Retail, Treasury and Trade Finance products and services to domestic customers and also meet the cross border banking needs of Doha Bank customers in other countries.

The overseas expansion of the Bank is in line with the strategic vision of the Board to have a pan GCC operative presence to cater and serve the growing customer base across GCC. The representative offices complement our existing branch network both within and outside Qatar by better understanding the various international markets, thus enabling enhanced

CEO moderated the panel discussion comprising industry experts at the knowledge-sharing seminar on "Market Opportunities, Risks and Solutions", in Dubai.

customer experience with globalized expertise for GCC companies with activities abroad and international companies with activities in the GCC. The international network aims to facilitate customers to conduct and optimize cross border trade transactions between Qatar, Kuwait, UAE and other overseas countries and also helps to better understand the activities of large international companies in the GCC especially in infrastructure projects.

Doha Bank also signed a MoU with Korean EXIM Bank. This partnership will help to provide excellent and combined support from both banks to the project owners and the contractual partners of the upcoming large infrastructure projects in Qatar. It is not only an agreement between the banks, but customers will see and experience the benefits.

Doha Bank's Expatriate Banking Services at International Relations Centre offers a range of vital banking and financial services to the large expatriate community. The Bank is committed to provide a one-stop solution to customer's personal financial needs in Qatar and elsewhere. Further expanding the horizon of the product offerings, the Bank established strategic alliances with various banks and mutual fund houses in selected countries. With these arrangements, Doha Bank is uniquely positioned to facilitate the expatriate community in Qatar to meet their remittances, quick funds transfers and investment needs locally as well as with their home countries. The Bank is expanding the number of these alliances given the growing number of expatriates living in Qatar. As a part of strategic restructuring exercise during the year, the division was realigned with the RBG.

Doha Bank Assurance

Doha Bank Assurance Company LLC (DBAC) was established as a 100% owned subsidiary, by Doha Bank in pursuit of its strategic vision to be a "One-stop Financial Service provider". Doha Bank is the first GCC bank to establish a 100% insurance subsidiary.

Licensed by Qatar Financial Center Regulatory Authority to underwrite General insurance business, DBAC provides all lines of General insurance including, but not limited to, Fire, Engineering, Marine and Motor insurance to Corporate and Retail customers. During the year, DBAC also opened the first Insurance Branch fully dedicated to Retail.

DBAC, whilst only in its fifth year of operation, has already become the 'Insurer of Choice' amongst large corporates in Qatar by providing a wide range of insurance products and customer service of exceptional quality. Achieving empanelment for providing general insurance service to Qatar Petroleum during the year reaffirmed the quality services, DBAC provides to its corporate and retail customers in Qatar. DBAC's customers include various government departments of the State of Qatar as well as other corporates, institutions and individuals.

DBAC, effectively showcasing its business potential, strong capitalization and liquidity, has achieved a renewal of its S&P rating of "BBB/Stable" in October 2012. The Company has also earlier in 2012 achieved the renewal of ISO: 9001: 2008 Certification for "providing General Insurance services under Regulatory Framework".

Islamic Banking

Doha Islamic (DI) is the Islamic banking segment of Doha Bank. Since its foundation in 2005, Doha Islamic is continuously developing and growing. It has developed as a strong brand name with diversified customer base and product mix to cater to everyone's need. However, Islamic banking services have been discontinued by the end of 2011 as a result of QCB directive No. 313 / 273 / 2011 dated January 31, 2011 which prohibits conventional banks from entering into any new Islamic banking business.

The management has decided to keep the Islamic portfolio till the maturity as per the Islamic sharia contract.

Risk Management Group

Doha Bank's Risk Management Group (RMG) has an independent enterprise-wide risk management framework. To optimize the same, the group consistently and continually monitors risks and processes across the organization to identify, assess, measure, manage and report on potential threats that could impact the achievement of Bank's objectives. Risk Management policies, models, tools and systems are regularly reviewed to improve the framework and reflect market changes.

The Board and the Executive Management are ultimately responsible for all the Risks assumed by the Bank which includes, identifying, assessing, communicating and monitoring Risks on enterprise-wide basis. The Board has laid Risk appetite aligned with business strategy of the bank. They seek to balance the risk profile against sustainable returns to achieve the business goals of the Bank. The Board has engaged qualified professionals, set policies and procedures, limits, thresholds, authority levels, committees, review mechanism, controls and accountabilities to manage risk through a common framework.

Implementation of the Risk Management framework is entrusted to a highly competent team and is controlled and implemented through various senior level management committees chaired by CEO, mainly Credit, Operational Risk, Investment and Asset and Liability Committees. In addition the Board level committees viz. Audit, Risk & Compliance Committee reviews the observations and findings of Internal auditors, External auditors and the Regulators to prevent deviations. The Risk Management framework is independently empowered to escalate issues to the Board and Audit, Risk & Compliance Committee.

The major risks associated with the banking business relate to Strategic, Reputation, Legal, Credit, Liquidity, Market, and Operational risks, all of which are discussed in the following sections:

Strategic Risk: This risk can arise from adverse business decisions, poor implementation of decisions, absence of clearly defined strategic business direction and goals; failure to have adequate product programs, inadequate preparations for continuity of business should disaster strike, and incorrect assessment of external factors. The Bank has mitigated these risk by implementing a well-defined strategy and growth plans. In addition, the Banks' Disaster Recovery Plan (DRP) has been documented and tested with the assistance of a renowned external consultant and detailed manuals have been made available to the employees. The employees are regularly updated on the developments through ongoing training, education and system updates.

Reputation Risk: Reputational risk is the possibility for negative perception of the Bank's reputation which could result in significant loss of income or severe implications on market capitalization or customer base. This could be a direct adverse response by stakeholders to the actions or inaction of the Bank or its officials.

This risk could arise from poor customer service delivery, a high incidence of customer complaints, non-adherence to regulations, imposition of penalties and adverse publicity in the media. This risk, the Bank has established a various customer service units and call centers to monitor the services rendered through our delivery points and undertakes timely corrective measures. Additionally, the Bank has a robust Compliance Department, which is responsible for monitoring stringent compliance on all regulatory provisions stipulated by the Qatar Central Bank (QCB) and other regulatory authorities wherever applicable. The department also creates awareness of the related regulatory circulars among staff and provides guidance on business decisions that could have regulatory implications.

The Executive Management Committee provides Bank-wide oversight on reputational risk, sets policy and monitors material risks that could have negative reputational consequences. At the business level and across our subsidiaries and Representative Offices, the relevant Senior Management is responsible for the management of reputational risk in their respective businesses.

Legal Risk: Legal risk is the possibility of loss resulting from the Bank's failure to comply with local laws, breach of ethical standards and contractual obligations with counterparties or customers. The Bank also faces the risk of litigation due to unenforceable contracts with vendors, counterparties or regulators. The Bank maintains a highly qualified team of legal advisors who are responsible for validating all the Bank's agreements. They also review the legal implications of standard/specific documents for all Bank's products and services that are being offered to customers and counter parties.

Credit Risk: This refers to risk arising from the potential that an obligor is either unwilling to honor his obligation or has become unable to meet such obligation, which leads to economic loss to the bank or the possibility of losses associated with diminution in the credit quality of borrowers or counter parties and/or in the value of the collateral held by the Bank as security. Identification, measurement and management of risk are strategic priorities for the Bank and its Credit risk is

Management Report

managed by a thorough and well-structured credit assessment process complemented with appropriate collaterals wherever necessary and continuous monitoring of the advances at account and portfolio levels.

Although the overall responsibility for identifying and managing the risks lies with the Board, the responsibility for managing the Banks' credit exposure has been delegated to the Management Credit Committee.

The Management Credit shall review and decide on the following.

- The extent to which the Bank should assume credit risk, taking into account the capital base, the Banks' ability to absorb losses, the risk-reward ratio, probability of default etc;
- The credit portfolio, including concentration trends, provisions, quality of portfolio and requirements vis-à-vis credit strategy and risk appetite;
- Portfolio concentration limits against Regulatory and Internal Limits set for counter parties, industry sectors, geographic regions, foreign country or class of countries, and classes of security;
- Business Strategies to ensure consistency with the Banks' business/growth plan and other asset/liability management considerations;
- Significant delinquent credits (watch list & under settlement accounts) and follow up actions taken to safeguard the interests of the Bank;
- Adequacy of loan loss provisioning requirements;
- Establishment of an authorization structure and limits for the approval and renewal of credit facilities;
- Detailed credit policies, procedures and guidelines, proper segregation of duties, well defined authority matrix for credit approval and periodic audit and examinations by internal and external auditors to ensure that a rigorous environment of checks and balances exist within the Bank;

Credit Risk Management (CRM) Structure: The Credit Risk Management function is independent of the Business functions. Such functions include policy formulation, limit setting, exposure and exception monitoring, reporting, custody and monitoring of documentation, input of credit limits, classification of advances, remedial asset management, recovery of delinquent loan and determination of provision requirements.

The key objectives of Credit Risk Management are to ensure:

- Bank wide Credit risks are identified, assessed, monitored and reported on a continuous basis at individual and portfolio level;
- The Banks' exposure is within the risk appetite limits established and approved by the Board of Directors, which covers group and single obligor limits, borrower ratings, portfolio analysis, counter party limits and concentration of the limits to effectively measure and manage its credit risk;
- Review and assessment of credit exposures in accordance with the authorization structure and limits prior to facilities being committed to customers;
- Ensure completion of documentation and security creation as per approval terms before release of credit facilities to the clients.
- Monitoring the concentration of exposure to industry sectors, geographic locations and counter parties;
- Proactive and dynamic monitoring of the accounts as to the quality of the assets and to spot any adverse features/ warning signs which can eventually lead to deterioration in the recovery prospects.

H.E. Sheikh Fahad Bin Jabor Al Thani, Doha Bank Chairman, H.E. Sheikh Abdul Rehman Bin Jabor Al Thani, Doha Bank Managing Director, Mr. Ahmed Obaidan, Doha Bank Vice Chairman, and H.E. Emirates Central Bank Governor, along with top VIP guests during Abu Dhabi branch inauguration.

- Engage the Business Units at the early stage itself to take corrective steps so that the exposure does not become unmanageable.
- Review of compliance with exposure limits agreed for counter parties, industries and countries, on an ongoing basis, and review of limits in accordance with the risk management strategy and market trends;
- Prior to launching of new products, vetting the business proposals from risk perspective especially in light of delinquent reports;

Further, the Bank has a well-established Remedial Asset Management Unit under the supervision of the Credit Risk Department whose responsibility is to adopt corrective action on delinquent credits so as to recover the bank dues.

Risk Management Committees: A number of committees / Task Force have been established to manage various risks in an efficient and objective manner and these include:

- Executive Management committee
- Risk Management Committee
- Operational risk committee
- Retail Credit committee
- Management Credit committee
- Asset and Liability committee
- Capital & Liability committee and Basel 3 taskforce
- Recovery taskforce

Liquidity Risk: Liquidity risk can be defined as the potential inability of the Bank to meet its maturing obligations.

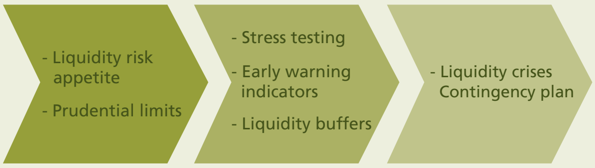
Liquidity risk is inherent in banking operations and liquidity planning and management are necessary to ensure that the Bank meets its obligations at all times. The Treasury division, in conjunction with other departments, manages the liquidity on a daily basis. The Asset and Liability Committee (ALCO), which meets weekly, sets the broad framework for Treasury to operate so that the Bank is always in a position to meet its financial commitments. During crisis, the bank's ability to manage liquidity requirements could be impacted due to increased cost of funds or accessibility to wholesale funding. The market disruption could impact liquidity of investments. Doha bank has a comprehensive Liquidity management framework for managing the Group's liquidity risk. The framework sets the group's risk appetite for liquidity risk by setting limits and benchmarks.

The Banks' approach to manage the liquidity risk is to ensure that it has adequate funding from diverse sources at all times. Diversification of our depositor base, reducing dependence on large depositors and maintaining a suitable mix of deposits including low-cost deposits are some of the measures that the Bank is regularly taking to maintain a suitable deposit base. The Bank relies on many quantitative indicators to manage its liquidity risk positions.

The Bank maintains high quality liquid assets, which can be liquidated at short notice to raise cash, if required. The bank's liquidity policy requires the bank to maintain a pool of liquidity assets which can be accessed at the time of liquidity crises. The Bank also has in place credit lines with several international banks to make funds available in case of need. The Banks' liquidity position is subjected to diverse stress scenarios in order to evaluate the impact of unlikely but potentiality plausible events on liquidity. Scenarios are based both on historical and hypothetical events. The results obtained from such stress testing provide meaningful input when defining target liquidity risk positions.

In addition bank maintains contingency Liquidity plan which details how liquidity stress events would be managed during a crisis situation. Since nature of any such event cannot be ascertained in advance, the plans are designed to be flexible and hence provide various options that could be used during liquidity crisis situation.

The tools under Bank's Liquidity risk framework could be summarized as below:



The Bank has initiated soft implementation of Basel III as an early measure. The relevant units have started compiling vital liquidity ratios concerned with the short and long term funding sources. These ratios are reported in the Asset and Liability committee on monthly basis.

Doha Bank officials during the inauguration ceremony of the Royal Plaza Electronic Branch.

Market Risk: This is the risk of loss arising from unexpected changes in financial indicators, including interest rates, exchange rates, bonds, equities and commodity prices. Bank has an active Management information System to keep the Management and Investment committees informed about the changes in market risk on the investments book. The prominent risks affecting the Bank are currency and interest rate risk.

Currency Risk: The major foreign currency to which the Bank is exposed to is the US Dollar. The established parity between the US Dollar and Qatari Riyal substantially reduces this risk unless the parity between the two currencies is revised. To control currency exposures, the Bank has the following measures in place:

- Intraday and overnight limits have been set up for each currency;
- Stop loss limits have been setup for Foreign Exchange proprietary trading;
- Currency exposure is monitored daily;
- Transaction limits have been setup for Foreign Exchange dealers to avoid excess exposure;
- Currency gap analysis is produced at month end – it includes forward purchases and sales;
- Total foreign currency assets and liabilities excluding contingent exposure is produced daily;
- Transaction limits have been set up for foreign exchange dealers to avoid excess exposure; the limits are monitored on online real time basis.
- All outstanding Forex exposure - including spot, swap and forwards - is revalued daily;

Interest Rate Risk: This risk largely arises due to the probability of changes in interest rates, which may affect the value of financial instruments or future profitability. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the quantum of Assets and Liabilities and Off-Balance sheet instruments that mature or re-price in a given period. Since most of the Banks' financial assets such as loans and advances contain an option to re-price, majority of the banks interest rate risk is hedged naturally due to simultaneous re-pricing of deposits and loans.

Further, the Bank manages the interest rate risk by matching the re-pricing of the assets and liabilities through various means and by operating within the set gap limits. Foreign currency loans are linked to the London Interbank Offered Rates (LIBOR – which is among the most common of benchmark interest rate indexes used to make adjustments to adjustable rate mortgage) and are re-priced regularly to reduce the attendant interest rate risks.

The Bank's fixed-income bond portfolio is analyzed daily, to assess the interest rate risk based on its portfolio modified duration Bank keeps its portfolio duration within the risk appetite of the bank. The risk department analyzes each investment proposal separately; potential market risks are identified and mitigated before placing the proposal for Investment committee review and approval. The Bank's hedging policy sets the framework to be followed for hedging the interest rate risk if certain thresholds are triggered.

Stress testing:

Bank wide stress tests form integral part of risk review process and provide sufficient insight into the financial health and risk profile of the bank. Stress tests also provide early warning signs of potential threats to bank's capital. Doha Bank adopts a comprehensive stress testing framework to stress test:

- Asset quality during crises
- Concentration risk
- Liquidity risk including Liquidity buffers
- Interest rate risk
- Market risk in investments
- Currency risk
- Collateral coverage under falling real estate prices scenario

Regulatory ratios under crises situations

The stress testing process is regular, detailed and uses both plausible and severe scenarios. The results of these stress tests are shared with ALCO on monthly basis. In case the ALCO find that impact falls beyond the risk appetite of the bank, appropriate amendments are made to business plans.

Operational Risk: Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The Bank has detailed policies and procedures and Operational Risk Management tools that are regularly updated to ensure a robust internal control mechanism for the Bank. The Bank is closely reviewing the various recommendations issued by the Basel Committee on 'Sound Practices for the Management and Supervision of Operational Risk' for implementation.

The Bank continues to invest in risk management and mitigation strategies, such as a robust control infrastructure, business continuity management or through risk transfer mechanisms such as insurance and outsourcing.

The Bank has a well-defined operational risk framework and an independent operational risk function. The Head of Operational Risk is a member of the Operational Risk Management Committee and reports to the Head of Risk Management. The Operational Risk Management Committee oversees the implementation of an effective risk management framework that encompasses appropriate systems, practices, policies and procedures to ensure the effectiveness of risk identification, measurement, assessment, reporting and monitoring within the group.

In addition, the Internal Audit department carries out an independent assessment of the actual functioning of the overall Operational Risk Management Framework. Each business segment must implement an operational risk process which is consistent with the requirements of this framework.

The process of Operational Risk Management includes the following steps:

- Effective staff training, documented processes/procedures with appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, introduction process of new products, reviews of outsourcing activities, information system security, segregation of duties, financial management and reporting are some of the measures adopted by the Bank to manage the Bank-wide operational risk;

CEO and senior officials receiving the Best Bank in Qatar Award at the EMEA Award Ceremony.

Management Report

- Reporting of any risk event (losses, near missed and potential losses), which is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are analyzed, reported, mitigated, recorded on a central database and reported quarterly to the Board of Directors;
- Introduction of a bottom-up 'Control Risk Self-Assessment' across business and support units including subsidiaries and overseas branches. This approach results in detailed understanding of inherent and residual risks with evaluation of controls across the Bank. Therefore, it enhances the determination of specific operational risk profile for the business units while corrective action points are captured and the changes on the operational risk profile is monitored on an ongoing basis; and
- The Banks' blanket insurance policy adequately covers high severity losses and stress losses.

International Rating

Below is the summary of Doha Banks' rating from International Rating agencies:

Standard & Poor's	Moody's	Capital Intelligence	Fitch
Long Term A- Short Term A-2 Outlook- Stable	Bank Deposits - LT - A2	Foreign Currency LT - A	Foreign Currency LT – IDR - A
	Bank Deposits - ST - P-1	Foreign Currency ST - A2	Foreign Currency ST – IDR - F1
	Bank Financial Strength D+	Financial Strength - A	Viability Rating - BBB
	Senior Unsecured MTN-A2	Support Rating - 2	Support Rating - 1
		Outlook - Stable	Outlook – FC – Stable
	Subordinated debt -A3		
	Outlook - Stable		

International Rating Agencies maintained the usual strong ratings during the year, recognizing the Banks' strength and performance.

- S&P, reaffirmed Doha Banks' ratings and opined that Doha Banks' ratings reflected its good market position, sound financial performance, good capitalization levels and high systematic importance;

Management Report

- Moody's, confirmed Doha Banks' existing ratings and mentioned that rating captured the Banks' good franchise in Qatar, good profitability levels and comfortable liquidity position;
- Capital Intelligence, reaffirmed their existing rating on the Banks' foreign currency and financial strength ratings at 'A', recognizing DB's strong business franchise, good international network and improved profitability.
- Fitch, reaffirmed their Foreign Currency Long-term - Issuer Default Rating (LT - IDR) and Foreign Currency Short-term – Issuer Default Rating (ST – IDR) of 'A' and 'F1' respectively and their 'Stable' Outlook during their review and mentioned Doha bank's robust earning and steady asset quality ratios

Information Technology

The Bank's Information Technology (IT) division is responsible for developing the Bank's Information Technology strategy and planning as well as the delivery of all related services to employees and customers. Doha Bank has always been on the forefront of new and innovative products and has introduced a variety of banking products including Gold Loan, Mobile Banking with native applications for iPhone, Blackberry, Android, Nokia as well as WAP. Integrated and Straight through e-Remittance service is offered by partnering with several banks using correspondent banking relationships in key countries, as well as bill payments by having B2B integration with multiple utility companies and school fee payments on multiple channels like Internet Banking, Mobile Banking, ATMs, Branch Counters offered to the Doha Bank and Non Doha Bank customers so as to facilitate anywhere anytime banking. The Bank has incorporated Technology as an innovation driver to provide state-of-the-art product and services to its customers and has leveraged on Information Technology for efficiency and effectiveness of banking services delivery.

As IT is the backbone for efficient delivery of the Banks' services, the Bank has been continuously keeping the technology up-to-date in order to ensure best of breed and latest technology in place. In line with this strategy, the Bank has revamped its complete technology infrastructure to implement virtualization and consolidation as well as centralized management and monitoring solutions for both Production and Disaster Recovery sites. In order to achieve this, the Bank has built new IT Data Centers as per industry standards and best practices. This has facilitated the Bank to reduce time to market as well as reduce the Recovery Point Objective (RPO) and Recovery Time Objectives (RTO) for business continuity to provide uninterrupted services to its customers. Doha Bank has also invested to upgrade underlying technology as part of its strategy and has implemented latest Operating Systems, Databases like Oracle 11g with Real Application Clusters (RAC) for its major and key applications. Doha Bank has also upgraded its mission critical applications to the latest version including Core Banking, Credit Card system, Debit Card system, Enterprise application integration and SWIFT Alliance. Doha Bank has implemented transaction screening and AML solution for compliance and governance.

Doha Bank is appropriately supported by the high quality of IT resources for delivery of services. The architecture is designed to maximize availability, scalability, reliability, reusability, security and manageability. The network architecture is in line with increasing deployment of electronic channels covering Firewalls, Antivirus, Zoning and Virtual Private Networking (VPN). The automation process has taken, the Bank closer to a paperless environment and has been the driver for improving internal efficiency. The IT department has successfully been re-certified for ITIL, ISO20000 in its initiatives to be a customer service oriented department of the bank; and therefore manages its internal customers with defined SLAs. Doha Bank's Information Security Management System is to ensure the confidentiality, integrity and availability of the information assets of the Bank through the implementation of various controls and processes of global standards.

As part of its Green initiatives, the Bank continues its drive toward ensuring that all systems and technologies that are implemented have less carbon foot-print, less carbon emission and low energy consumption. Owing to these efforts, the Bank due to its drive, efforts and belief in Green has received the Green Systems Implementation Award from the Arabian Computer News, U.A.E. for the implementation of the Green Systems.

The Bank has provided its customers different channels in terms of e-banking and m-banking, ATMs, Online Cash Deposit Machines, Cheque Deposit Machines using various and latest technology solution to perform their day to day banking anywhere and anytime with fully secured solutions. This has been the key differentiator and has provided the Bank an edge over its competitors. The strong technology foundation that we have laid over the last decade for providing world-class banking solutions is now focused towards more effective real-time services to our customers by way of providing new banking services through new channels of distribution and also by enhancing the internal services allowing us to better serve our customers.

The deployment of innovative products for our customers and the enhancement of internal systems have been the pillars of our sustainable performance. This includes continuous improvements by re-engineering processes for customer services and delivery times being key consideration factors.

IT strives to continue its efforts in ensuring that customers' needs and requirements in terms of better services and banking needs are fulfilled by implementing the latest technology and solutions. Doha Bank continues to be an innovative Bank with technology as a differentiator.

Human Resources

Human Capital Development and Employee Engagement have been the key priorities in the Bank in terms of overall human resources management approach. Constant innovation, setting high standards for Human Resources (HR) department's service delivery and the introduction of quality human resources management practices to support the Business and constantly strives to have a direct impact on the Bank's overall objectives by adopting a Business Partnering role.

The Bank's People Management Policy, People Development Programs, Employee Engagement Programs, Rewards and Benefits are geared to make Doha Bank an Employer of Choice in the Region. Our diversified workforce with their skills and multinational exposure in banking will be an added advantage to maintain our sustainability in the market. Continuous learning and knowledge sharing of the best in class standards and practices on banking and otherwise will also be the main focus towards managing the overall quality of the Human Resource.

Human Resources management is an integral part of the Bank's business planning process and important line management responsibility. Within the corporate guidelines, every unit manager is responsible for People Management within the unit with professional support being provided by the HR department in the Bank.


The inauguration of Doha Bank's new identity flagship branch at The Gate mall.

CEO receiving the The Bizz 2012 – World Business leader award from World Confederation of Businesses.

Doha Bank has created a winning match between individual performance and organizational demands. It continuously aims to have the right person with the right experience at the right place. As part of the Bank's culture, we foster leadership, individual accountability, team-work and employee engagement in the business.

The success of Doha Bank over the years has been its employees. We believe in creating an environment in which our employees enjoy working and striving towards excellence in every aspect of their roles.

Doha Bank is committed to Qatarization, which is a very prominent aspect of our Corporate Objective. With a view of grooming future leaders amongst the Qatari nationals, the Bank implemented various initiatives, designed various programs and strengthened on the existing initiatives to attract and retain Qatari resources. The Management Trainee Program, Scholarship Program, Banking Training Program, Individual Career Plan (ICP), Cross Border Training and Branch Managers Succession Planning are fruitful initiatives where we have successfully executed to develop the Qatari employees. In order to differentiate our initiatives in the banking sector in terms of developing Qatari nationals, we executed Career Enhancement Allowances to encourage Qatari nationals towards higher education.

The Bank strongly believes that employee engagement is of paramount importance for our success. Employees should attach to the organization physically, emotionally and intellectually. With a view of maintaining a higher level of employee engagement, the Bank consistently reviews rewards and benefits and also carries out structured activities such as Knowledge Sharing sessions, Business Quiz, Sports Activities, Recognition Awards, Long Service Awards, Family Day activities.

Corporate Social Responsibility

Doha Bank has been transformed into a dynamic entity with strong values and a customer-centric approach and has sustained the same over a period of time. The Golden Peacock Global Award for Corporate Social Responsibility received for the second consecutive year, symbolizes Doha Bank's affinity towards public welfare and social consciousness and the manner in which it has sustained its position as one of the pioneers of 'Green Banking' in the State of Qatar. This award is recognition of Doha Bank's society driven initiatives like Educational & Health benefits and commitment to Social causes, which has seen it introduce new and innovative products even during tough market conditions resulting from the global financial crisis. Doha Bank's functional model with Economic, Environmental, and Social Initiatives, contributing towards the welfare of the public has always been a welcome approach towards a bright future.

Doha Bank Executive Management Team.

Doha Bank has been on the forefront of environmental advocacy supporting sustainable development, environmental conservation and educational awareness which reaches out to both public and private sectors to support local and global environmental issues and key challenges.

We now look forward to a promising future, with better banking experiences for our customers, better returns for our shareholders and an even more progressive and prosperous environment for our employees. Doha Bank, as one of the main pillars supporting sustainable development in Qatar, was also recognized as one of the proactive supporters on Clean and Green Qatar Programme, School Exhibition for Arabic Schools in coordination with Ministry of Education, Climate Change - School Competition in coordination with Qatar Petroleum DG/HSE, promoting the ECO - Schools Programme to schools in the State of Qatar. Green activities provide a venue for building global awareness, cooperation and participation of international organizations and companies specialized in environment technologies and sustainable energy.

The Board of Directors of Doha Bank, has reiterated their continued support for environmental development, which will eventually support the development drive in the country as a whole. Doha Bank also looks forward to increasing its role in preserving the environment and supporting the endeavors of other national organizations aimed at curbing the deterioration of environmental systems and preserving the changing as well as the unchanging resources. It is customary for Doha Bank to find itself occupying a distinguished position in the programs drawn up for celebrating the Qatari Environment Day for this year as it is at the core of the strategies designed for protecting the health and safety of humans as well as their environmental security.

Doha Bank maintains a well defined Environmental Policy with the principles of "Reduce, Reuse & Re-cycle". Some of the Initiatives to support the State of Qatar's "Go Green Qatar" are :

- Seminars on Global Warming conducted in Qatar, Dubai, Abu Dhabi, Oman, Kuwait, Turkey, Tokyo, Nagoya, Singapore, Chennai and Mumbai.
- Dedicated Green Bank Website
- ECO-Schools Programme
- Green Accounts, Environment Friendly & Biodegradable Credit Cards, Paperless Banking
- Green Bank - Task Force Committee
- Annual Marathon - Al Dana Green Fun Run
- Public Awareness Campaigns through ATMs
- Green System for Auto-shutdown of PCs.

Doha Bank has reached out to the larger community through its long standing Corporate Social Responsibility activities where it is committed to raise awareness on environmental issues and focus on the economic challenges facing the world and the region.

A dedicated Doha Green Bank website is available on the internet showing the Banks' various initiatives taken, planned activities, projects, products and services. It also includes other environment-related articles and video clips. Planned activities are lined up such as Tree Planting, Adopt-a-Beach campaign, Recycling and Waste Management programs. Promotional flyers, brochures, mupis were designed with a catchy phrase, "GO Green with Doha Bank! It's simply the right thing to do!" to convey its message to the public and gain joint-effort cooperation amongst various sectors of the society for a better world.

Doha Bank launched the ECO-Schools Programme (www.ecoschools.com.qa website), dedicated to the environment which encourages schools of any discipline; whether pre-school, primary, secondary, and collegiate, universities, Arabic schools etc. to proactively participate in the implementation of good environmental practices, reduction of carbon footprint, increase eco-consciousness and support children to become environmental advocates at a young age. The ECO-Schools is an award programme that guides schools on sustainability initiatives which provides substantial opportunities to schools to explore various environmental concepts that can be implemented, improved, developed or retrofitted at their respective premises. Joining the ECO-Schools Programme is easy and free of charge.

With the ECO-Schools Programme, the Bank is committed to provide a platform for schools to contribute to the socio-environmental improvement and intellectual development of the human society, encourage the schools to reduce their carbon footprint and create a long-term impact in Qatar with a perspective to replicate the idea in other countries. We envision the school children in Qatar to become young leaders in promoting environmental awareness and the schools continuously endeavoring to become eco-friendly advocates for a better world by empowering them to make a difference for the environment and the society.

Doha Bank has taken various proactive measures in addressing Global Warming and its ramifications. It is propagating energy saving as a corporate habit. Doha Bank encourages ideas from staff on energy savings and suitably rewards them. Doha Bank is committed to be a carbon neutral entity. Doha Bank Branches and HO Departments were encouraged to practice energy efficiency in their respective premises by switching off the lights, air conditioning system and other office equipment when not in use, conserve water, carpooling, eliminate

Management Report

usage of non-biodegradable materials, encourage recycling and proper waste disposal and buying of fair-traded and environment-friendly goods. These are small steps that will make a big difference.

ECO-consciousness was integrated into Doha Bank's daily operations through knowledge sharing, paperless banking and awareness campaigns on social responsibility to gradually instill the value of "green culture" within the organization. The Electronic Banking products and services of Doha Bank greatly help reduced paper usage/wastage, reduce carbon footprint and encourages customers to be environmentally-conscious of their activities. Social Responsibility initiatives focuses on seminars, knowledge sharing and awareness; support for cultural events, e-Newsletters, educational visits, charitable donations and similar activities.

Doha Bank and ILoveQatar.net (ILQ) concluded the first of its kind pact to support each other in engaging with the local communities residing in Qatar. Doha Bank and Qatar Charity (QC) announced the institution of the "Dirhams Program" which allows all Doha Bank customers to sign an arrangement to transfer automatically the excess dirhams in their account end of each day to Qatar Charity to carry out humanitarian projects inside and outside Qatar. During the year, Doha Bank continued its efforts of knowledge sharing by conducting sessions in Qatar, UAE and Kuwait. Doha Bank also actively participated in the Annual IMF meeting held in Japan.

Doha Bank participated in the COP18 UN Climate Change Conference hosted by Qatar by having a stand at the Qatar Sustainability exhibition. The Bank highlighted three major projects: the ECO-Schools programme, a Corporate Carbon Footprint programme and Sustainability Reporting all of which are being championed by Doha Bank in Qatar. Doha Bank offered corporate entities and visitors to Qatar the ability to learn more about the technology and software that works to help complete data capture and reports, as well as how performance indicators are assessed and implemented in a carbon footprint programme. Earlier the Bank also conducted the Annual 'Al Dana Green Run' to commemorate Qatar on the hosting of COP 18 event. Doha Bank has certainly marked a milestone in engaging people from all over the country on the occasion of the COP18 global event.

Doha Bank also recently published its independent reports on "Corporate Social Responsibility" and "Sustainability" which can be viewed on its website www.dohabank.com.qa. "GO Green with Doha Bank! It's simply the right thing to do!" is the catchy phrase chosen by Doha Bank to convey its message to the public and gain joint-effort cooperation amongst various sectors of the society for a better world.

Green Banking Awards: The Leading Bank in Every Domain

- Golden Peacock Global Award for CSR 2012
- Golden Peacock Global Award for CSR 2011
- Golden Peacock Global Award for Sustainability 2011
- Golden Peacock Global Award for Sustainability 2010
- Green Systems Implementation of the Year - Arab Technology Awards 2010 - Arabian Computer News
- Best Environmental Leadership Award 2010 - Qatar Today
- Best Public Awareness Campaign Award 2010 - Qatar Today
- Best Public Awareness Campaign Green Award 2009 - Qatar Today
- Best Green Bank 2008 - Banker Middle East
- Best Internet Banking Service in Middle East 2008 - Banker Middle East

Management Report

Mr. Khalid Mohd. Al-Naama, Head of Public Sector, receiving the Excellence Award for the Best Corporate CSR Programme by a Bank in Qatar.

Corporate Governance

Overview

As part of the compliance requirement of the Corporate Governance code for listed companies; issued by Qatar Financial Markets Authority; Doha Bank as a Qatari shareholding company listed on the Qatar Exchange is required to disclose the extent to which it complies with the provisions of the code. The Code adopted by the QFMA is based on the principle of comply or explain.

During the year, the Bank was keen on enhancing the corporate governance framework by approving a corporate governance policies and procedures manual and adopting best practices. This report summarizes Doha Bank's governance processes for 2012 in accordance with QFMA disclosure requirements as illustrated below.

Board of Directors and Board Committees

Roles and Responsibilities:

The Board of Directors is responsible for the stewardship of the Bank and to provide effective leadership and supervision of Doha Bank's business, whilst growing value in a profitable and sustainable manner.

The roles and responsibilities of the Board are defined in the Board Charter. The Board Charter shall be published to the public through the Doha Bank website and will be available to shareholders before the Shareholder's meeting and also will be included as an AGM Agenda Item. The Board's roles and responsibilities are compliant with the requirements of the Code, and cover the following areas:

- Strategy
- Governance
- Compliance
- Risk Management
- Authorities and Delegations
- Internal and External Audit
- Board Committees
- Board Code of Conduct
- Board Composition
- Board Meetings
- Board Membership Requirements.

Each Board Member duties have been updated and defined in Job Descriptions prepared for this purpose. Moreover, each Board Member is also required to provide sufficient time to perform his duties. Currently, time commitments are not contractually set but are understood by all Directors. Director Appointment forms have been developed and approved by the Board of Directors and will be put in place as a matter of course. Each Director shall be required to sign this form upon enrollment in the Board.

Composition

The Board currently consists of eight members. However, one Non-Executive Director resigned from the Board in April 2012 and accordingly the number members in office on the Board reduced to seven from that date.

- Chairman;
- Vice Chairman;
- Managing Director;
- 5 Non-Executive directors including one independent member

Briefs of each Board Member's education and experience profile are depicted below:

Sheikh Fahad Bin Mohammad Bin Jabor Al Thani

- Chairman
- Date of Appointment on Board: June 3, 1996
- Education / Experience: Graduate of the Royal Academy, Sandhurst, UK
- Other Board Memberships: Board Member at Al Khaleej Takaful Insurance & Re Insurance Co.
- Ownership: 1.66% (December 31, 2012)

Mr. Ahmed Abdul Rehman Yousef Obeidan

- Vice Chairman
- Date of Appointment on Board: April 20, 1982
- Education / Experience: General Manager, Al Waha Contracting & Trading Est.
- Ownership: 1.67% (December 31, 2012)

Sheikh Abdul Rahman Bin Mohammad Bin Jabor Al Thani

- Managing Director
- Date of Appointment on Board: December 21, 1978
- Education / Experience: Bachelor of Civil Engineering, Missouri University, USA
- Other Board Memberships: Chairman of the Board of Directors, Qatar Industrial Manufacturing Co. Chairman of the Board of Directors (State of Qatar representative): Qatari Oman Investment Company and Board Member: National Leasing Holding
- Ownership: 1.71% (December 31, 2012)

Sheikh Abdulla Mohamed Jabor Al-Thani

- Non-Executive Board Member.
- Date of Appointment on Board: April 20, 1982
- Other Board Memberships: Chairman of Al Khaleej Takaful Insurance & Re-Insurance Co.
- Ownership: 1% (December 31, 2012)

Dr. R. Seetharaman, Doha Bank CEO, welcoming H.E. Abdullah Bin Hamad Al-Attiyah the President-elect of the COP18/CMP8 Conference and Chairman of the Higher Organising Committee.

Mr. Jabor Bin Sultan Towar Al Kuwari

- Non-Executive Board Member
- Date of Appointment on Board: April 12, 1993
- Education / Experience: Businessman
- Ownership: 1.08% (December 31, 2012)

Mr. Hamad Mohammed Hamad Abdulla Al Mana

- Non-Executive Board Member
- Date of Appointment on Board: April 13, 1999
- Other Board Memberships: Vice Chairman: Mohammad Hamad Al Mana Group Companies,
- Board Member: Qatar General Insurance & Re Insurance Co, Board Member: Qatar Navigation Co., Board Member: Arab Qatari Co. for Dairy Products
- Ownership: 1.57% (December 31, 2012)

Sheikh Falah Bin Jassim Bin Jabor Al-Thani

- Non-Executive Board Member and Independent
- Date of Appointment on Board: 27th Feb 2011
- Education: Bachelor of Finance
- Experience: Minster of civil Servant Affair Housing : 1996 to 2006
- Other Board Membership : Chairman of Board of Directors : National Leasing Holding
- Ownership: 1% (December 31, 2012)

Sheikh Abdulla Bin Nasser Bin Abdulla Al Ahmed Al-Thani (resigned 18 April 2012)

Independent Board Members

The current composition of the Board does not include independent directors as required by the Code except for one. This is due to the fact that Board Members have been involved in the stewardship of the Bank over previous terms, and current market and social conditions.

Duties of Non-Executive Board Members

Non-Executive Board Members perform their role "as defined in the Bank's approved Job Description" contributing by considering strategy objectively and providing effective stewardship of the governance framework in safeguarding shareholders' interests.

The Non-Executive Board Members are actively involved in providing input to the Board's activities as stipulated in the Board Charter, and review the Bank's performance periodically and scrutinize the performance of management in achieving agreed goals. Where conflicts of interest arise they should have oversight in ensuring that Bank and Shareholders' interests are maintained.

Duties of the Chairman of the Board

The role of the Chairman is to lead Doha Bank in achieving its strategic goals and to provide its shareholders with sustainable gains. The Chairman also leads the Board and oversees all aspects of its role and in setting its agenda. He may delegate specific duties to Board Members, Board Committees, Managing Director and CEO as appropriate. Additionally, he discusses with board members recommendations, improvements, strategic initiatives, annual budgets, new investment opportunities available and ensures that the board has performed its assigned duties. He also discusses general bank issues periodically with the members, ensures that there is a mechanism for evaluating board members, and communicates with shareholders. The Chairman also coordinates regularly with the CEO to retain the necessary financial and human resources to achieve the Bank's goal, whilst monitoring performance periodically through the CEO.

During knowledge sharing on "Changing Global Dynamics and Opportunities for South Korea in GCC Countries".

Fiduciary Responsibilities

Each Board member owes the Bank by employing diligence, loyalty and integrity in support of the Bank's overall vision and in line with the Board Charter and the Bank's Code of Ethics. Board members act on an informed basis in the best interests of the Bank and in fulfillment of their responsibilities to the Bank. Board members therefore require to possess the required knowledge, experience and skills.

Board Meetings

The Board meets based on the invitation of the Chairman or two members of the Board. Each Board meeting has an agenda which is submitted to all members prior to the meeting giving enough time for preparation purposes. As per the Board Charter, the Board meets a minimum of 6 times (once every two months at a minimum). The Board met a total of eight times in 2012, last meeting held on 30th December 2012.

Board Remuneration

The Bank has adopted a policy which regulates the disbursement of remuneration, bonuses and benefits. At the end of each year prior to the General Assembly meeting, the proposed remuneration for board members and the chairman is made available to the shareholders for discussion and approval. Additionally, other benefits provided to board members are reviewed by the Qatar Central Bank and the External Auditors, and subsequently sent to Qatar Central Bank and thereafter presented to the shareholders.

Senior Management Remuneration

The Bank has adopted a policy which regulates the process for assessing the performance of Senior Management according to strategic goals which are set on a 3 year basis. Based on the performance assessment and the Bank's results the additional benefits and bonuses are set. With regard to salaries, the Bank has adopted a salary scale which is approved by the Board.

Board Secretary

The Board appointed the current Board Secretary in July 2007, holding a Bachelor degree in law from Ain Shams University since 1987 and a Diploma in Law, 1988. It is in Doha Bank's view that the Board Secretary meets all the requirements of the Code.

The Board Secretary maintains all Board documentation and manages the overall processes related to Board Meetings. The Board Secretary reports directly to the Chairman, however, all members have access to the secretary's services.

Separation of Positions of Chairman and CEO

The Chairman and CEO duties and responsibilities are separated in the Bank and each position has clearly defined roles and responsibilities under its own Job Description.

Conflict of Interest and Insider Trading

Doha Bank has set in place several controls to prevent conflict of interest situations from occurring. Specifically, the bank has adopted a related party policy which will be published to shareholders in the near future. Related party transactions are approved by the Board/Management based on materiality. As per Commercial Companies Law, if a board member has a conflict, he does not participate in the board meeting. It is also worth noting that the Bank has adopted a conflict of interest policy which must be complied with by all employees of the Bank.

Currently, monitoring and controls on insider trading are done by Qatar Exchange directly. A policy on insider trading has been adopted by the Bank.

Other Board Practices and Duties

Consultancy: The Board may consult at the Bank's expense any independent expert or consultant. The Bank will consider including a clause in its Board Charter to allow non-executive members to seek consultancy services without obtaining Chairman / Managing Director approval.

Access to documentation: As defined in the Board Charter, Board Members shall have full and immediate access to information, documents, and records pertaining to the Bank. The Bank's executive management shall provide the Board and its committees with all requested documents and information pertaining to Board decisions.

Nominations: the Bank has established a system for the nomination/appointment of Board Members. As per the Nomination and Governance Committee roles and responsibilities, the committee should consider terms, qualifications and experience required for a nominee to take an active role as a Board Member. Hence, the committee will determine the standards necessary to elect the new Board Member.

Induction: Though a formal induction program has not yet been implemented, the Bank has put in place Corporate Governance Policies which include guidelines on Board induction program and formal trainings.

Governance: the Board will be kept up to date on governance practices through Management and the Board Nomination and Governance Committee.

Management Report

Termination: Members whom do not attend Board meetings on a regular basis can be removed based on the Articles of Association of Doha Bank.

Self-Assessment: Templates and tools have been approved to perform an annual self-assessment which will be implemented in due course.

Remuneration: Doha Bank has adopted a Remuneration Policy for the Board and estimates Executive Management remunerations based on the Bank's overall performance and achievements of goals as stipulated in the Bank's strategy.

Board Committees

Board Committees are established to assist the Board of Directors in conducting their duties. Each committee has developed terms of reference that defines the committee's roles and responsibilities in accordance with QFMA regulations and leading governance practices. Board Committee Terms of Reference will be published in the near future.

The following four Board Committees have been established at Doha Bank:

Audit, Compliance and Risk Committee

Membership: Non-Executive Board Member (Chairman), Vice Chairman (Member), Independent Member – not a member of the board and not a bank employee.

Roles and Responsibilities: responsible for reviewing financial statements, work of external and internal audit, internal control environment, compliance with regulations and risk management aspects of the Bank.

The Audit Committee has met a total of eight times in 2012, which is above the requirements of quarterly meetings as defined by the Code. Also the committee has overseen the development of whistle-blowing framework and an external audit appointment policy which have been developed as part of Doha Bank's Governance Manual.

The Committee has had no disagreements with the Board during 2012.

Nomination and Governance Committee

Membership: Managing Director (Chairman of Committee) and 2 Non-executive Board Members (Members)

Roles and Responsibilities: Reviewing nominations to the BOD membership and monitoring Doha Bank's corporate governance structure.

Policies, Development and Remuneration Committee

Membership: Managing Director (Chairman), 2 Non-Executive Board Members

Roles and Responsibilities: approving bank policies, strategies and reviewing the remuneration framework for executive management and the Board.

Executive Committee

Membership: Chairman (Chairman of Committee), Vice Chairman (Member) and Managing Director (Member)

Roles and Responsibilities: providing assistance to the Board and reviewing/ approving credit facilities within delegated authority

Due to the current Board composition, Doha Bank has been unable to fulfill the requirement of having a majority of members being independent in the Audit, Compliance and Risk Committee and in the Policies, Development and Remuneration Committee, and the Nomination and Governance Committee. Doha Bank will consider changes in the composition of these committees in the future taking into consideration market considerations.

Management
Report

Internal Control, Compliance, Risk Management and Internal Audit

Internal Control

The general objective of the internal controls procedures of Doha Bank is to safeguard assets and capital and to ensure the reliability of Doha Bank's and its subsidiaries' financial recordkeeping. Doha Bank has adopted a process of internal controls that allow Management to detect errors in procedures or financial recordkeeping. Doha Bank's internal control framework includes the establishment of strong finance, risk management, compliance and internal audit departments which support in establishing a strong internal control framework.

The Internal Control Framework is overseen by the Audit, Compliance and Risk Committee. The Internal Audit, Compliance and Risk Departments respectively provide periodic reports to the Audit, Compliance and Risk Committee on:

- The major risks associated with the banking business related to Strategic, Reputation, Compliance, Legal, Credit, Liquidity, Market, and Operational Risks;
- Overall compliance of the Bank with rules and regulations;
- Internal Audit and External Audit recommendations and findings.

The Board of Directors has approved policies related to Internal Audit Department, Compliance Department and Risk Management Department.

Compliance

The main responsibility of the Compliance Department at the Bank is to assist the Board and Bank's Executive Management in managing and controlling the Compliance risks efficiently and to protect the Bank from financial losses "if any" due to failure of compliance. Compliance risks include risk of legal/ regulatory sanctions, material financial loss, or loss of reputation. Compliance also assists the board of directors and executive management in improving the internal controls procedures that will mitigate Compliance, AML and Anti – Terrorist Financing (ATF) risks. Moreover, Compliance acts as a liaison between the Bank and the respective regulators and updates management with new laws and regulations.

Internal Audit

The Bank has established an internal audit function, which periodically conduct extensive internal audits on both operational and financial aspects of different bank departments and branches as agreed with the Audit, Compliance and risk Committee. Internal Audit periodically reports its findings and recommendations and the progress made in executing the Internal Audit Plan to the Audit, Compliance and Risk Committee.

Risk Management

The Bank has consistently and continually monitored risks and processes across the organization to identify, assess, measure, manage and report on opportunities and threats that could impact the achievement of the Bank's objectives. The Board and the Executive Management are ultimately responsible for all the risks assumed by the Bank. They seek to balance the risk profile against sustainable returns to achieve the business goals of the Bank. The Board has engaged qualified professionals and has set policies and procedures, risk limits, organizational framework, committees, authority levels and accountability. Currently, the process of identifying and assessing risk is performed through periodic risk assessments.

Doha Bank enters in agreement with Bank of the Philippine Islands for Remittance to Philippines.

Implementation of the Risk Management Framework is entrusted to a highly competent team and is controlled and implemented through various senior level management committees chaired by the Chief Executive Officer covering Credit, Investment and Asset & Liability Management.

Internal Control Assessment

The Board receives periodic reports on the internal control framework from Senior Management and control functions such as Internal Audit, Compliance and Risk Management. Such reports are assessed and scrutinized by the Board to ensure that the internal control framework is being implemented according to management prerogatives. The Board views that the current processes adopted for internal control by the Board and Senior Management are robust for Doha Bank's operations.

No major breach of control or internal control failure has taken place which has affected or may affect Bank's financial performance during 2012.

Violations of Listing Requirements

The Bank complies with the rules and conditions which control the disclosure and listing operations in the market. For the financial year 2012, the Company did not have any violations.

External Audit

The external auditor is recommended by the Board and approved by the general assembly. The external auditor provides in his report that the consolidated financial statements give a true and fair view of the financial position of the bank as of December 31, of every year. He also reports significant financial issues and provides a management letter on the financial controls in place. Doha Bank's financials are prepared in accordance with IFRS and Qatar Central Bank regulations and are audited on a semi-annual basis and reviewed quarterly. The current external auditors are Ernst & Young, one of the big 4 audit firms. Doha Bank has adopted a rotation policy in accordance with QCB regulation. The external auditor attends the Annual General Assembly meeting to present to the shareholders his report on the Bank's consolidated financial statements. Doha Bank financial statements are published on the Qatar Exchange website and on a ("Morningstar") website in United Kingdom visible to all shareholders and concerned stakeholders.

Shareholder Relations

Doha Bank considers its shareholders as key stakeholders. Doha Bank has established a Shareholder Relations function which is responsible for addressing shareholder queries. Currently, the shareholder register details are maintained by the Qatar Exchange, while Doha Bank can provide general information such as financial statements, articles of association and by-laws of the Bank to its shareholders.

Doha Bank strives to provide shareholders with sufficient data to analyze Doha Bank performance and to take decisions on Board Member elections and other matters such as dividends (a dividend policy is adopted). Doha Bank ensures that its assembly meetings and the mechanism for voting adopted is in accordance with commercial companies' law.

Capital Structure and Shareholder Rights

Doha Bank is a Qatari shareholding company with share capital of 206,697, 802 shares publicly listed on the Qatar Exchange. With the exception of Qatar Holding (Qatar Government), which holds 16.66% of the Bank's share capital, no other shareholder is allowed to possess more than 2% of the Bank's share capital unless through inheritance,

Doha Bank has 32 local branches, three overseas branches in the United Arab Emirates (Dubai and Abu Dhabi) and the State of Kuwait, and seven representative offices in the London, Singapore, Turkey, China, Japan, South Korea and Germany. In addition, the Bank fully owns Doha Bank Assurance Company L.L.C., a company registered under the Qatar Financial Centre and owns Doha Finance Limited registered in the Cayman Islands and primarily used for debt issuance on behalf of the Bank. Shareholders have all rights prescribed under Qatar Commercial Law.

Stakeholder Rights

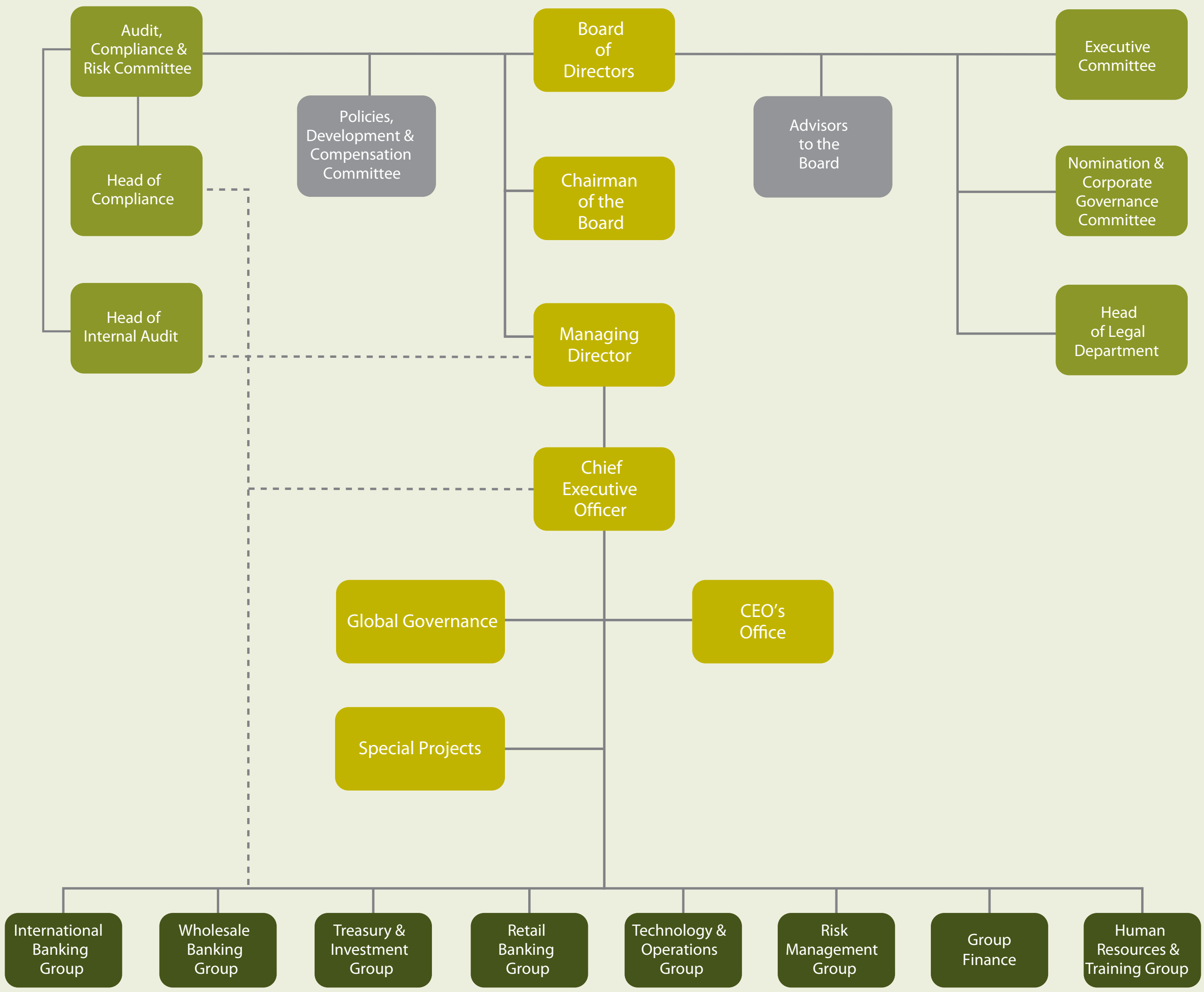
Doha Bank endeavors to maintain equitable and fair treatment of all its stakeholders. To enhance ethical conduct by the Bank's employees, each employee must abide by Doha Bank's Code of Ethics which stipulates ethical principles that each employee must demonstrate. Any breaches of ethical conduct are investigated and, as appropriate, disciplinary and corrective action is taken. Moreover,

Doha Bank has established a whistle-blowing policy, whereby employees can report concerns without fear of retribution. Such concerns are reviewed and, as necessary, investigated and reported to the Audit, Compliance and Risk Committee.

It is also worth noting, that Doha Bank has standardized its processes related to compensation and assessment of employees by adopting a performance appraisal scheme and a staff compensation and benefits structure.

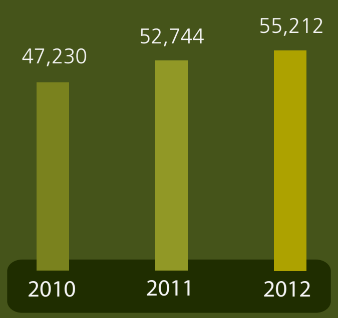
Fahad Bin Mohammad Bin Jabor Al Thani
Chairman

Doha Bank Corporate Organisational Structure



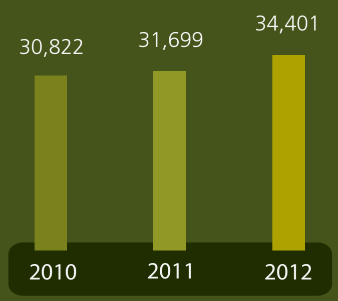
Financial Results

Total Assets
(QAR Million)



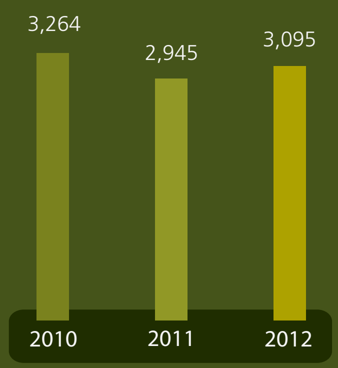
Net Loans & Advances
(QAR Million)

Customer Deposits
(QAR Million)

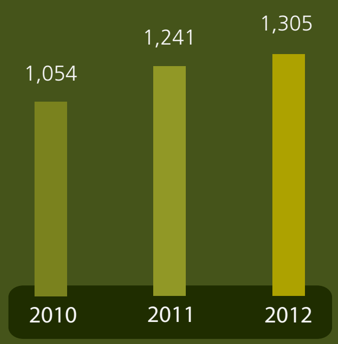


Total Equity
(QAR Million)

Total Revenue
(QAR Million)



Net Profit
(QAR Million)



Independent Auditor's Report

TO THE SHAREHOLDERS OF
DOHA BANK Q.S.C

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Doha Bank Q.S.C. (the 'Bank') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by board of directors, 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 financial position of the Group as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Central Bank regulations.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 18 January 2012.

Report on other legal and regulatory matters

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

Firas Qoussous
Ernst & Young
Qatar Auditors' Registry No. 236

20 January 2013
Doha


TOTAL SALES BY
5%
11%
20%
26%
Electric power
Medicine
Textile
IT
Electronics
TOTAL SALES BY REGION
West
South
North
East

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 QAR'000	2011 QAR'000
ASSETS			
Cash and balances with central banks	8	**2,598,365**	2,605,276
Due from banks	9	**7,786,587**	10,147,364
Loans and advances to customers	10	**33,774,849**	31,028,028
Investment securities	11	**9,581,013**	7,576,622
Investment in associates	12	**10,532**	10,846
Property, furniture and equipment	13	**794,822**	820,838
Other assets	14	**666,296**	555,307
TOTAL ASSETS		**55,212,464**	52,744,281
LIABILITIES			
Due to banks	15	**8,716,479**	11,635,523
Customer deposits	16	**34,401,083**	31,698,853
Debt securities	17	**2,571,968**	769,379
Other liabilities	18	**1,971,769**	1,559,323
TOTAL LIABILITIES		**47,661,299**	45,663,078
EQUITY			
Share capital	19 (a)	**2,066,978**	2,066,978
Legal reserve	19 (b)	**3,283,600**	3,283,600
Risk reserve	19 (c)	**773,650**	597,650
Fair value reserves	19 (d)	**126,856**	(484)
Foreign currency translation reserve	19 (e)	**(3,467)**	(3,881)
Proposed dividend	19 (f)	**930,140**	930,140
Retained earnings		**373,408**	207,200
TOTAL EQUITY		**7,551,165**	7,081,203
TOTAL LIABILITIES AND EQUITY		**55,212,464**	52,744,281

These consolidated financial statements were approved by the Board of Directors on 20 January 2013 and were signed on its behalf by:

Fahad Bin Mohammad Bin Jabor Al Thani
Chairman

Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director

Dr. Raghavan Seetharaman
Group Chief Executive Officer

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

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 QAR'000	2011 QAR'000
Interest income	20	**2,275,919**	2,286,585
Interest expense	21	**(596,833)**	(544,756)
Net interest income		**1,679,086**	1,741,829
Fee and commission income	22	**354,316**	389,083
Fee and commission expense	23	**(4,478)**	(7,179)
Net fee and commission income		**349,838**	381,904
Gross written premium		**92,161**	82,430
Premium ceded		**(37,498)**	(29,241)
Net claims paid		**(37,048)**	(29,977)
Net income from insurance activities		**17,615**	23,212
Foreign exchange gain	24	**83,783**	78,303
Income from investment securities	25	**231,098**	74,560
Other operating income	26	**57,653**	33,942
		372,534	186,805
Net operating income		**2,419,073**	2,333,750
Staff costs	27	**(411,630)**	(412,834)
Depreciation	13	**(73,401)**	(58,123)
Impairment loss on investment securities and due from banks	9,11	**(85,939)**	(35,475)
Net impairment loss on loans and advances to customers	10	**(189,643)**	(271,475)
Other expenses	28	**(349,937)**	(309,932)
		(1,110,550)	(1,087,839)
Share of results of associates	12	**246**	377
Profit for the year before tax		**1,308,769**	1,246,288
Tax expense	29	**(3,797)**	(5,134)
Profit for the year		**1,304,972**	1,241,154
Earnings per share			
Basic earnings per share (QAR per share)	30	**6.31**	6.03
Diluted earnings per share (QAR per share)	30	**6.31**	6.03

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 QAR'000	2011 QAR'000
Profit for the year		**1,304,972**	1,241,154
Other comprehensive income for the year			
Foreign currency translation differences for foreign operations		**414**	(1,880)
Cash flow hedges:			
Net change in fair value of cash flow hedge	19	**23,576**	20,463
Available-for-sale financial assets:			
Net change in fair value of available-for-sale	19	**103,764**	28,145
Other comprehensive income for the year		**127,754**	46,728
Total comprehensive income for the year		**1,432,726**	1,287,882

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital	Legal reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Proposed dividend	Retained earnings	Total equity
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
Balance as at 1 January 2012	2,066,978	3,283,600	597,650	(484)	(3,881)	930,140	207,200	7,081,203
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	1,304,972	1,304,972
Other comprehensive income	-	-	-	127,340	414	-	-	127,754
Total comprehensive income for the year	-	-	-	**127,340**	**414**	-	**1,304,972**	**1,432,726**
Transfer to legal reserve	-	-	-	-	-	-	-	-
Transfer to risk reserve	-	-	176,000	-	-	-	(176,000)	-
Contribution to social & sports fund	-	-	-	-	-	-	(32,624)	(32,624)
Transactions with equity holders, recognised directly in equity:								
Dividends paid (Note 19)	-	-	-	-	-	(930,140)	-	(930,140)
Proposed dividend (Note 19)	-	-	-	-	-	930,140	(930,140)	-
Total contributions by and distributions to equity holders	-	-	-	-	-	-	**(930,140)**	**(930,140)**
Balance as at 31 December 2012	**2,066,978**	**3,283,600**	**773,650**	**126,856**	**(3,467)**	**930,140**	**373,408**	**7,551,165**

	Share capital	Legal reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Proposed dividend	Retained earnings	Total equity
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
Balance as at 1 January 2011	1,894,730	2,717,814	377,650	(49,092)	(2,001)	947,365	148,027	6,034,493
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	1,241,154	1,241,154
Other comprehensive income	-	-	-	48,608	(1,880)	-	-	46,728
Total comprehensive income for the year	-	-	-	**48,608**	**(1,880)**	-	**1,241,154**	**1,287,882**
Transfer to legal reserve	-	812	-	-	-	-	(812)	-
Transfer to risk reserve	-	-	220,000	-	-	-	(220,000)	-
Contribution to social & sports fund	-	-	-	-	-	-	(31,029)	(31,029)
Transactions with equity holders, recognised directly in equity:								
Dividends paid (Note 19)	-	-	-	-	-	(947,365)	-	(947,365)
Proposed dividend (Note 19)	-	-	-	-	-	930,140	(930,140)	-
Increase in share capital	172,248	564,974	-	-	-		-	737,222
Total contributions by and distributions to equity holders	**172,248**	**564,974**	-	-	-	**(17,225)**	**(930,140)**	**(210,143)**
Balance as at 31 December 2011	**2,066,978**	**3,283,600**	**597,650**	**(484)**	**(3,881)**	930,140	**207,200**	**7,081,203**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 QAR'000	2011 QAR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profitfor the year before tax		**1,308,769**	1,246,288
Adjustments for:			
Net impairment loss on loans and advances to customers	10	**189,643**	271,475
Impairment loss on investment securities& due from banks	9 &11	**85,939**	35,475
Depreciation	13	**73,401**	58,123
Amortisation of financing cost		**5,254**	1,773
Net gain on sale of available-for-sale financial assets	25	**(212,605)**	(57,140)
Share of results of associates	12	**(246)**	(377)
Profit before changes in operating assets and liabilities		**1,450,155**	1,555,617
Change in due from banks		**(885,305)**	(1,103,688)
Change in loans and advances to customers		**(2,446,519)**	(4,428,596)
Change in other assets		**(71,530)**	149,525
Change in due to banks		**(2,919,044)**	2,952,120
Change in customer deposits		**2,702,230**	876,877
Change in other liabilities		**(106,641)**	327,488
Social & sports fund contribution		**(31,029)**	(26,356)
Income tax paid		**(5,565)**	(8,325)
Net cash (used)/from operating activities		**(2,313,248)**	294,662
Cash flows from investing activities			
Acquisition of investment securities		**(6,397,205)**	(4,138,340)
Proceeds from sale of investment securities		**4,634,609**	1,831,344
Acquisition of property and equipment	13	**(80,979)**	(141,541)
Proceeds from the sale of property and equipment		**73,050**	22
Net cash used in investing activities		**(1,770,525)**	(2,448,515)
Cash flows from financing activities			
Proceeds from Capital Subscription		**-**	737,222
Proceeds from issue of debt securities		**1,797,335**	-
Dividends paid		**(930,140)**	(947,365)
Net cash from / (used in) financing activities		**867,195**	(210,143)
Net decrease in cash and cash equivalents		**(3,216,578)**	(2,363,996)
Cash and cash equivalents as at 1 January		**8,445,569**	10,809,565
Cash and cash equivalents as at 31 December	32	**5,228,991**	8,445,569
Interest received		**2,250,054**	2,048,428
Interest paid		**559,899**	554,115
Dividends received		**18,493**	17,420

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

Notes to the Consolidated Financial Statements

At 31 December 2012

1- REPORTING ENTITY

Doha Bank Q.S.C. ("Doha Bank" or the "Bank") is an entity domiciled in the State of Qatar and was incorporated on 15 March 1979 as a Joint Stock Company under Emiri Decree no. 51 of 1978. The commercial registration of the Bank is 7115. The address of the Bank's registered office is Doha Bank Tower, Corniche Street, West Bay, P. O. Box 3818, Doha, Qatar.

Doha Bank is engaged in conventional banking activities and operates through its head office in Doha and 32 local branches, three overseas branches in the United Arab Emirates (Dubai & Abu Dhabi) and the State of Kuwait, and representative offices in United Kingdom, Singapore, Turkey, China, Japan, South Korea, Germany and Australia. In addition, the Bank owns 100% of the issued share capital of Doha Bank Assurance Company L.L.C., an insurance company registered under Qatar Financial Centre and Doha Finance Limited, a special purpose vehicle set up for the issuance of debt. The consolidated financial statements for the year ended 31 December 2012 comprise the Bank and its subsidiaries (together referred to as "the Group").

The principal subsidiaries of the Group are as follows:

Company's name	Country of incorporation	Company's capital (QAR'000)	Company's activities	Percentage of ownership 2012	Percentage of ownership 2011
Doha Bank Assurance Company L.L.C	Qatar	100,000	General Insurance	100%	100%
Doha Finance Limited	Cayman Island	182	Debt Issuance	100%	-
Dbank Tech L.L.C.	UAE	991	Information Technology	-	100%
DB Capital	Qatar	126,000	Brokerage	-	100%

During the year, the Group liquidated its dormant subsidiaries–Dbank Tech L.L.C and DB Capital.

Islamic banking

During the year 2011, the Qatar Central Bank has directed all conventional banks to stop entering into new Islamic business. Accordingly, the Group has ceased any new Islamic operations in Qatar as at 31 December 2011. The remaining Islamic financing has been classified under conventional banking until the maturity/redemption of the underlying contracts. The Group has not separately disclosed its Islamic operations throughout these consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 20 January 2013.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the applicable provisions of Qatar Central Bank ("QCB") regulations.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and available-for-sale financial assets that have been measured at fair value. In addition, the carrying values of recognised assets that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risk that are being hedged.

Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional and presentation currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousand.

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

IFRS 7 Financial Instruments: Disclosures (amendment)

The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures for transferred financial assets that are derecognised in their entirety and transferred assets that are not derecognised in their entirety. The effective date is for annual periods beginning on or after 1 July 2011.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopter.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is currently assessing the impact of this standard on future periods. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities-Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The management is considering the implication of these standards and amendments, their impact on the Group's financial position and results and the time of their adoption by the Group.

Annual Improvements May 2012

These improvements are not expected to have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

Early adoption of standards

The Group did not early adopt new or amended standards in 2012.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries for the year ended 31 December 2012. The financial statements of the bank's subsidiaries are prepared for the same reporting year as Doha Bank, using consistent accounting policies.

All intra–group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Special purpose entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE;
- the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost including transaction costs directly related to acquisition of investment in associate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's share of the results of associates is based on financial statements and adjusted to conform to the accounting policies of the Group. Intergroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intergroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The consolidated financial statements of the Group include the associate stated below:

Company name	Country of incorporation and operation	Ownership interest %		Principal activity
		2012	2011	
Doha Brokerage and Financial Services Limited	India	44.02%	44.02%	Brokerage and assets management

Foreign currency

Foreign currency transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as 'foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 'Other comprehensive income'. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Financial assets and financial liabilities

Recognition and initial measurement

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Financial assets

At inception a financial asset is classified in one of the following categories:

- loans and receivables;
- held to maturity
- available-for-sale ; or
- Fair value through profit of loss

Financial liabilities

The Group has classified and measured its financial liabilities at amortised cost.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition (continued)

the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received including any new asset obtained less any new liability assumed is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

Fair value measurement

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 for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value provided by the fund manager.

The fair value of unquoted derivatives is determined by discounted cash flows.

Identification and measurement of impairment

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets including equity securities are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance 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 the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Group considers evidence of impairment loss for loans and advances to customers and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances to customers and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances to customers and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances to customers.

In assessing collective impairment the Group uses historical experience and credit rating in addition to the assessed inherent losses which are reflected by the economic and credit conditions for each identified portfolio.

For listed investments, generally a decline in the market value by 20% from cost or more, or for a continuous period of 9 months or more, are considered to be indicators of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Identification and measurement of impairment (continued)

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss 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 profit or loss.

Impairment losses recognised in the consolidated income statement on equity instruments are not revised through the consolidated income statement. In case of debt instruments, if in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

Due from banks and loans and advances to customers

Due from banks and loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Due from banks and loans and advances to customers are initially measured at the transaction price which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Investment securities

Subsequent to initial recognition investment securities are accounted for depending on their classification as either 'held to maturity 'or 'available-for-sale'.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Where the fair value is not reliably available, unquoted equity securities are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in the consolidated income statement.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in consolidated statement of comprehensive income are reclassified to consolidated income statement.

Derivatives

Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the statement of financial position. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss. These hedging relationships are discussed below.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in consolidated income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value hedges (continued)

to a hedged item, for which the effective interest method is used, is amortised to consolidated income statement as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedge reserve. The amount recognised in other comprehensive income is reclassified to consolidated income statement as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the consolidated statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in consolidated income statement. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to consolidated income statement as a reclassification adjustment when the forecast transaction occurs and affects consolidated income statement. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to consolidated income statement.

Other non-trading derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in consolidated income statement.

Derivatives held for trading purposes

The Group's derivative trading instruments includes forward foreign exchange contracts. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of reporting date and the corresponding fair value changes is taken to the consolidated income statement.

Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land and Capital working progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Buildings 20 years

Leasehold improvements, furniture and equipment 3-7 years

Vehicles 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, being the premium received. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of income any fee income earned over the period, and the best estimate of the expenditure required settling any financial obligation arising as a result of the guarantees at the reporting date.

Employee benefits

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

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

With respect to Expatriate employees, the Group makes a contribution to the Provident Fund calculated on a percentage of the employees' salaries, in accordance with the Group policy and procedures. The Group's obligations are limited to these contributions.

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share capital and reserves

Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in the subsequent events note.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available -for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liability. Interest that is 90 days or more overdue is excluded from income. Interest on impaired loans and advances and other financial assets is not recognised in consolidated statement of income.

Premium on insurance

Premium on insurance contracts are recognized as revenue (earned premiums) proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium liability on a 1/365 days basis.

Fees and commission income and expense

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, sales commission and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fees and commission income and expense (continued)

loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Income from investment securities

Gains or losses on the sale of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

Income from held to maturity investment securities is recognised based on the effective interest rate method.

Dividend income

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

Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxes are calculated based on applicable tax laws or regulations in the countries in which the Group operates. The provision for deferred taxation is made based on the evaluation of the expected tax liability. Currently there is no corporate tax applicable to the bank in the State of Qatar. However, corporate tax is applicable on foreign branches operating outside the State of Qatar and to one subsidiary in the Qatar Financial Center.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic 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 period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Fiduciary activities

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

Repossessed collateral

Repossessed collaterals against settlement of customers' debts are stated within the consolidated statement of financial position under "Other assets" at their acquisition value net of allowance for impairment.

According to QCB instructions, the Group should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended after obtaining approval from QCB.

Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Parent bank financial information

Statement of financial position and income statement of the Parent bank as disclosed in Note 37 are prepared following the same accounting policies as mentioned above except for investment in subsidiaries, associates which are not consolidated and carried at cost.

4. FINANCIAL RISK MANAGEMENT

Introduction and overview

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. The Group is exposed to credit risk, liquidity risk, operating risk and market risk, which include trading and non-trading risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

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

Monitoring and controlling risks are primarily performed based on limits established by the 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.

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

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 of risks that may be accepted, which are monitored on a daily basis.

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

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risks and operational risk.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations in accordance with the agreed terms. Credit risk makes up the largest part of the Group's risk exposure; therefore, the Group carefully manages its exposure to credit risk. Credit risk is attributed to financial instruments such as loans, overdrafts, debt securities and other bills, investments, acceptances and credit equivalent amounts related to off-balance sheet financial instruments.

Note 10 to the consolidated financial statements disclose the distribution of the loans and advances and financing activities by economic sectors. Note 4 to the consolidated financial statements disclose the geographical distribution of the Group's credit exposure.

Credit risk measurement

All credit policies are reviewed and approved by the Risk Management Department and the Board of Directors. The Risk Management team centrally approves all significant credit facilities and limits for all corporate, treasury and capital markets, financial institutions and SME clients of the Group. Such approvals are carried out in pursuance to a set of delegated Credit authority limits and in accordance with the Group's approved credit policy.

Furthermore, all credit facilities are independently administered and monitored by the Credit Administration Department, which separately reports into Operations.

The Group further limits risk through diversification of its assets by geography and industry sectors. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. The Group also follows the guidelines issued by Qatar Central Bank with regard to the granting of loans which limits exposure to counterparties.

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash, mortgages, local and international equities and debt securities, financial guarantees and other tangible securities. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values.

The Group has a credit administration process that ensures compliance with terms of approval, documentation and continuous review to ensure quality of credit and collaterals. While securities such as listed equities are valued regularly, credit policy mandates securities obtained by way of legal mortgage over real estate to be valued at least once in 3 years or more frequently if situation warrants.

4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Analysis of maximum exposure to credit risk before taking account of collateral held or other credit enhancements.

The table below represents credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the statement of financial position, the exposures set out below are based on the net carrying amounts as reported in the consolidated statement of financial position.

	2012 QAR'000	2011 QAR'000
Credit risk exposures relating to assets recorded on the statement of financial position are as follows:		
Balances with central banks	2,118,449	1,952,698
Due from banks	7,786,587	10,147,364
Loans and advances to customers	33,774,849	31,028,028
Investment securities - debt	8,859,342	6,958,252
Other assets	536,312	491,127
Total as at 31 December	53,075,539	50,577,469
Other credit risk exposures are as follows:		
Guarantees	14,128,617	14,299,313
Letters of credit	3,916,532	3,681,134
Unutilised credit facilities	4,480,753	5,002,675
Total as at 31 December	22,525,902	22,983,122
	75,601,441	73,560,591

Analysis of concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group's credit exposure based on carrying amounts without taking into account any collateral held or other credit support, as categorized by geographical region. The Group has allocated exposures to regions based on the country of domicile of its counterparties.

	Qatar QAR'000	Other GCC QAR'000	Other Middle East QAR'000	Rest of the World QAR'000	2012 Total QAR'000
Balances with central banks	1,527,964	590,485	-	-	2,118,449
Due from banks	2,307,698	601,383	94,298	4,783,208	7,786,587
Loans and advances to customers	29,169,308	1,598,710	358,587	2,648,244	33,774,849
Investment securities - debt	7,902,424	670,686	-	286,232	8,859,342
Other assets	518,022	18,290	-	-	536,312
	41,425,416	3,479,554	452,885	7,717,684	53,075,539

4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Analysis of concentration of risks of financial assets with credit risk exposure (continued)

Geographical sectors (continued)

	Qatar QAR'000	Other GCC QAR'000	Other Middle East QAR'000	Rest of the World QAR'000	2011 Total QAR'000
Balances with central banks	1,623,202	329,496	-	-	1,952,698
Due from banks	5,507,040	1,010,669	3,130	3,626,525	10,147,364
Loans and advances to customers	27,553,850	394,243	292,083	2,787,852	31,028,028
Investment securities - debt	6,474,620	354,081	-	129,551	6,958,252
Other assets	474,907	16,220	-	-	491,127
	41,633,619	2,104,709	295,213	6,543,928	50,577,469

	Qatar QAR'000	Other GCC QAR'000	Other Middle East QAR'000	Rest of the World QAR'000	2012 Total QAR'000
Guarantees	8,422,838	2,979,995	142,041	2,583,743	14,128,617
Letters of credit	1,480,042	386,348	73,499	1,976,643	3,916,532
Unutilised credit facilities	4,126,365	354,388	-	-	4,480,753
	14,029,245	3,720,731	215,540	4,560,386	22,525,902

	Qatar QAR'000	Other GCC QAR'000	Other Middle East QAR'000	Rest of the World QAR'000	2011 Total QAR'000
Guarantees	7,889,893	3,231,209	36,468	3,141,743	14,299,313
Letters of credit	1,442,398	298,354	739	1,939,643	3,681,134
Unutilised credit facilities	4,673,934	328,741	-	-	5,002,675
	14,006,225	3,858,304	37,207	5,081,386	22,983,122

4. FINANCIAL RISK MANAGEMENT (continued)
Credit risk (continued)

Industry sectors

The following table breaks down the Group's credit exposure based on the carrying amounts, before taking into account collateral held or other credit enhancements, as categorized by the industry sectors of the Group's counterparties.

	Gross exposure 2012 QAR'000	Gross exposure 2011 QAR'000
Funded and Unfunded:		
Government	10,890,157	8,967,195
Government agencies	1,063,246	1,538,937
Industry	838,760	692,086
Commercial	7,151,970	4,989,056
Services	10,668,327	12,514,030
Contracting	5,297,334	4,538,290
Real estate	6,847,422	6,766,312
Personal	9,143,979	9,155,545
Others	1,174,344	1,416,018
Contingent liabilities	22,525,902	22,983,122
	75,601,441	73,560,591

Credit risk exposure

The tables below presents an analysis of financial assets by rating agency designation based on Standard & Poor's ratings or their equivalent:

	2012 QAR'000	2011 QAR'000
Equivalent grades		
Sovereign	9,502,351	6,025,588
AAA to AA-	815,702	1,010,202
A+ to A-	3,802,816	4,800,242
BBB+ to BBB-	2,073,467	1,801,730
BB+ to B-	1,364,043	810,419
Below B-	68,449	91,920
Unrated (equivalent internal grading)	57,974,613	59,020,490
	75,601,441	73,560,591

Unrated exposure represents credit facilities granted to corporations and individual which do not have external credit ratings. Also, the ratings used by the Group are in line with the ratings and definitions published by the international rating agencies.

4. FINANCIAL RISK MANAGEMENT (continued)
Credit risk (continued)

Credit quality for class of assets

The table below shows the credit quality by class of asset for consolidated statement of financial position lines, based on the Group's credit rating system.

	Loans and advances to customers		Due from banks		Investment securities – debt (classified as HTM and AFS)	
	2012	2011	**2012**	2011	**2012**	2011
	QAR'000	QAR'000	**QAR'000**	QAR'000	**QAR'000**	QAR'000
Neither past due nor impaired (low risk):						
Standard monitoring	**31,518,119**	26,958,382	**7,732,633**	10,129,825	**8,823,336**	6,936,813
Special monitoring	**105,616**	-	**-**	-	**-**	-
	31,623,735	26,958,382	**7,732,633**	10,129,825	**8,823,336**	6,936,813
Past due but not impaired (special mentioned):						
Standard monitoring	**1,015,497**	3,156,874	**-**	-	**-**	-
Special monitoring	**1,006,758**	643,597	**-**	-	**-**	-
Carrying amount	**2,022,255**	3,800,471	**-**	-	**-**	-
Impaired						
Substandard	**109,507**	288,144	**-**	-	**25,897**	-
Doubtful	**430,843**	171,288	**102,821**	29,991	**45,052**	45,052
Loss	**433,168**	595,558	**-**	-	**13,983**	13,983
	973,518	1,054,990	**102,821**	29,991	**84,932**	59,035
Less: Impairment allowance-specific	**(796,295)**	(771,204)	**(48,867)**	(12,452)	**(48,926)**	(37,596)
Less: Impairment allowance-Collective	**(48,364)**	(14,611)	**-**	-	**-**	-
	(844,659)	(785,815)	**(48,867)**	(12,452)	**(48,926)**	(37,596)
Carrying amount – net	**33,774,849**	31,028,028	**7,786,587**	10,147,364	**8,859,342**	6,958,252
Investment securities - debt						
Held to maturity	**-**	-	**-**	-	**5,085,931**	3,229,244
Available for sale	**-**	-	**-**	-	**3,822,337**	3,766,604
Less: Impairment allowance	**-**	-	**-**	-	**(48,926)**	(37,596)
Carrying amount – net	**-**	-	**-**	-	**8,859,342**	6,958,252
Total carrying amount	**33,774,849**	31,028,028	**7,786,587**	10,147,364	**8,859,342**	6,958,252

4. FINANCIAL RISK MANAGEMENT (continued)
Credit risk (continued)
Credit quality for class of assets (continued)

Impaired loans and advances to customers and investment in debt securities

Individually impaired loans and advances to customers and investment debt securities for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan / investment security agreements.

Loans and advances to customers past due but not impaired

Past due but not impaired loans and advances to customers are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

	2012 QAR'000	2011 QAR'000
Up to 30 days	946,228	2,425,041
30 to 60 days	215,474	462,741
60 – 90 days	860,553	912,689
Gross	2,022,255	3,800,471

The comparative in the above foot note has been restated. The effect has been to increase the gross loans and advances to customers past due but not impaired from QAR516 million to QAR 3,800 million. This has no impact on the comparative balances presented in the statement of financial position.

Rescheduled loans and advances to customers

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loans.

Collateral

The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indexes of similar assets.

The Group has collateral in the form of blocked deposits, pledge of shares or legal mortgage against the past dues loans and advances to customers.

The aggregate collateral in respect to the past due but no impaired loans are QAR 5,140 million as of 31 December 2012. (2011:QAR 6,156 million)

Repossessed collateral

During the year, the Group obtained assets by taking possession of collateral held as security as follows:

	2012 QAR'000	2011 QAR'000
Residential property	31,415	-
	31,415	-

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the consolidated statement of financial position within other assets.

Write-off policy

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible and after QCB approval.

This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 173 million (2011: QAR 545 million).

Liquidity risk

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

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator, QCB.

4. FINANCIAL RISK MANAGEMENT (continued)
Exposure to liquidity risk (continued)

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2012	2011
At 31 December		
Average for the year	**108.64%**	108.53%
Maximum for the year	**120.03%**	118.11%
Minimum for the year	**100.77%**	101.84%

Maturity analysis of assets and liabilities

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

	Carrying amount QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months – 1 year QAR'000	Subtotal 1 year QAR'000	Above 1 year QAR'000	Undated QAR'000
31 December 2012							
Cash and balances with central banks	2,598,365	914,538	129,250	77,410	1,121,198	-	1,477,167
Due from banks	7,786,587	2,850,510	1,208,585	3,208,578	7,267,673	518,914	-
Loans and advances to customers	33,774,849	14,193,273	1,606,023	4,495,916	20,295,212	13,479,637	-
Investment securities	9,581,013	30,034	457,854	260,875	748,763	8,110,579	721,671
Investment in associates	10,532	-	-	-	-	-	10,532
Property, furniture and equipment	794,822	-	-	-	-	-	794,822
Others assets	666,296	666,296	-	-	666,296	-	-
Total	55,212,464	18,654,651	3,401,712	8,042,779	30,099,142	22,109,130	3,004,192
Due to banks	8,716,479	7,348,502	457,867	910,110	8,716,479	-	-
Customer deposits	34,401,083	21,564,536	9,764,404	2,745,440	34,074,380	326,703	-
Debt securities	2,571,968	-	-	-	-	2,571,968	-
Other liabilities	1,971,769	1,971,769	-	-	1,971,769	-	-
Total equity	7,551,165	-	-	-	-	-	7,551,165
Total	55,212,464	30,884,807	10,222,271	3,655,550	44,762,628	2,898,671	7,551,165
Maturity gap	-	(12,230,156)	(6,820,559)	4,387,229	(14,663,486)	19,210,459	(4,546,973)

4. FINANCIAL RISK MANAGEMENT (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months – 1 year QAR'000	Subtotal 1 year QAR'000	Above 1 year QAR'000	Undated QAR'000
31 December 2011							
Cash and balances with central banks	2,605,276	1,180,226	-	-	1,180,226	-	1,425,050
Due from banks	10,147,364	5,828,861	1,533,478	1,918,348	9,280,687	866,677	-
Loans and advances to customers	31,028,028	11,813,629	805,832	3,802,364	16,421,825	14,606,203	-
Investment securities	7,576,622	17,082	14,566	511,972	543,620	6,414,632	618,370
Investment in associates	10,846	-	-	-	-	-	10,846
Property, furniture and equipment	820,838	-	-	-	-	-	820,838
Others assets	555,307	555,307	-	-	555,307	-	-
Total	52,744,281	19,395,105	2,353,876	6,232,684	27,981,665	21,887,512	2,875,104
Due to banks	11,635,523	7,042,445	3,263,930	1,329,148	11,635,523	-	-
Customer deposits	31,698,853	17,685,825	11,688,979	2,306,300	31,681,104	17,749	-
Debt securities	769,379	-	-	-	-	769,379	-
Other liabilities	1,559,323	1,559,323	-	-	1,559,323	-	-
Total equity	7,081,203	-	-	-	-	-	7,081,203
Total	52,744,281	26,287,593	14,952,909	3,635,448	44,875,950	787,128	7,081,203
Maturity gap	-	(6,892,488)	(12,599,033)	2,597,236	(16,894,285)	21,100,384	(4,206,099)

Market risks

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by market risk team. Regular reports are submitted to the Board of Directors and ALCO

Management of market risks

Overall authority for market risk is vested in ALCO. Financial Risk management department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day-to-day review and monitoring.

The Group has adopted a detailed policy framework drafted in accordance with the Qatar Central Bank guidelines for governing investments portfolio including proprietary book. The governance structure includes policies including Treasury and Investment manual, Financial Risk policy and Hedging policy etc. These policies define the limit structure along with the risk appetite under which the investment activities are undertaken. The limits structure focuses on total investment limits which in accordance with QCB guidelines are 70% of Group's capital and reserves along with various sub limits such as position and stop loss limits for trading activities. The policies also define various structured sensitivity limits such as VaR and duration for different asset classes within the investment portfolio. The performance of the portfolio against these limits is updated regularly to senior management including ALCO and investment committee.

Investment committee and Board of directors approve all the investment decision for the group. Financial Risk department is vested with the responsibility of measuring, monitoring risk and reporting risk in the portfolio.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group central Treasury in its day-to-day monitoring activities.

4. FINANCIAL RISK MANAGEMENT (continued)

Market risks (continued)

Exposure to interest rate risk – non-trading portfolios (continued)

A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

	Repricing in:				
	Carrying amount QAR'000	Less than 3 months QAR'000	3-12 months QAR'000	1-5 years QAR'000	Non-interest sensitive QAR'000
2012					
Cash and cash equivalents	**2,598,365**	**219,450**	**77,410**	**-**	**2,301,505**
Due from banks	**7,786,587**	**4,059,095**	**3,727,492**	**-**	**-**
Loans and advances to customers	**33,774,849**	**13,997,233**	**4,495,916**	**13,479,637**	**1,802,063**
Investment securities	**9,581,013**	**487,888**	**260,875**	**8,110,579**	**721,671**
Investment in associates	**10,532**	**-**	**-**	**-**	**10,532**
Property, furniture and equipment	**794,822**	**-**	**-**	**-**	**794,822**
Other assets	**666,296**	**-**	**-**	**-**	**666,296**
	55,212,464	**18,763,666**	**8,561,693**	**21,590,216**	**6,296,889**
Due to banks	**8,716,479**	**7,806,369**	**910,110**	**-**	**-**
Customer deposits	**34,401,083**	**20,824,458**	**2,745,440**	**326,703**	**10,504,482**
Debt securities	**2,571,968**	**770,794**	**-**	**1,801,174**	**-**
Other liabilities	**1,971,769**	**-**	**-**	**-**	**1,971,769**
Total equity	**7,551,165**	**-**	**-**	**-**	**7,551,165**
	55,212,464	**29,401,621**	**3,655,550**	**2,127,877**	**20,027,416**
Interest rate sensitivity gap	**-**	**(10,637,955)**	**4,906,143**	**19,462,339**	**(13,730,527)**
Cumulative Interest rate sensitivity gap	**-**	**(10,637,955)**	**(5,731,812)**	**13,730,527**	**-**

	Repricing in:				
	Carrying amount QAR'000	Less than 3 months QAR'000	3-12 months QAR'000	1-5 years QAR'000	Non-interest sensitive QAR'000
2011					
Cash and cash equivalents	2,605,276	527,648	-	-	2,077,628
Due from banks	10,147,364	8,850,657	1,296,707	-	-
Loans and advances to customers	31,028,028	13,303,662	4,143,402	12,187,374	1,393,590
Investment securities	7,576,622	129,701	533,926	6,294,625	618,370
Investment in associates	10,846	-	-	-	10,846
Property, furniture and equipment	820,838	-	-	-	820,838
Other asset	555,307	-	-	-	555,307
	52,744,281	22,811,668	5,974,035	18,481,999	5,476,579
Due to banks	11,635,523	11,580,900	54,623	-	-
Customer deposits	31,698,853	20,068,413	2,306,300	17,749	9,306,391
Debt securities	769,379	769,379	-	-	-
Other liabilities	1,559,323	-	-	-	1,559,323
Total equity	7,081,203	-	-	-	7,081,203
	52,744,281	32,418,692	2,360,923	17,749	17,946,917
Interest rate sensitivity gap	-	(9,607,024)	3,613,112	18,464,250	(12,470,338)
Cumulative Interest rate sensitivity gap	-	(9,607,024)	(5,993,912)	12,470,338	-

4. FINANCIAL RISK MANAGEMENT (continued)
Market risk (continued)

Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and Nonstandard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

	100 bp parallel increase	100 bp parallel decrease
	QAR'000	QAR'000
Sensitivity of net interest income		
2012		
At 31 December	(38,548)	38,548
2011		
At 31 December	(52,060)	52,060

	100 bp parallel increase	100 bp parallel decrease
	QAR'000	QAR'000
Sensitivity of reported equity to interest rate movements		
2012		
At 31 December	(132,313)	132,313
2011		
At 31 December	(145,825)	145,825

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

Exposure to other market risks- non trading portfolios

Currency risk

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

	2012	2011
	QAR'000	QAR'000
Net foreign currency exposure:		
Pounds Sterling	**(465)**	(245,174)
Euro	**(8,797)**	(354,647)
USD	**193,032**	(229,895)
Other currencies	**740,371**	1,234,924

Foreign currency sensitivity analysis

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

	Increase / (decrease) in profit or loss	
	2012	2011
	QAR'000	QAR'000
5% increase / (decrease) in currency exchange rate		
Pound Sterling	**23**	12,259
Euro	**440**	17,732
USD	**9,652**	11,495
Other currencies	**37,019**	61,746

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available for sale.

The Group is also exposed to equity price risk and the sensitivity analysis thereof is as follows:

	2012	2011
	QAR'000	QAR'000
5% increase / (decrease) in [QE 30 index]:		
Increase / (decrease) in other comprehensive income	**4,617/(4,617)**	4,316/(4,316)

The above analysis has been prepared on the assumption that all other variables such as interest rate, foreign exchange rate, etc are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above.

Operational risks

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The Group has detailed policies and procedures that are regularly updated to ensure a robust internal control mechanism. The Group closely reviews the various recommendations issued by the Basel Committee on 'Sound Practices for the Management and Supervision of Operational Risk' for implementation. The Group continues to invest in risk management and mitigation strategies, such as a robust control infrastructure, business continuity management or through risk transfer mechanisms such as insurance and outsourcing.

The Group has a well-defined Operational Risk Management Framework and an independent Operational Risk function. The Operational Risk Management Committee oversees the implementation of an effective risk management framework that encompasses appropriate systems, practices, policies and procedures to ensure the effectiveness of risk identification, measurement, assessment, reporting and monitoring within the group.

In addition, the Internal Audit department carries out an independent assessment and provides assurance of the actual functioning of the overall Operational Risk Management Framework.

4. FINANCIAL RISK MANAGEMENT (continued)

Operational risks (continued)

The Group manages operational risk based on a framework that enables the determination of operational risk profile of business units and how it relates to risk measurement, risk mitigation and priorities.

A number of techniques are applied to effectively manage the operational risk across the Group. These include:

- Effective staff training, documented processes/procedures with appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, introduction process of new products, reviews of outsourcing activities, information system security, segregation of duties, financial management and reporting are some of the measures adopted by the Group to manage Group-wide operational risk;
- Reporting of any operational risk event, which is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are analyzed, reported, mitigated, recorded on a central database and reported quarterly to the Board of Directors; and
- Introduction of a bottom-up 'Control Risk Self-Assessment' across business and support units including subsidiaries and overseas branches. This approach results in detailed understanding of inherent and residual risks with evaluation of controls across the Group. Therefore, it enhances the determination of specific operational risk profile for the business and support units while corrective action points are captured and the changes of the operational risk profile are monitored on an ongoing basis;

Capital management

Regulatory capital

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

The primary objective of the Group's capital management is 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.

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

The Group's regulatory capital position under Basel II and QCB regulations at 31 December was as follows:

	2012 QAR'000	2011 QAR'000
Tier 1 capital	5,664,339	5,341,245
Tier 2 capital	1,394,424	1,262,755
Total regulatory capital	7,058,763	6,604,000

Tier 1 capital includes share capital, legal reserve and retained earnings.

Tier 2 capital includes risk reserve, fair value reserves (45% if positive and 100 % if negative), and subordinated debt.

Risk weighted assets

	2012 Basel II Risk weighted amount QAR'000	2011 Basel II Risk weighted amount QAR'000
Total risk weighted assets for credit risk	43,979,533	42,313,831
Risk weighted assets for market risk	4,028,605	4,077,055
Risk weighted assets for operational risk	3,939,291	3,549,476
	51,947,429	49,940,362

	2012 QAR'000	2011 QAR'000
Risk weighted assets	51,947,429	49,940,362
Regulatory capital	7,058,763	6,604,000
Risk weighted assets as a percentage of regulatory capital		
Tier 1 Capital ratio	10.90%	10.70%
Total Capital ratio	13.59%	13.22%

The minimum ratio limit determined by QCB is 10% and the Basel II capital adequacy requirement is 8%.

5. USE OF ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reason able under the circumstances.

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Accounting policy.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

Allowances for credit losses (continued)

of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties is determined based on the QCB regulations.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances to customers and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, 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 modelled 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.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Group's accounting policies

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price unadjusted in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
	QAR'000	QAR'000	QAR'000	QAR'000
31 December 2012				
Financial assets:				
Investment securities	3,530,394	943,589	-	4,473,983
Derivative instruments:				
Interest rate swaps	-	486	-	486
Forward foreign exchange contracts	-	16,335	-	16,335
	3,530,394	960,410	-	4,490,804
Financial liabilities:				
Derivative instruments:				
Interest rate swaps	-	1,032	-	1,032
Forward foreign exchange contracts	-	10,988	-	10,988
	-	12,020	-	12,020

	Level 1	Level 2	Level 3	Total
	QAR'000	QAR'000	QAR'000	QAR'000
31 December 2011				
Financial assets:				
Investment securities	2,518,078	-	1,795,432	4,313,510
Derivative instruments:				
Interest rate swaps	-	-	-	-
Forward foreign exchange contracts	-	6,175	-	6,175
	2,518,078	6,175	1,795,432	4,319,685
Financial liabilities:				
Derivative instrument				
Interest rate swaps	-	23,576	-	23,576
Forward foreign exchange contracts	-	163	-	163
	-	23,739	-	23,739

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

Critical accounting judgements in applying the Group's accounting policies (continued)

During the reporting period 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements. All unquoted available for sale equity investments amounting to QAR 70 million (2011: QAR 71.4 million) are recorded at cost since the fair value cannot be reliably measured.

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.
- in classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policies.

Details of the Group's classification of financial assets and liabilities are given in Note 7.

Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies section.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Useful lives of property and equipment

The Group's management determines the estimated useful life of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

6. OPERATING SEGMENTS

As a result of ceasing all new Islamic banking business (see note 2 for the details) the Group now organizes and manages its operations by 2 business segments, which comprise conventional banking and insurance activities.

The segmental information presented has been restated to reflect the changes to the Group. The elements of the previously reported Islamic banking business have been reclassified under corporate and retail banking. Therefore comparative information has been restated accordingly.

Conventional Banking

- Corporate Banking provides a range of product and service offerings to business and corporate customers including funded and non funded credit facilitates deposits to corporate customers. It also undertakes funding and centralized 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.
- Retail Banking provides a diversified range of products and services to individuals. The range includes loans, credit cards, deposits and other transactions with retail customers.

Insurance Activities

Insurance activities to customers include effecting contracts of insurance, carrying out contracts of insurance, arranging deals in investments and advising on investments.

6. OPERATING SEGMENTS (continued)

Details of each segment as of and for the year ended 31 December 2012 are stated below:

	2012					
	Corporate Banking QAR'000	Retail Banking QAR'000	Unallocated QAR'000	Total QAR'000	Insurance QAR'000	Total QAR'000
Interest/similar income	1,845,792	430,127	-	2,275,919	-	2,275,919
Net income on insurance activities	-	-	-	-	17,615	17,615
Other income	565,035	99,684	54,292	719,011	3,361	722,372
Segmental revenue	2,410,827	529,811	54,292	2,994,930	20,976	3,015,906
Segmental profit				1,305,058	(332)	1,304,726
Share of results of associates						246
Net profit for the year						1,304,972
Other information						
Assets	44,570,631	6,726,265	3,663,480	54,960,376	241,556	55,201,932
Investments in associates						10,532
Total						55,212,464

	2011					
	Corporate Banking QAR'000	Retail Banking QAR'000	Unallocated QAR'000	Total QAR'000	Insurance QAR'000	Total QAR'000
Interest / similar income	1,786,156	500,429	-	2,286,585	-	2,286,585
Net income on insurance activities	-	-	-	-	23,212	23,212
Other income	451,441	83,326	30,195	564,962	3,747	568,709
Segmental revenue	2,237,597	583,755	30,195	2,851,547	26,959	2,878,506
Segmental profit				1,236,721	4,056	1,240,777
Share of results of associates						377
Net profit for the year						1,241,154
Other information						
Assets	42,310,996	6,735,688	3,453,773	52,500,457	232,978	52,733,435
Investments in associates						10,846
Total						52,744,281

6. OPERATING SEGMENTS (continued)

Geographical areas

The following table shows the geographic distribution of the Group's operating income based on the geographical location of where the business is booked by the branch.

	Qatar QAR'000	Other GCC QAR'000	Total QAR'000
2012			
Net operating income	**2,317,952**	**101,121**	**2,419,073**
Net profit	**1,287,379**	**17,593**	**1,304,972**
Total assets	**52,088,179**	**3,124,285**	**55,212,464**
Total liabilities	**44,582,498**	**3,078,801**	**47,661,299**
2011			
Net operating income	2,245,622	88,128	2,333,750
Net profit	1,226,077	15,077	1,241,154
Total assets	50,605,384	2,138,897	52,744,281
Total liabilities	43,552,073	2,111,005	45,663,078

7. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Fair value through profit or loss QAR'000	Held-to-maturity QAR'000	Loans and receivables QAR'000	Available-for-sale QAR'000	Other amortised cost QAR'000	Total carrying amount QAR'000	Fair value QAR'000
31 December 2012							
Cash and cash equivalents	-	-	2,598,365	-	-	2,598,365	2,598,365
Due from banks	-	-	-	-	7,786,587	7,786,587	7,786,587
Positive fair value of derivatives	16,821	-	-	-	-	16,821	16,821
Loans and advances to customers	-	-	33,774,849	-	-	33,774,849	33,774,849
Investment securities:							
Measured at fair value	-	-	-	4,544,008	-	4,544,008	4,544,008
Measured at amortised cost	-	5,037,005	-	-	-	5,037,005	5,158,721
	16,821	**5,037,005**	**36,373,214**	**4,544,008**	**7,786,587**	**53,757,635**	**53,879,351**
Negative fair value of derivatives	12,020	-	-	-	-	12,020	12,020
Due to banks	-	-	-	-	8,716,479	8,716,479	8,716,479
Customer deposits	-	-	-	-	34,401,083	34,401,083	34,401,083
Debt securities	-	-	-	-	2,571,968	2,571,968	2,661,625
Other liabilities	-	-	-	-	828,545	828,545	828,545
	12,020	**-**	**-**	**-**	**46,518,075**	**46,530,095**	**46,619,752**

7. FINANCIAL ASSETS AND LIABILITIES (continued)
Accounting classifications and fair values (continued)

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
31 December 2011							
Cash and cash equivalents	-	-	2,605,276	-	-	2,605,276	2,605,276
Due from banks	-	-	-	-	10,147,364	10,147,364	10,147,364
Positive fair value of derivatives	6,175	-	-	-	-	6,175	6,175
Loans and advances to customers	-	-	31,028,028	-	-	31,028,028	31,028,028
Investment securities:							
Measured at fair value	-	-	-	4,384,974	-	4,384,974	4,384,974
Measured at amortised cost	-	3,191,648	-	-	-	3,191,648	3,257,012
	6,175	3,191,648	33,633,304	4,384,974	10,147,364	51,363,465	51,428,829
Negative fair value of derivatives	23,739	-	-	-	-	23,739	23,739
Due to banks	-	-	-	-	11,635,523	11,635,523	11,635,523
Customer deposits	-	-	-	-	31,698,853	31,698,853	31,698,853
Debt securities	-	-	-	-	769,379	769,379	769,379
Other liabilities	-	-	-	-	338,600	338,600	338,600
	23,739	-	-	-	44,442,355	44,466,094	44,466,094

Investment securities –unquoted equity securities at cost

The above table includes to QAR 70 million (2011 : QAR 71.4 million) at 31 December 2012 of unquoted equity investments in both the carrying amount and fair value columns that were measured at cost and for which disclosure of fair value was not provided because their fair value was not considered to be reliably measurable.

8. CASH AND BALANCES WITH CENTRAL BANKS

	2012	2011
	QAR'000	QAR'000
Cash	**479,916**	652,578
Cash reserve with QCB*	**1,445,176**	1,401,233
Cash reserve with other central banks*	**31,991**	23,817
Other balances with central banks	**641,282**	527,648
	2,598,365	2,605,276

*The cash reserve with QCB and other central banks are mandatory reserves that are not available for use in the Group's day to day operations.

9. DUE FROM BANKS

	2012 QAR'000	2011 QAR'000
Current accounts	**286,298**	233,218
Placements	**3,498,476**	5,485,906
Loans to banks	**4,050,680**	4,440,692
Impairment against due from banks (Note i)	**(48,867)**	(12,452)
	7,786,587	10,147,364

Note i:	2012 QAR'000	2011 QAR'000
Balance at 1 January	**12,452**	37,888
Provisions made during the year	**36,415**	-
Transferred to investment securities	**-**	(25,436)
	48,867	12,452

10. LOANS AND ADVANCES TO CUSTOMERS

	2012 QAR'000	2011 QAR'000
Loans	**28,514,155**	25,634,519
Overdrafts	**3,428,038**	3,210,862
Bills discounted	**189,503**	126,595
Other loans*	**2,559,171**	3,134,751
(Note-i)	**34,690,867**	32,106,727
Less :		
Deferred profit	**(71,359)**	(292,884)
Specific impairment of loans and advances to customers	**(796,295)**	(771,204)
Collective impairment allowance	**(48,364)**	(14,611)
Net loans and advances to customers	**33,774,849**	31,028,028

The aggregate amount of non-performing loans and advances to customers amounted QAR 973.52 million, which represents 2.81% of total loans and advances to customers (2011: QAR 1,055 million, 3.32% of total loans and advances to customers).

Specific impairment of loans and advances to customers includes QAR 109.1 million of interest in suspense (2011: QAR 102.9 million)

*This includes due from customers in relation to the acceptances pertaining to trade finance amounting to QAR 828.5 million. The comparative figure has been affected to include customer acceptances of QAR 338.6 million.(See note 18)

Note-i:

	2012 QAR'000	2011 QAR'000
Government and related agencies	**2,958,690**	2,835,924
Corporate	**22,469,337**	19,528,160
Retail	**9,262,840**	9,742,643
	34,690,867	32,106,727

10. LOANS AND ADVANCES TO CUSTOMERS (continued)

By industry

At 31 December 2012	Loans QAR'000	Overdrafts QAR'000	Bills discounted QAR'000	Other loans QAR'000	Total QAR'000
Government and related agencies	1,584,375	1,237,987	-	136,328	2,958,690
Non-banking financial institutions	242,596	217	-	-	242,813
Industry	676,445	23,038	29,275	3,338	732,096
Commercial	4,683,760	816,208	113,652	950,726	6,564,346
Services	1,796,349	110,859	8,088	37,122	1,952,418
Contracting	4,658,446	504,470	24,015	354,123	5,541,054
Real estate	6,071,685	178,371	200	672,605	6,922,861
Personal	8,416,546	468,428	2,062	375,804	9,262,840
Others	383,953	88,460	12,211	29,125	513,749
	28,514,155	3,428,038	189,503	2,559,171	34,690,867
Less: Deferred profit					(71,359)
Specific impairment of loans and advances to customers					(796,295)
Collective impairment allowance					(48,364)
					33,774,849

At 31 December 2011	Loans QAR'000	Overdrafts QAR'000	Bills discounted QAR'000	Other loans QAR'000	Total QAR'000
Government and related agencies	1,390,903	1,272,993	-	172,028	2,835,924
Non-banking financial institutions	296,218	-	-	-	296,218
Industry	548,673	27,733	6,545	25,623	608,574
Commercial	3,805,644	636,317	90,310	543,215	5,075,486
Services	877,222	86,901	8,374	1,017,144	1,989,641
Contracting	3,753,887	521,324	14,630	440,791	4,730,632
Real estate	5,782,275	87,183	200	9,067	5,878,725
Personal	8,384,008	509,593	2,660	846,302	9,742,643
Others	795,609	68,818	3,876	80,581	948,884
	25,634,519	3,210,862	126,595	3,134,751	32,106,727
Less: Deferred profit					(292,884)
Specific impairment of loans and advances to customers					(771,204)
Collective impairment allowance					(14,611)
					31,028,028

10. LOANS AND ADVANCES TO CUSTOMERS (continued)

Movement in impairment loss on loans and advances to customers

	2012 QAR'000	2011 QAR'000
Balance at 1 January	**785,815**	1,001,799
Foreign currency translation	**(96)**	-
Provisions made during the year	**336,141**	458,792
Recoveries during the year	**(104,575)**	(129,788)
Net allowance for the impairment during the year*	**231,566**	329,004
Written off during the year	**(172,626)**	(544,988)
Balance at 31 December	**844,659**	785,815

*The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations amounting to QAR 41.9 million during the year (2011: QAR 57.5 million).

Reconciliation of the allowance for impairment losses for loans and advances to customers, by class is as follows:

	Corporate lending QAR'000	SME lending QAR'000	Retail lending QAR'000	Real Estate Mortgage lending QAR'000	Total QAR'000
Balance at 1 January	**344,825**	**3,251**	**372,332**	**65,407**	**785,815**
Foreign currency differences	**-**	**-**	**(96)**	**-**	**(96)**
Provision made during the year	**267,541**	**5,945**	**59,830**	**2,825**	**336,141**
Recoveries during the year	**(13,312)**	**(562)**	**(89,326)**	**(1,375)**	**(104,575)**
Written off	**(51,360)**	**-**	**(118,109)**	**(3,157)**	**(172,626)**
Balance at 31 December 2012	**547,694**	**8,634**	**224,631**	**63,700**	**844,659**

	Corporate lending QAR'000	SME lending QAR'000	Retail lending QAR'000	Real Estate Mortgage lending QAR'000	Total QAR'000
Balance at 1 January	307,377	-	640,430	53,992	1,001,799
Foreign currency differences	-	-	-	-	-
Provision made during the year	280,537	3,251	163,589	11,415	458,792
Recoveries during the year	(54,844)	-	(74,944)	-	(129,788)
Written off	(188,245)	-	(356,743)	-	(544,988)
Balance at 31 December 2011	344,825	3,251	372,332	65,407	785,815

11. INVESTMENT SECURITIES

The analysis of investment securities is detailed below:

	2012 QAR'000	2011 QAR'000
Available-for-sale	4,699,459	4,518,681
Held to maturity*	5,085,931	3,229,244
Total	9,785,390	7,747,925
Impairment loss	(204,377)	(171,303)
Total	9,581,013	7,576,622

*The Group has pledged State of Qatar Bonds amounting to QAR 96.7 million (2011: QAR 96.7 million) against repurchase agreements.

Available - for - sale

	2012		2011	
	Quoted QAR'000	Unquoted QAR'000	Quoted QAR'000	Unquoted QAR'000
Equities	571,184	78,387	457,929	76,450
State of Qatar debt securities	1,529,244	943,589	1,311,569	1,795,432
Other debt securities	1,349,504	-	659,602	-
Mutual funds	227,551	-	217,699	-
Less: Impairment provision of available for sale investments	(147,089)	(8,362)	(128,721)	(4,986)
Total	3,530,394	1,013,614	2,518,078	1,866,896

Fixed rate securities and floating rate securities amounted to QAR 3,822 million and QAR Nil million respectively (2011: QAR 3,766 million and QAR Nil million respectively).

Held to maturity

	2012		2011	
	Quoted QAR'000	Unquoted QAR'000	Quoted QAR'000	Unquoted QAR'000
-By issuer				
State of Qatar debt securities	1,284,641	3,476,274	693,259	2,188,041
Other debt securities	325,016	-	347,944	-
Less: Impairment provision	(48,926)	-	(37,596)	-
Total	1,560,731	3,476,274	1,003,607	2,188,041
-By interest rate				
Fixed rate securities	1,457,051	3,476,274	851,957	2,188,041
Floating rate securities	152,606	-	189,246	-
Less: Impairment provision	(48,926)	-	(37,596)	-
Total	1,560,731	3,476,274	1,003,607	2,188,041

The fair value of held to maturity investments amounted to QAR 5,159 million at 31 December 2012 (2011: QAR 3,257 million).

11. INVESTMENT SECURITIES (continued)

Movement in impairment loss on investment securities

	2012 QAR'000	2011 QAR'000
Balance at 1 January	171,303	153,766
Provision for impairment loss during the year	49,524	35,475
Transferred to consolidated income statement on disposal	(16,450)	(17,938)
Balance at 31 December	204,377	171,303

12. INVESTMENT IN ASSOCIATES

	2012 QAR'000	2011 QAR'000
Balance at 1 January	10,846	14,031
Foreign currency translation	(414)	(1,880)
Share of results	246	377
Cash dividend	(146)	-
Other movements	-	(1,682)
Balance at 31 December	10,532	10,846

The financial position and results of associates based on audited financial statements, as at and for the year ended 31 December is as follows:

31 December 2012	QAR'000	31 December 2011	QAR'000
Total assets	47,164	Total assets	45,366
Total liabilities	26,032	Total liabilities	23,952
Total revenue	14,501	Total revenue	16,968
Net profit	559	Net profit	857
Share of net profit	246	Share of net profit	377

13. PROPERTY, FURNITURE AND EQUIPMENT

	Land and buildings QAR'000	Leasehold improvements QAR'000	Furniture and equipment QAR'000	Vehicles QAR'000	Total QAR'000
At 31 December 2012					
Cost:					
Balance at 1 January	**759,228**	**159,295**	**246,632**	**11,804**	**1,176,959**
Additions	**14,672**	**11,402**	**53,439**	**1,466**	**80,979**
Transferred (to)/from other assets	**(31,415)**	**-**	**70,871**	**-**	**39,456**
Disposals	**-**	**(52,444)**	**(28,454)**	**(631)**	**(81,529)**
	742,485	**118,253**	**342,488**	**12,639**	**1,215,865**
Depreciation:					
Balance at 1 January	**69,362**	**81,039**	**196,572**	**9,148**	**356,121**
Depreciation for the year	**30,269**	**10,069**	**31,603**	**1,460**	**73,401**
Disposals	**-**	**(5,820)**	**(2,028)**	**(631)**	**(8,479)**
	99,631	**85,288**	**226,147**	**9,977**	**421,043**
Net Book Value	**642,854**	**32,965**	**116,341**	**2,662**	**794,822**

	Land and buildings QAR'000	Leasehold improvements QAR'000	Furniture and equipment QAR'000	Vehicles QAR'000	Total QAR'000
At 31 December 2011					
Cost:					
Balance at 1 January	699,717	114,502	213,161	11,226	1,038,606
Additions	100,146	9,612	31,962	731	142,451
Transfer/Capitalization of WIP	(40,635)	37,624	3,011	-	-
Disposals	-	(2,443)	(1,502)	(153)	(4,098)
	759,228	159,295	246,632	11,804	1,176,959
Depreciation:					
Balance at 1 January	51,750	67,107	174,633	7,674	301,164
Depreciation for the year	17,612	15,443	23,441	1,627	58,123
Disposals	-	(1,511)	(1,502)	(153)	(3,166)
	69,362	81,039	196,572	9,148	356,121
Net Book Value	689,866	78,256	50,060	2,656	820,838

14. OTHER ASSETS

	2012 QAR'000	2011 QAR'000
Interest receivable	**231,006**	205,141
Prepaid expenses	**84,780**	52,497
Repossessed collaterals*	**31,415**	-
Positive fair value of derivatives (Note 33)	**16,821**	6,175
Deferred tax asset	**11,257**	9,477
Sundry debtors	**2,532**	2,205
Others	**288,485**	279,812
	666,296	555,307

*This represents the value of the properties acquired in settlement of debts which are stated at their acquisition value net of provision. The estimated market values of these properties as at 31 December 2012 are not materially different from the carrying values.

15. DUE TO BANKS

	2012 QAR'000	2011 QAR'000
Balances due to central banks	**1,833**	85,122
Current accounts	**175,401**	497,609
Deposits	**158,684**	1,075,851
Short-term loan from banks*	**8,380,561**	9,976,941
	8,716,479	11,635,523

*Includes amount held under repurchase agreements amounting to QAR 75.0 million (2011: 75.2 million)

16. CUSTOMER DEPOSITS

By type

	2012 QAR'000	2011 QAR'000
Current and call deposits	**8,806,601**	7,872,935
Saving deposits	**1,684,748**	1,631,698
Time deposits	**23,909,734**	22,194,220
	34,401,083	31,698,853

By sector

	2012 QAR'000	2011 QAR'000
Government	**3,264,542**	2,547,177
Government and semi government agencies	**9,036,692**	8,102,751
Individuals	**8,284,545**	7,719,674
Corporate	**11,937,604**	12,022,019
Non-banking financial institutions	**1,877,700**	1,307,232
	34,401,083	31,698,853

17. DEBT SECURITIES

The Group has issued subordinated debt notes and senior guaranteed notes as follows:

	2012 QAR'000	2011 QAR'000
Subordinated debt notes (a)	**770,794**	769,379
Senior guaranteed notes (b)	**1,801,174**	-
	2,571,968	769,379

Note (a)

On 12 December 2006, the Group issued US$ 340 million subordinated floating rate step up notes at a nominal value of US$ 100,000 per note. The notes mature in 2016 and carry interest at three months US$ LIBOR plus 0.82 percent per annum payable.

Note (b)

On 14 March 2012, the Group issued US$ 500 million senior guaranteed notes at 98.964% of nominal value. The notes have a minimum nominal denomination of US$ 200,000. The notes mature in 2017 and carry interest at fixed rate of 3.50% payable semi-annually.

18. OTHER LIABILITIES

	2012 QAR'000	2011 QAR'000
Interest payable	**113,938**	77,004
Accrued expense payable	**123,583**	103,661
Provision for end of service benefits (Note-i)	**147,675**	125,165
Staff provident fund	**68,132**	56,548
Tax payable	**5,522**	7,747
Negative fair value of derivatives (Note 33)	**12,020**	23,739
Unearned income	**46,204**	23,255
Cash margins	**189,443**	168,433
Dividend payable	**27,529**	18,055
Unclaimed balances	**7,854**	7,896
Proposed transfer to social & sport fund	**32,624**	31,029
Others*	**1,197,245**	916,791
Total	**1,971,769**	1,559,323

*This includes due from customers in relation to the acceptances pertaining to trade finance amounting to QAR 828.5 million. The comparative figure has been affected to include customer acceptances of QAR 338.6 million.

Note-i

	2012 QAR'000	2011 QAR'000
Balance at 1 January	**125,165**	95,585
Provision for the year	**32,724**	40,803
Provisions used during the year	**(10,214)**	(11,223)
Balance at 31 December	**147,675**	125,165

19. CAPITAL AND RESERVES

a. Share capital

	Ordinary shares	
	2012	2011
In thousands of shares		
On issue at the beginning of the reporting period	**206,698**	189,473
New shares issued	**-**	17,225
On issue at 31 December	**206,698**	206,698

At 31 December 2012 the authorised share capital comprised 206,698 thousand ordinary shares (2011:206,698thousands). These instruments have a par value of QAR 10. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

b. Legal reserve

In accordance with Qatar Central Bank's Law No. 33 of 2006 as amended, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 5 of 2002 and is subject to the approval of QCB. During the year the appropriation made to the legal reserve amounts to QAR Nil (2011: QAR 812 thousand).

The legal reserve includes share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law (5) of 2002.

c. Risk reserve

In accordance with the Qatar Central Bank regulations for 2012, a minimum requirement of 2% of the net loans and advances and financing activities to customers except for facilities granted to Government, is required as risk reserve to cover any contingencies. For 2013 as per circular 102/2011 of Qatar Central Bank, the ratio should be increased to a minimum of 2.5%.

For the year ended December 31, 2012 the Group has early adopted the circular and transferred QAR 176 million (2011: QAR 220 million) into the risk reserve which is 2.5% of the net loans and advances and financing activities to customers except for facilities granted to Government.

d. Fair value reserves

This reserve comprises the fair value changes recognised on available-for-sale financial assets / and the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss.

	Fair value reserves		
	Cash flow hedge QAR'000	**Available-for-sale investments QAR'000**	**Total QAR'000**
2012			
Balance at 1 January	**(23,576)**	**23,092**	**(484)**
Net change in fair value	**-**	**250,507**	**250,507**
Reclassification during the year to the statement of income	**23,576**	**(146,743)**	**(123,167)**
Net change during the year	**23,576**	**103,764**	**127,340**
Balance at 31 December	**-**	**126,856**	**126,856**

	Fair value reserves		
	Cash flow hedge QAR'000	Available-for-sale investments QAR'000	Total QAR'000
2011			
Balance at 1 January	(44,039)	(5,053)	(49,092)
Net change in fair value	20,463	61,305	81,768
Reclassification during the year to the statement of income	-	(33,160)	(33,160)
Net change during the year	20,463	28,145	48,608
Balance at 31 December	(23,576)	23,092	(484)

e. Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

f. Proposed dividend

The Board of Directors of the Group has proposed a cash dividend of 45% of paid up share capital amounting to QAR 930.1 million - QAR 4.50 per share (2011: 45% of paid up share capital amounting to QAR 930.1 million - QAR 4.50 per share) which is subject to approval at the Annual General Meeting of the shareholders.

20. INTEREST INCOME

	2012 QAR'000	2011 QAR'000
Balance with central banks	**2,614**	16,205
Due from banks and non-banking financial institutions	**94,436**	72,919
Debt securities	**372,130**	304,156
Loans and advances to customers	**1,806,739**	1,893,305
	2,275,919	2,286,585

21. INTEREST EXPENSE

	2012 QAR'000	2011 QAR'000
Due to banks	**88,477**	65,183
Customer deposits	**443,211**	470,472
Debt securities	**65,145**	9,101
	596,833	544,756

22. FEE AND COMMISSION INCOME

	2012 QAR'000	2011 QAR'000
Credit related fees	**73,923**	114,252
Brokerage fees	**1,701**	2,731
Bank services fee	**94,530**	83,143
Commission on unfunded facilities	**140,398**	172,013
Others	**43,764**	16,944
	354,316	389,083

23. FEE AND COMMISSION EXPENSE

	2012 QAR'000	2011 QAR'000
Bank fees	1,587	2,139
Others	2,891	5,040
	4,478	7,179

24. FOREIGN EXCHANGE GAIN

	2012 QAR'000	2011 QAR'000
Dealing in foreign currencies	14,194	12,523
Revaluation of assets and liabilities	64,242	59,768
Revaluation of derivatives financial instruments	5,347	6,012
	83,783	78,303

25. INCOME FROM INVESTMENT SECURITIES

	2012 QAR'000	2011 QAR'000
Net gains on sale of available-for-sale financial assets	212,605	57,140
Dividend income	18,493	17,420
	231,098	74,560

26. OTHER OPERATING INCOME

	2012 QAR'000	2011 QAR'000
Recoveries from the loans previously written-off	20,209	-
Rental income	13,454	10,612
Others	23,990	23,330
	57,653	33,942

27. STAFF COSTS

	2012 QAR'000	2011 QAR'000
Staff cost	368,177	360,853
Staff pension fund costs	9,618	8,828
End of service benefits	32,724	40,803
Training	1,111	2,350
	411,630	412,834

28. OTHER EXPENSES

	2012 QAR'000	2011 QAR'000
Advertising	**24,339**	20,690
Professional fees	**9,804**	12,880
Communication and insurance	**31,505**	23,680
Board of Directors' remuneration	**46,283**	23,356
Occupancy and maintenance	**61,310**	64,889
Computer and IT costs	**20,880**	23,254
Printing and stationary	**12,472**	9,687
Travel and entertainment costs	**8,489**	8,431
Others	**134,855**	123,065
	349,937	309,932

29. TAX EXPENSE

	2012 QAR'000	2011 QAR'000
Current tax expense		
Current year	**5,524**	8,212
Adjustments for prior years	**41**	113
	5,565	8,325
Deferred tax expense		
Temporary differences	**(1,768)**	(3,191)
	(1,768)	(3,191)
Total tax expense	**3,797**	5,134

30. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing profit for the year attributable to the equity holders of the Group by the weighted average number of ordinary shares in issue during the year:

	2012 QAR'000	2011 QAR'000
Profit for the year attributable to the equity holders of the Group	**1,304,972**	1,241,154
Weighted average number of outstanding shares	**206,698**	205,943
Earnings per share (QAR)	**6.31**	6.03

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

	2012	2011
In thousands of shares		
Weighted average number of shares at 1 January	**206,698**	189,473
Effect of additional capital subscription	**-**	16,470
Weighted average number of shares at 31 December	**206,698**	205,943

31. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2012 QAR'000	2011 QAR'000
Contingent liabilities		
Unused facilities	**4,480,753**	5,002,675
Guarantees	**14,128,617**	14,299,313
Letters of credit	**3,916,532**	3,681,134
Others	**885,393**	1,298,325
Total	**23,411,295**	24,281,447
Other commitments		
Forward foreign exchange contracts	**2,095,120**	1,183,614
Interest rate swaps	**243,980**	773,273
Total return swaps	**-**	36,415
Capital commitments	**-**	46,191
Total	**2,339,100**	2,039,493

Unused facilities

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

Guarantees and Letters of credit

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.

Lease commitments

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

Future minimum lease payments under non-cancellable leases as at December 31 are as follow:

	2012 QAR'000	2011 QAR'000
Less than one year	**9,571**	24,119
Between one and five years	**26,301**	16,181
More than five years	**3,256**	-
	39,128	40,300

32. CASH AND CASH EQUIVALENTS

	2012 QAR'000	2011 QAR'000
Cash and balances with Central Banks	**1,121,198**	1,180,226
Due from banks and other financial institutions maturing within 3 months	**4,107,793**	7,265,343
	5,228,991	8,445,569

*Cash and balances with Central banks do not include the mandatory cash reserve.

33. DERIVATIVES

	Positive fair value QAR'000	Negative fair value QAR'000	Notional amount QAR'000	Notional / expected amount by term to maturity: within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
At 31 December 2012:							
Derivatives held for trading:							
Forward foreign exchange contracts	16,335	10,988	2,095,120	2,033,957	61,163	-	-
Derivatives held for fair value hedges:							
Interest rate swaps	486	1,032	243,980	-	-	14,566	229,414

	Positive fair value QAR'000	Negative fair value QAR'000	Notional amount QAR'000	Notional / expected amount by term to maturity: within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
At 31 December 2011:							
Derivatives held for trading:							
Forward foreign exchange contracts	6,175	163	1,183,614	994,966	131,453	57,195	-
Derivatives held as cash flow hedges:							
Credit default swaps	-	2,075	36,415	-	36,415	-	-
Interest rate swaps	-	21,501	773,273	-	773,273	-	-
Total	-	23,576	809,688	-	809,688	-	-

34. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, Related parties include entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group. The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The related party transactions and balances included in these consolidated financial statements are as follows:

34. RELATED PARTIES (continued)

	2012			2011		
	Subsidiary and associated companies QAR'000	Board of directors QAR'000	Others QAR'000	Subsidiary and associated companies QAR'000	Board of directors QAR'000	Others QAR'000
Assets:						
Loans	-	1,155,230	-	-	1,096,821	-
Other assets	8,748	-	-	12,349	-	-
Liabilities:						
Deposits	48,862	212,974	3,056	60,892	137,464	2,991
Other liabilities	213	-	-	1,604	-	-
Unfunded items:						
Contingent Liabilities and other commitments	-	294,759	-	-	201,174	-
Income statement items:						
Interest, commission and other income	-	35,357	-	-	40,625	-
Interest, commission and other expense	-	4,573	124	-	2,594	270

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

Key management personnel compensation for the year comprised:

	2012 QAR'000	2011 QAR'000
Salaries and other benefits	39,885	31,037
End of service indemnity benefits and provident	3,316	2,915
	43,201	33,952

35. SUBSEQUENT EVENTS

At the first meeting of the Board of Directors in year 2013 held on 13 January 2013, the Board of directors has resolved the following:

Submission of a recommendation to the Extraordinary General Assembly of the shareholders to approve the increase of the share capital of the Group by 50% in two phases:

First Phase: An increase of 25% of the current paid-up share capital through the issuing of new shares to the Group's existing shareholders who are registered at Qatar Exchange, at the close of business on 19th February 2013, at a premium of QAR 20 in addition to a nominal value of QAR 10 per share.

Second phase: An increase of up to 25% of the current paid-up share capital through the issuing of new shares, in the form of Global Depositary Receipts, to be held by a depository bank. The shareholders shall waive their right of priority to subscribe in these new shares (as an exception to Article 19 (Bis) of the Articles of Association of the bank). The premium shall be set as per international market practice, as customary in similar cases, provided that the premium will be higher than the rights issue premium as specified in the First Phase in addition to a nominal value of QAR 10 per share.

36. COMPARATIVE INFORMATION

Certain amounts in the prior year financial statements and supporting note disclosures have been reclassified to conform to the current year's financial statements format and minimum disclosures as prescribed by the Qatar Central Bank (QCB). However, such reclassifications are not material and did not have an impact on the previously reported net profit, other comprehensive income or the total consolidated equity for the comparative year.

In particular, the QCB required all banks to bring customer acceptances onto the statement of financial position. The Group concluded that it was appropriate to affect the change for the prior year. As a result, the comparatives in the statement of financial position have been affected to include customer acceptances. Therefore the Group has revised the statement of financial position for the year ended 31 December 2011.(See note 10 and note 18 for the details)

The table below details the affect of the adjustments on the statement of financial position:

	As previously reported	Effect of adjustments	After adjustments
	QAR'000	QAR'000	QAR'000
Gross loans and advances to customers	30,704,039	323,989	**31,028,028**
Other liabilities	1,235,334	323,989	**1,559,323**
Customer deposits	31,091,813	607,040	**31,698,853**
Unrestricted investment depositers' accounts	607,040	(607,040)	**-**
Total assets	52,420,292	323,989	**52,744,281**
Total liabilities	45,339,089	323,989	**45,663,078**

37. FINANCIAL STATEMENTS OF THE PARENT BANK

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Financial Position – Parent Bank

As at 31 December	2012 QAR'000	2011 QAR'000
ASSETS		
Cash and balances with central banks	2,598,365	2,490,108
Due from banks	7,731,888	10,022,921
Loans and advances to customers	33,774,849	31,028,028
Investment securities	9,620,786	7,753,226
Investment in associates	10,532	10,846
Property, furniture and equipment	793,679	817,944
Other assets	613,753	488,386
TOTAL ASSETS	55,143,852	52,611,459
LIABILITIES		
Due to banks	8,716,479	11,635,523
Customer deposits	34,449,945	31,698,853
Debt securities	2,571,968	769,379
Other liabilities	1,883,783	1,456,998
TOTAL LIABILITIES	47,622,175	45,560,753
EQUITY		
Share capital	2,066,978	2,066,978
Legal reserve	3,277,571	3,277,571
Risk reserve	773,650	597,650
Fair value reserves	127,493	(787)
Foreign currency translation reserve	(3,467)	(3,881)
Proposed dividend	930,140	930,140
Retained earnings	349,312	183,035
TOTAL EQUITY	7,521,677	7,050,706
TOTAL LIABILITIES AND EQUITY	55,143,852	52,611,459

37. FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (Continued)

Income Statement – Parent Bank

For the year ended 31 December	2012 QAR'000	2011 QAR'000
Interest income	**2,275,919**	2,286,585
Interest expense	**(597,537)**	(544,756)
Net interest income	**1,678,382**	1,741,829
Fee and commission income	**354,316**	388,588
Fee and commission expense	**(4,478)**	(7,179)
Net fee and commission income	**349,838**	381,409
Foreign exchange gain	**83,783**	78,303
Income from investment securities	**231,098**	74,560
Other operating income	**58,915**	30,551
	373,796	183,414
Net operating income	**2,402,016**	2,306,652
Staff costs	**(400,986)**	(402,300)
Depreciation	**(71,627)**	(56,327)
Impairment loss on investment securities and due from banks	**(85,939)**	(35,475)
Net impairment loss on loans and advances to customers	**(189,643)**	(271,475)
Other expenses	**(344,966)**	(299,137)
	(1,093,161)	(1,064,714)
Profit for the year before tax	**1,308,855**	1,241,938
Tax expense	**(3,797)**	(4,683)
Profit for the year	**1,305,058**	1,237,255

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Telex : 4534-DOHBNK
Swift : DOHA QA QA

2. **Mushaireb (203)**
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Tel : 44025342 /43 /44
Fax : 44025335 / 44025336
Telex : 4825- DBMSB DH
Swift : DOHBQAQAMSB

3. **Museum (204)**
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4. **New Souq Area (205)**
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5. **Central Market (206)**
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6. **City Center (210)**
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Telex : 4534-DOHBNK
Swift : DOHB QA QA

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8. **Al Kheratiyat (212)**
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Telex : 5051 DOHB QA QA
Swift : DOHB QA QA

9. **Bin Omran (213)**
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Swift : DOHA QA QA

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Swift : DOHB QA QA SRB

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Swift : DOHB QA QA

21. **Abu Hamour (228)**
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Swift : DOHA QA QA

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Pay Offices

Office Name	Telephone No.	Fax No.
QP, Ras Abu Aboud, Doha	44402997 / 44402580	44402439
K.S.A. Embassy	55737733	N/A
Industrial City, Gate Passes Office, Mesaieed	44771586	44771182
QP, NGL, Mesaieed	44774359	44774359
QP, Refinery, Mesaieed	44771309	44771309
QP, Pay Office, Dukhan	44712298	44712660
Umm Baab	44712236	44712678
Chamber of Commerce	44674515	44674035
Pakistan Embassy	55629705 / 44176196	44176196
QPost Main	44839210	44839157
QPost Muntazah	44352894	44354284
QPost Teyseer	44621299	44621552
Woqod Pay Office	77846485 / 44114375	44114372

Payroll Card Center

QIIB Parking Area	44420726	44420632

Exchange Counter

Doha International Airport	44621741	44621746

Doha Islamic

Doha Bank Tower	44456600	44416631

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Moaither	Tel : +974 44801949 Fax : +974 44802285
DBAC Office	Tel : +974 44434179 Fax : +974 44434178
LuluHypermarket	Tel : +974 44660761 / 44665122 Fax : +974 44663719
Parco Mall	Tel : +974 40153126 / 3127 Fax : +974 40153130
QP Handasa	Tel : +974 44374870 / 44375738 Fax : +974 44376022
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