2003
Annual **Report**

البنك التجاري
Commercial bank
There's more to life than money

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

His Highness
Sheikh Tamim Bin Hamad Al Thani
Heir Apparent

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Sharpening
our skills to
bring you a
better bank.

The Board of **Directors**

1 **Mr. Hussain Ibrahim Al Fardan**

Managing Director

2 **H.E. Abdullah Bin Khalifa Al Attiyah**

Chairman

3 **Sh. Nasser Bin Faleh Al Thani**

Director

4 **Sh. Abdullah Bin Ali Bin Jabor Al Thani**

Vice Chairman

5 **Mr. Khalifa Abdullah Al Sobai**

Director (representing Qatar Insurance Company)

6 **Mr. Jassim Mohammad Jabor Al Mussallam**

Director

7 **Mr. Abdulla Mohd Ibrahim Al Mannai**

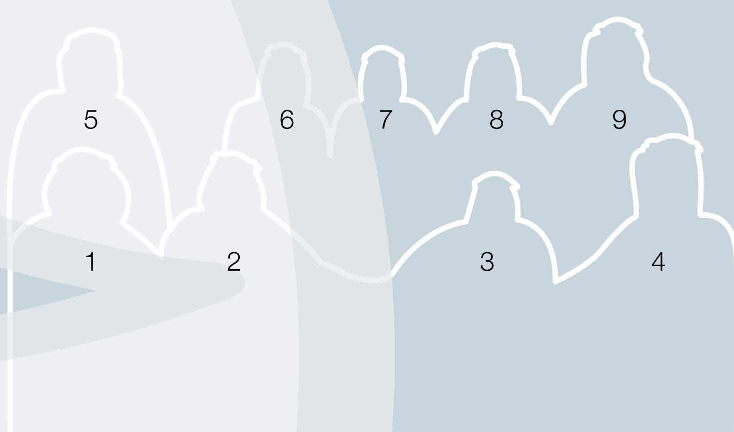
Director

8 **Sh. Jabor bin Ali bin Jabor Al Thani**

Director

9 **Mr. Omar Hussain Al Fardan**

Director



Chairman's Message

I am pleased to submit on behalf of the Board of Directors, these Annual Accounts with accompanying Financial Statements for the year 2003.

2003 saw the global economy recovering from some of the worst post war economic conditions in memory. Although there are still concerns over the sustainability of the recovery, the rise of the major stock markets during 2003 reflect a more positive sentiment across the globe.

With improved prospects for stability in the region and oil prices continuing to stay at reasonably high levels, economies of the Gulf Cooperational Council (GCC) have registered impressive growth. This, together with the low interest rate regime of the past few years, have substantially boosted the liquidity within the economies of the GCC. This liquidity is being productively channeled into infrastructural investments in most of the GCC economies.

During 2003, the Qatari economy continued to diversify its revenue sources. Strong fiscal discipline and a focused approach to the diversification of the energy infrastructure have meant that Qatar should continue on its present high growth trajectory for some time. Low inflation and an easing monetary environment have provided further boost to industry and investment. The fast growing economy is expected to help register another year of surplus in the current account balances, which has consistently recorded surpluses since 1999.

The Bank achieved robust growth in most business areas during 2003. Loans and Deposits have grown strongly and Operating Income rose to QR 423 million, an increase of 26% over the previous year for a Net Profit of QR 248 million, a record result. This Net Profit translates into a Basic Earnings Per Share of QR 6.97 up from QR 6.69 in 2002 and against QR 5.11 in 2001. On adjusted basis this Earnings Per Share is even higher at QR 8.22 in 2003 against QR 6.98 in 2002. This impressive result was achieved in the face of continued improvements in the Bank's asset quality.

The Board regards the enhancement of shareholder value as a top priority and has therefore recommended that the dividend to be paid this year be 30% of issued capital, or QR 106.8 million. The Board places equal priority in strengthening the Bank's core capital position and therefore also recommends that a bonus share of 25%, or one for every four already held, be issued. After adjusting for the contribution to Social Responsibilities and Directors Remuneration proposed, the Bank's Capital and Reserves will stand at QR 1,401 million.

Under the guidance and vision of His Highness the Emir, Qatar is well poised to continue on its path of fast growth to become a vibrant, diversified economy. We at Commercialbank are confident of being ready to contribute positively to this growth in the coming years.

In closing my remarks, I wish to place on record the Board's deep admiration of the leadership and vision shown by His Highness the Emir, and gratitude to His Highness the Heir Apparent and to His Highness the Prime Minister, His Excellency the Minister of Finance, His Excellency the Minister of Economy and Commerce, and to His Excellency the Governor of the Qatar Central Bank for their constant encouragement, advice and support.

Once again I also express the appreciation of myself and the Board to the shareholders, to our customers for their patronage and loyalty, and to the Management and staff of the Bank for their continued dedication, diligence and hard work.

Abdullah bin Khalifa Al Attiyah
Chairman of the Board

The bursting of the equity bubble, geopolitical developments, and corporate governance scandals have severely tested the global financial system in recent years. Whilst permanent signs of stronger growth are still ambiguous, corporations particularly in the United States have made good progress in their financial consolidation efforts and are in a better overall position to increase investment spending.

Interest rates are at post-war lows as a result of the prevailing Monetary Policies of the major economies, and this in turn has helped restore consumer confidence and increased market stability. The further prospect of a protracted period of low short-term interest rates, ample liquidity and pent up demand for investment opportunities have sparked investors' quest for higher yields.

The major global stock indices witnessed strong growth in 2003 driven by better-than-expected corporate earnings, ever improving productivity and modest revenue growth. Indications are that the equity market recovery is set to continue through a positive climate of monetary easing, fiscal stimulus, attractive valuations in relative alternative asset classes and indications of stronger growth in corporate earnings.

Commodities, especially gold, continued to rise significantly during the year driven by uncertainty over the rate of global recovery, the weakness of the US Dollar and continued global security concerns. The US Dollar continued to weaken across almost all other major currencies reflecting both domestic policy, and relatively faster economic growth in Asia and Europe.

Oil prices stayed high. Gulf Cooperation Council (GCC) economies have benefited immensely from the increased oil revenues amidst improved prospects for regional growth. The surpluses generated have fuelled local economic growth and stock markets throughout the year. Banking and Real Estate sectors have been the primary beneficiaries of such economic expansion.

Within this global context, the Qatar economy has performed strongly during 2003 showing double digit growth and low inflation. Higher revenues from the oil and gas sector, the boom in the real estate market and the 70% growth in the Doha Securities Market Index have all contributed to the dramatic rise in domestic economic activity.

Under the visionary leadership of His Highness the Emir, Qatar has continued to expand its oil and gas infrastructure through a number of high profile projects. More than USD 12 billion has been invested in the last 10 years to develop Qatar's gas resources, and over the next decade there are plans to invest up to a further USD 30 - 40 billion. This is expected to push its LNG exports to more than 60 million tonnes per year by 2010.

Privatisation efforts received a further boost with the IPO of Industries of Qatar, a holding company for Qatar Fertiliser Co., Qatar Steel Co., Qatar Petrochemical Co. and Qatar Fuel Additives Co. Final details of a law allowing local entities to set up mutual funds based on Qatari stocks, in which foreign participation may be allowed, is expected soon.

Qatar has also seen the development of two further major initiatives in the shape of Education and Tourism. Rapid development of the Education City is expected to develop Qatar as a regional centre for quality education. With the formation of the Qatar Tourism Authority, the country is making a concerted effort to attract more tourism revenues. The proposal for the USD 2.5 billion new airport, the proposed doubling of deluxe hotel rooms and a fast expanding national air carrier are all expected to raise Qatar's profile in this sector.

The bank has reflected, and in no small way contributed, to this impressive national performance. Core business areas grew throughout 2003, with particular successes in Loans and Deposits. On the back of these improvements, Net Operating Income rose 26.7% to QR 423 million during the year, for a record net profit of QR 248 million, which translates into a basic earnings per share of QR 6.97 versus QR 6.69 in 2002 and QR 5.11 in 2001. On an adjusted basis, this earning per share increased to QR 8.22 per share in 2003 versus QR 6.98 in 2002.

We have a policy of maintaining a high quality loan portfolio. In line with this conservative policy, once again we have set aside extensive provisions of QR 49.4 million for under-performing or non-performing loans. On a cumulative basis over the last four years our loan loss provisions have totalled QR 254 million. The ratio of Loan Loss provisions to Total Non-Performing Loans at the end of year 2003 was 114.4% against 95.8% in 2002 and 70.7% in 2001.

Commercialbank continues to deliver excellent financial results to its shareholders by recognizing the need to deliver excellent service to its customers.

Although rightly considered leaders in the local banking sector, we consistently challenge ourselves to improve at every level. This means development of innovative new products and services delivered through an ever expanding mix of retail and corporate delivery channels.

This approach also requires us to anticipate the future needs of our customers, and constantly review the optimum size and shape of the institution so as to produce maximum returns at prudent cost levels. Accordingly, during 2003 we completed a major business strategy consultancy project to realign the organisation for future growth. This activity means we are now excellently prepared to continue our policy of offering a series of focused customer oriented propositions which will further increase our market share and profitability.

In years to come, we shall also become a much more visible presence on Qatar's skyline. Work commenced on our new Commercialbank Plaza in September 2003, with a completion date in 2006. At 122m in height, with 24 floors and a flagship branch, the Commercialbank Plaza boasts many innovative design features including ventilated clear glass facades to remove heat - a first in the region.

At Al Khor and Mesaieed we have built two new flagship branches serving the community in its broadest sense and at our Head Office we are currently renovating all floors to be able to offer a state-of-the art customer experience.

Your Bank has now achieved 29 years of continuous profitability and paid dividends in every year since its inception. As the Chairman has said, we place the enhancement of shareholder value at the top of a priority list alongside other key factors relating to customer satisfaction and community responsibility. Based on our year-end share price of QR 157,90 the return throughout this period comes to 28.5%, an achievement that we are justifiably proud of.

It only remains to be said that very little of this could have been achieved without the constant support and efforts of our staff. I am justifiably proud of my dedicated and motivated management team. Together we recognize that excellent financial performance comes from within and we work hard to ensure our staff embody all the characteristics required to attract and retain the profitable relationships that have produced these enviable figures.

Hussain Ibrahim Al Fardan
Managing Director

I. Total Assets rose above QR 8.7 billion in 2003, an increase of 43.1% over QR 6.1 billion in 2002.

II. Net Lending (including to Financial Institutions) grew by 39.37% to QR 4.8 billion in 2003 from QR 3.4 billion in 2002.

III. Customer Deposits increased by 42.9% to QR 6.3 billion in 2003 as compared to QR 4.4 billion in 2002.

IV. Net Operating Income (Operating Income before operating expenses and provisions) increased by 26.7% to QR 423.4 million from QR 334.3 million in 2002.

V. Net profit increased by 56.2% to QR 248.0 million in 2003 from QR 158.7 million in 2002.

VI. Our Cost to Income ratio further improved to 34.4% in 2003 from 35.4% in 2002 and 36.9% in 2001 respectively.

VII. Our Net Interest Margin improved to QR 259.8 million in 2003 from QR 223.9 million in 2002, a 16% increase.

VIII. Other income rose by 48.3% to 163.7 million in 2003 from QR 110.4 million in 2002. Key growth areas which contributed to this increase in 2003 were a 28.2% increase in net fee and commission income, a 57.0% increase in foreign exchange earnings and a 91.4% increase in income from the Bank's proprietary Investment holdings.

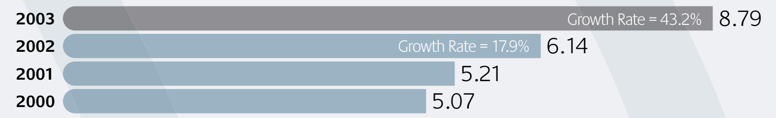
IX. The Non Performing Loan to Total Loan ratio further improved to 3.61% in 2003 vs. 5.87% in 2002 and 7.55% in 2001 respectively. This improvement was driven by aggressive implementation of tougher Risk Management initiatives.

X. Our Capital Adequacy ratio and Liquidity Adequacy ratio at the year end stands at 25.2% and 140.8% against the Qatar Central Bank requirement of 10% and 100% respectively.

key financial highlights of the year

Growth In Total Assets

CAGR = 20.1%



Billions (QR)

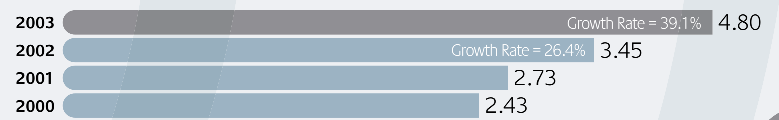
Growth In Shareholders Equity

CAGR = 36.0%

Billions (QR)

Growth In Total Loans (Inclusive of Lending to Banks)

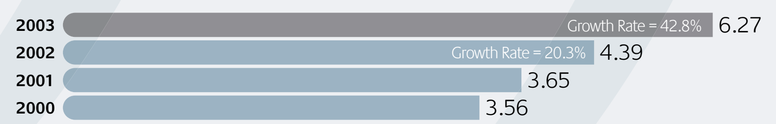
CAGR = 25.5%



Billions (QR)

Growth In Total Deposits

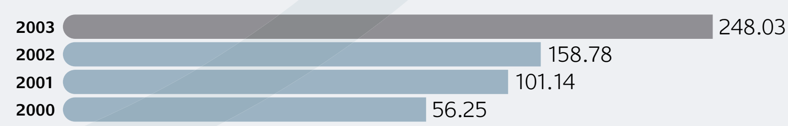
CAGR = 20.8%



Billions (QR)

Growth In Net Profits

CAGR = 64.0%



Millions (QR)

Management Report

2003 was yet another year of strong business growth and record profitability, the 29th in succession. As a business we benefited strongly from the effects of last year's initiatives - such as the internal re-organization and process re-engineering, and the extensive branch modernization programme which matched form more closely to function. Equally, 2003 was the year we focused on aligning our products and services even closer to the increasing demands and sophistication of our customer base.

In order to consolidate upon these policies we also began to concentrate on the development of a performance management culture where clear standards of performance were defined and measured across the board. This is already leading to a goals oriented organizational climate where good performance is expected and recognized, and where recognition leads to reward.

Notable aspects of Group performance were as follows:

Banking Group
Risk Group
Resource Group
Distribution Group

Notable aspects of Group performance

Banking Group

Buoyant market conditions in most industry sectors presented an ideal platform upon which to build upon previous success.

The group's support for domestic corporate business by the Domestic Banking Division was clearly evident with loans to local companies reaching QR 2.1 billion by the end of the year representing record year growth of 34% for the Division. Similar record growth of 30.7% in fees and commissions earned was achieved. The growth in fees and commissions reflects the Bank's commitment to growing its trade business and supporting the development of infrastructure through the medium of local contracting companies and their requirements for guarantees and import letters of credit. New customers grew by 15%.
To achieve better industry focus and expertise, the Domestic Banking Division was restructured along industry lines.

The International Banking Division formed in 2002 continued to reinforce the success of this strategy with participation in project related, syndicated loans increasing by 63% or QR 431 million in 2003. This activity now represents over 60% of the Division's loans. Directionally, the Division is moving towards taking underwriting and lead arrangement roles in 2004 which activities will be enhanced by the Bank's increased capital base.

Correspondent Banking relationships have been deepened and expanded to cover all major banks with Qatar's major trading partner countries and will continue to support growth in fees and commissions particularly in the oil and gas sector. The Division acted as Co-manager and Placement Agent in the very successful IPO of Industries Qatar QSC.

The revenues derived from customer FX for the Treasury Division grew by over 40% during the year and this success can be attributed to more focus on helping customers find solutions for their risk management as spot FX becomes increasingly commoditised in the local market at very low margins. Overall Bank liquidity, managed by the Treasury Division, saw a 65% increase in interbank placements on the back of customer deposits growing by 43% and finishing the year at QR 6.35 billion.

The Investment Division backed up its success in 2002 with a net return of 11.2% on funds deployed or QR 75.4 million. At year end, the investment portfolio also showed unrealized profits of QR 148.7 million (fair value reserve). Third party investment sales including the launch of an International Real Estate Fund (first in the market) continued to reinforce the bank's leadership in this area. Brokerage from International Shares fell during the year as local investors switched their attention to Qatari shares in line with market performance. Brokerage and commissions rose by 11.8% during the year.

Notable aspects of Group performance

Risk Group

The Bank derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The Bank's lines of business expose it to four major risks: liquidity, credit, market and operational.

- Risk Committees

The governance structure of the Bank commences with the Board of Directors. The Board of Directors evaluates risk through the General Manager and the following Board and Management committees:

- Credit Committee of the Board reviews all aspects related to credit risk.
- Audit Committee of the Board reviews the scope and coverage of external and corporate audit activities.
- The Asset and Liability Committee (ALCO) is a management committee primarily responsible for the Asset and Liability Management (ALM) process, establishing overall risk parameters relating to liquidity risk and market risk, developing the relevant policies and managing all market risks, including the interest rate risk inherent in the balance sheet and trading risk inherent in the customer and proprietary trading portfolio.

- Liquidity Risk

Liquidity is the ongoing ability to accommodate liability maturities, fund asset growth and meet other contractual obligations on a timely and cost effective fashion. Liquidity management involves the maintenance of an ample and diverse funding capacity, liquid assets and other sources of cash to cushion fluctuations in asset and liability levels arising from unanticipated events or market turbulence. The primary objective of liquidity risk management; over which ALCO has the oversight, is to provide a planning mechanism for unanticipated changes in the demand or need for liquidity created by customer behavior or abnormal market conditions. ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements.

ALCO has in place a contingency plan, which is periodically reviewed. The Bank's ability to raise wholesale and/or long term funding at competitive costs is directly impacted by our credit ratings, which are as follows:

Bank Ratings	Long Term	Short Term	Financial Strength
Moody's	A3	P2	D+
Fitch	BBB+	F2	C

Throughout 2003, the Bank managed its liquidity ratio within a 108% to 146% range versus a regulatory minimum of 100%, which was the result of the robust liquidity risk management structure in place.

- Credit Risk

Credit risk is attributed to both on-balance sheet financial instruments such as loans, overdrafts and acceptances and credit equivalent amounts related to off-balance sheet financial instruments. The Bank's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into the business management processes. Policies and procedures, which are communicated throughout the organization, guide the day-to-day management of credit exposure and remain an integral part of the business culture. The goal of credit risk management is to evaluate and manage credit risk in order to further enhance this strong credit culture. The Bank has significantly enhanced its loan mix. This improvement is being achieved through a strategy of reducing exposure t non-core client relationships while increasing the size of the consumer portfolio comprising of consumer loans, vehicle loans, credit cards and residential mortgages, which have historically recorded very low loss rates. The following methodologies are integral to the Bank's credit risk management:

Risk Ratings: Commercial borrowers are assigned an internal risk rating based on an evaluation of the qualitative and quantitative trends and forecasts. The ratings system is based on a 10-point scale.

Portfolio Diversification: Portfolio diversification is an over-riding principle, therefore, the credit policies are structured to ensure that the Bank is not over exposed to a given client, industry sector or geographic area.

Risk Mitigation: In order to proactively respond to credit deterioration and mitigate risk, management of and collection of all problem loans, are handled by specialist work out units, outside the business groups.

The robust credit risk management structure has resulted in strong improvements in the loan portfolio as reflected by the drop in Non-performing Loans to Total loans to 4.55% at year end from 6.82% in 2002.

- Market Risk

Market risk is the potential loss due to adverse changes in the market value or yield of a position. The risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities. Market-sensitive assets and liabilities are generated through loans and deposits associated with the traditional banking business, proprietary trading operations, the ALM process and credit risk management. The traditional banking loan and deposit products are non-trading positions and are not reported at amortized cost for assets or the amount owed for liabilities (historical cost). While the accounting rules require an historical cost view of traditional banking assets and liabilities, these positions are still subject to changes in economic value based on varying market conditions. Interest rate risk is the effect of changes in the economic value of the loans and deposits, as well as our other interest rate sensitive instruments and is reflected in the levels of future income and expense produced by these positions versus levels that would be generated by current levels of interest rates.

Interest Rate Risk: The ALM process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Bank's non-trading financial instruments and the goal is to manage interest rate sensitivity so that movements in the interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to the net interest rate income caused by changes in market interest rates. The Bank typically manages the interest rate risk of its non-trading financial instruments by segmenting these assets and liabilities into two broad portfolios: non-discretionary and discretionary.

The non-discretionary portfolio consists of customer driven loans and deposit positions and securities required to support regulatory requirements. To manage the resulting interest rate sensitivity of the non-discretionary portfolio, the Bank uses a discretionary portfolio of securities, long dated deposits, inter-bank takings and placements, and when warranted, derivatives by strategically positioning the discretionary portfolio, the interest rate sensitivity in the non-discretionary portfolio is largely managed.

Foreign Currency Risk: Foreign Currency risk is the risk of loss that results from changes in foreign exchange rates. Given the nature of the Bank's business, exposure to foreign currency risk is limited and is strictly controlled by the Market Risk Policy and the Structural Risk Management Policy which governs the maximum trading and exposure limits that are permitted.

- Operational Risk

Operational risk is the risk of direct or indirect loss that may result from inadequate or failed technology, human performance, process or external events. The Bank endeavours to minimize operational losses by ensuring that effective infrastructure, controls, system and individuals are in place throughout the organization.

Notable aspects of Group performance

Resource Group

- Information Technology

Early in 2003, a detailed review of the Bank's Information Technology needs for the coming three years was undertaken. As a result, the Bank has been able to establish a technology strategy that builds on the current core banking platform whilst utilizing new technologies to deliver products and services across a portfolio of integrated delivery channels. The immediate requirements of the strategy were to upgrade our core banking system and infrastructure to provide a robust and reliable platform ensuring 24-hour availability. This was successfully completed towards the end of 2003. The strategy also identified the need to acquire a wide array of business focused applications that would support the numerous initiatives outlined in the Bank's strategy. The acquisition of these applications was initiated in 2003 with implementations planned throughout 2004. In the first quarter, major upgrades to our telephone banking services will take place and this will be followed with implementations of applications in Investment Management, Trade Finance, and Consumer Finance. In the third quarter of 2004, a new branch banking system will support the ever increasing sales and marketing role of the modern retail banking branch. The Bank will also provide major upgrades to the Internet Services currently offered.

At the heart of the Bank's infrastructure is the customer data repository which has been enhanced in 2003 to provide a complete and consistent view of the customer at all service delivery points. Additional business intelligent tools have been acquired to support the mining and analysis of information to enable a greater understanding of customer needs and to support product development.

During the year, a strategic alliance was formed with a leading Indian Technology Company. Through this partnership, the Bank has benefited from the reduced costs of development and the availability of key skill sets. The activities of this alliance will grow in the months ahead with further development projects and consultancy in the important areas of security and business continuity.

- Premises

The branch refurbishment program was completed by the end of September. The program has created a branch network that reflects the transition of branches to sales and marketing outlets. This is facilitated by spacious internal designs that encompass standard zones of function, standard merchandising and the latest in 24-hour ATM facilities. The branch network is the physical representation of the Bank's brand reflecting our core values of openness, transparency and accessibility.

Our aggressive deployment of offsite ATMs has continued as we bring increased convenience to our customers. These high traffic sites have been populated with fully functional ATMs housed in a standard branded surround.

In July, the Piling and Enabling contract for our new 24 story tower in West Bay was awarded and work is well underway. The contract for the main construction phase has been put out to tender. This world class building is due for completion in August 2006.

The continuing and planned expansion of the Bank required that we obtain further office space in the commercial district. A seven story building close by to the main office was acquired and both this building and our Main Office are undergoing major renovations.

The result will be two buildings providing a modern, attractive and high quality working environment. In addition to office accommodation, the buildings will house a state of the art data center, a new corporate branch and an investment center as well as a completely redesigned retail branch in our current main office.

- Human Resource Division

The end of 2003 heralded the implementation of a new performance management system based upon Key Performance Indicators (KPIs). The KPIs are based on the bank's strategic goals cascaded down across the entire organization. Through this approach we ensure that the organization is totally focused and all employees are aware of their part in realizing the strategy. The largest rewards will go to those who make the largest contribution; an approach that is only feasible with an objective review system. Linked to this is an excellent reward system, in addition to the incentive schemes for customer facing staff have been very successful and will continue to be deployed and expanded in the coming year.

An integral part of the performance management system was the conclusion of a complete review of organization and compensation structure. This review has ensured that all functions within the Bank have been properly evaluated and benchmarked and positioned within the correct reward level. It has provided us with a fair and equitable compensation structure, a vital component of any effective performance management system.

Training has been a key activity during the year and we have continued to offer a comprehensive set of training and development programs across the organization. The development of our staff is at the center of our HR strategy as we strive to become the preferred employer in the market. Qatarisation targets have been achieved and we are developing attractive new programs to further develop and strengthen the Qatari cadre within the Bank.

- Customer Service Delivery/Change Management/Administration

The Customer Service Delivery (CSD) area gave significant support to Qatar Central Bank in the implementation of a new image based cheque clearing system. This system, the first of its kind in the region, has transformed the cheque into an immediate payment instrument. High value cheques presented at our counters drawn on other banks can be presented and paid within 20 minutes. All cheques are cleared within the same day.

During 2003 CSD has focused on providing quality processing services through the introduction of more effective and efficient processes. Whilst this has been successful, there will be continued concentration on this aspect of our work on an ongoing basis. System implementations scheduled for 2004 will have a significant impact on this area.

The Bank has formulated a strategy that calls for outsourced services that cannot be considered core competencies. Now all cash transportation is handled by a specialised company enhancing the service and removing the associated risk from our books. Similarly the support and management of our rapidly growing ATM network has been outsourced.

A complete review of procurement processes and supplier management has resulted efficiency gains in procurement and a reduction in several areas of supply.

Distribution Group

Significant achievements have been made by the Distribution Group in building on the brand developments launched in 2002. Branches benefited from redesign and refurbishment and expansion plans continue with growth in all aspects of the network.

By the end of 2003, there were 14 branches of the Bank strategically located throughout Qatar. New customer-designed branches have been commissioned in Mesaieed and Al Khor, and a new branch was opened at Hyatt Plaza shopping centre. By the end of 2003, the electronic banking network consisted of 45 ATMs and 14 specialised cash deposit machines to provide customers with alternative methods of dealing with their transactions 24 hours a day. Automatic queuing systems have been installed in the busiest branches to enhance customer service.

There have been continuing rising trends towards migrating basic transactions away from the counters, allowing branch staff to focus on added value services to the customers. Point of Sale transactions via credit or debit cards have shown a 30% increase over the year whilst the value of ATM transactions increased by nearly 15% over 2002 figures.

Electronic Banking services have seen significant growth in 2003. The daily 'hits' to the Commercialbank website increased by 36%; registrations for the internet banking service increased by 33%, monthly logins by 44%; the number of transfers and payments increased by 103% and most significantly the utility bill payments over the internet increased by 118%.

The Contact Centre continues to be a vital part of the service. Total calls handled in 2003 were 40%

higher than in 2002. Additional features continue to be offered through the Contact Centre such as bill payments, and loan payment holiday arrangements. New initiatives soon to be launched include the Interactive Voice Response (IVR) service to complement the personal service agents. This will enable fast, direct customer service for the most common calls whilst maintaining the 'personal touch' whenever needed. SMS banking with 'push' and 'pull' services will also allow customers convenient access to information about their accounts at any time. These initiatives have been planned for introduction in the first quarter of 2004.

Net Profit from Cards increased by 92%. New products have been introduced such as the Pay Card which helps large corporate customers manage their employee payroll and Deposit Card which allows staff of merchants to bank cash takings into the cash deposit machines in shopping centers. In addition, a Credit Shield Insurance product was introduced during the year. Despite increased competition, the Bank continues to command leading market share of over 70% in the merchant acquiring business. Total Cards in force grew by 20% over the year.

In 2003, Retail Deposits grew by 34% whilst Retail Loans grew by 38%. Account growth was up by over 16%. The Bank continues to target increased market share in all segments of the market.

nriDirect
One relationship, benefits of two banks

In June 2003 an initiative unique in the market in Qatar was launched, in conjunction with ICICI bank of India. This programme, 'nriDirect', is specifically targeted at the Indian expatriates living and working in Qatar. Commercialbank attends to their banking needs in Qatar whilst ICICI provides services needed back home in India. A fast, efficient and inexpensive remittance process has been developed between the two banks to attract customers to the programme. Indian customers' business with Commercialbank has increased dramatically since June. Account opening growth since June has been 21% higher than the first half, credit cards issued is up 28% and asset growth 133% higher.

The success of the nriDirect arrangement for Indian customers will now be built on by adding a similar arrangement with a major bank in Egypt to serve the needs of Egyptian customers in Qatar.

Far-reaching developments are now underway to achieve a better understanding of the nature and background of our customers. Significant research had been carried out towards the end of the year, including customer surveys and customer focus groups, to ensure the bank is well positioned for growth in 2004 and beyond. This process ensures an approach is adopted which recognises the broader needs of specific customer groups, not just providing transactional assistance but also becoming a financial partner. A number of new custom-designed service packages have been designed for specific market segments, for roll-out in 2004.

The services provided by the Commercialbank will therefore be more closely matched to customer needs, resulting in stronger customer take up and customer retention. Coupled with this are significant developments in staff sales training, performance management, process improvement and technology support to be rolled out in 2004.

Andy Stevens
General Manager

2003
Financial **Statements**

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To
The Shareholders
The Commercial Bank of Qatar - Q.S.C
P.O.Box No: 3232
Doha, State of Qatar

We have audited the accompanying consolidated financial statements of The Commercial Bank of Qatar - Q.S.C. ("The Bank") as at and for the year ended 31 December 2003, as set out on pages 31 to 59. These consolidated financial statements are the responsibility of the Bank's directors and management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, we believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2003, the results of its operations, the changes in its shareholders equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the Qatar Central Bank regulations.

Furthermore, in our opinion proper financial records have been kept and the consolidated financial statements are in agreement therewith. We have reviewed the Director's report and confirm that the information contained therein is consistent with the consolidated financial statements. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any significant violations of the provisions of Qatar Commercial Companies Law No. 5 of 2002, the Qatar Central Bank Law No. 15 of 1993 and its amendments, and the Bank's Articles of Association having occurred during the year which might have had a material adverse effect on the business of the Bank or on its financial position.

Abdul Hakim Al - Adhamy
KPMG Peat Marwick
Auditor's Registration No. 105
Doha, 20 January 2004

Consolidated Balance Sheet
As at 31 December 2003

Figures in thousand Qatar Riyals

	Note	2003	2002
ASSETS			
Cash and balances with Central Bank	4	257,155	203,099
Securities held for trading	5	13,258	22,496
Due from banks and financial institutions	6	2,444,020	1,442,872
Loans and advances to customers	7	4,654,805	3,371,756
Investments	8	1,149,558	853,542
Property, furniture and equipment	9	154,402	93,214
Other assets	10	111,385	154,085
Total assets		**8,784,583**	**6,141,064**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks and financial institutions	11	430,933	392,762
Customers' deposits	12	6,272,166	4,390,091
Other borrowed funds	13	436,800	436,800
Other liabilities	14	233,536	134,765
Total liabilities		7,373,435	5,354,418
SHAREHOLDERS' EQUITY			
Paid up capital	16	355,957	237,305
Legal reserve	16	526,140	229,509
Other reserves	16	26,500	26,500
Fair value reserve	16	147,327	59,551
Proposed dividend	16	106,787	59,326
Proposed bonus shares	16	88,989	59,326
Retained earnings	16	159,448	115,129
Total shareholders' equity		**1,411,148**	**786,646**
Total liabilities and shareholders' equity		**8,784,583**	**6,141,064**

The attached notes form part of these consolidated financial statements.

The financial statements have been approved by the Board of Directors and signed on their behalf by the following on 20th January 2004.

HE Abdullah bin Khalifa Al Attiyah	Mr. Hussain Ibrahim Alfardan	Mr. A C Stevens
Chairman	Managing Director	General Manager

Consolidated Statement of Income
For the year ended 31 December 2003

Figures in thousand Qatar Riyals

	Note	2003	2002
Interest income	17	341,236	315,208
Interest expense	18	(81,484)	(91,273)
Net interest income		**259,752**	**223,935**
Fee and commission income	19	106,210	82,202
Fee and commission expense		(21,760)	(16,320)
Net fee and commission income		84,450	65,882
Dividend on shares and investment funds units	20	5,109	5,547
Profits from foreign currency transactions	21	19,860	12,647
Profits from investments (net)	22	51,590	24,076
Other operating income		2,665	2,208
Net operating income		**423,426**	**334,295**
General and administrative expenses	23	131,722	106,712
Depreciation and amortization		14,163	11,762
Provisions for impairment losses on loans and advances to Financial Institution	6	14,110	14,600
Provisions for impairment losses on loans and advances to Customers (net)	7	9,972	39,842
Provision/charge for impairment loss of available for sale investments (+) -		3,337	2,602
Impairment losses on properties acquired in settlement of debt		92	-
Other provisions	15	2,000	-
Net profit		**248,030**	**158,777**
Earning per share			
- Basic	24	6.97	6.69
- Adjusted	24	8.22	6.98

The attached notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2003

Figures in thousand Qatar Riyals

COMPARATIVE YEAR	Share Capital	Legal Reserve	Other Reserves	Fair Value Reserve	Propsed Dividend	Propsed Bonus shares	Retained Earnings	Total
Balance at 1 January 2002	197,754	197,754	26,500	44,058	49,439	39,551	111,868	666,924
Distributed bonus shares for the year 2001	39,551	-	-	-	-	(39,551)	-	-
Distributed dividend for the year 2001	-	-	-	-	(49,439)	-	-	(49,439)
Directors' fees paid for 2001	-	-	-	-	-	-	(2,584)	(2,584)
Contribution for social responsibilities	-	-	-	-	-	-	(2,525)	(2,525)
Net profit for the year	-	-	-	-	-	-	158,777	158,777
Transfer to reserves	-	31,755	-	-	-	-	(31,755)	-
Net movement in fair values reserve	-	-	-	15,493	-	-	-	15,493
Proposed Dividend & Bonus shares	-	-	-	-	59,326	59,326	(118,652)	-
Balance at 31 December 2002	**237,305**	**229,509**	**26,500**	**59,551**	**59,326**	**59,326**	**115,129**	**786,646**
CURRENT YEAR								
Adjustment for exchange rate fluctuations	-	-	-	-	-	-	(560)	(560)
Distributed bonus shares for the year 2002	59,326	-	-	-	-	(59,326)	-	-
Distributed dividend for the year 2002	-	-	-	-	(59,326)	-	-	(59,326)
Directors' fees paid for the year 2002	-	-	-	-	-	-	(3,375)	(3,375)
Contribution for social responsibilities	-	-	-	-	-	-	(4,000)	(4,000)
Increase in share capital through Rights issue	59,326	-	-	-	-	-	-	59,326
Increase in premium received from Rights issue	-	296,631	-	-	-	-	-	296,631
Net profit for the year	-	-	-	-	-	-	248,030	248,030
Net movement in Fair Values	-	-	-	87,776	-	-	-	87,776
Proposed Dividend & Bonus share	-	-	-	-	106,787	88,989	(195,776)	-
Balance at 31 December 2003	**355,957**	**526,140**	**26,500**	**147,327**	**106,787**	**88,989**	**159,448**	**1,411,148**

Note:

I) During the year, the shareholders of the Bank at an extraordinary general meeting held on 22 June 2003 have approved the Board of Directors proposal for a right issue of 1 share for every 5 shares held as on 30 June 2003. Accordingly 5,932,611 shares were issued at QR 60/- per share, including a share premium of QR 50/- per share. The share premium has been transferred to legal reserve as per the requirements of Qatar Commercial Companies Law no. 5 0f 2002.

II) Retained earning includes proposed directors' remuneration of QR 6.750 million (2002: QR 3.375 million) and a social responsibility fund contribution QR 5.0 million (2002: QR 4.0 million)

Consolidated Statement of Cash Flows
For the year ended 31 December 2003

Figures in thousand Qatar Riyals

	2003	2002
Cash flows from operating activities		
Net profit for the year	248,030	158,777
Adjustments of profit (losses) with cash flows from operating activities		
Depreciation and amortization	14,163	11,762
Provision for impairment of loans and advances	49,366	75,263
Provision/charge for impairment loss of available for sale investments (+) -	3,337	8,550
Impairment losses on properties acquired in settlement of debt	92	-
Other provisions	2,000	-
Profit from sale of property, furniture and equipment	(891)	(8)
Profit from sale of investments	(52,387)	(29,836)
Profits before changes in operating assets and liabilities	**263,710**	**224,508**
Net decrease (increase) in assets		
Balances with banks and financial institutions	(112,136)	(62,351)
Loans and advances to customers	(1,318,305)	(513,400)
Other assets	42,700	(26,704)
Net increase (decrease) in liabilities		
Customers deposits	1,882,075	743,626
Other liabilities	89,396	31,171
Net cash from operating activities (1)	**847,440**	**396,850**
Cash flows from Investing activities		
Purchase of investments	(445,546)	(741,609)
Proceeds from sale and redemption of securities	286,356	603,625
Purchase of property and equipment	(75,500)	(35,740)
Proceeds from sale of property and equipment	903	222
Net cash used in investing activities (2)	**(233,787)**	**(173,502)**
Cash flows from Financing activities		
Proceeds of borrowed funds	-	436,800
Payments of borrowed funds	-	(436,800)
Proceeds from rights issue	355,957	-
Dividend paid	(59,326)	(49,439)
Net cash from (used in) financing activities (3)	**296,631**	**(49,439)**
Net increase in cash and cash equivalents during the year (1+2+3)	910,284	173,909
Effects of foreign exchange fluctuation	(515)	-
Cash and cash equivalents at beginning of year	995,249	821,340
Cash and cash equivalents at end of year (Note # 31)	**1,905,018**	**995,249**

The attached notes form part of these consolidated financial statements.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

The Commercial Bank of Qatar Q.S.C. ("the Bank") was incorporated in the State of Qatar in 1975 as a public shareholding company under Emiri Decree No. 73 of 1974. The Bank is engaged in commercial banking services and credit card business and operates through its Head Office and branches established in Qatar. The Bank also acts as a holding company for its subsidiaries engaged in credit card business.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and Consolidation

- These consolidated financial statements are prepared under the historical cost convention (except for measurement at fair values of derivatives, securities held for trading and available for sale investments) in accordance with International Financial Reporting Standards promulgated by International Accounting Standards Board, interpretations issued by the International Accounting Standards Committee and the relevant laws and banking regulations prescribed by the Qatar Central Bank.

- The consolidated financial statements include the financial statements of the bank and its controlled subsidiaries listed below. The inter-company transactions and balances have been eliminated.

Company Name	Country of Incorporation	Capital	Eqv. QAR	Share %
Diners Club Services Egypt SAE	Egypt	LE 3,700,000	2,188,139	100%
Orient 1 limited	Bermuda	U$ 20,000,000	72,800,000	100%
Diners Club Services Bahrain WLL (a subsidiary of Orient 1)	Bahrain	U$ 3,000,000	10,920,000	100%

b) Foreign Currency Transactions

- The Bank maintains its books of accounts in Qatar Riyals. Transactions during the year in other currencies are translated into Qatar Riyals at the prevailing rate of exchange on the date of the transactions. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Qatar Riyals at spot rates prevailing at year end. Translation differences arising are recognised in the income statement under the item profits/losses from foreign currency transactions.

- For overseas subsidiaries, translation differences arising from the application of closing rates of exchange to the opening balances of assets and liabilities are taken directly to 'Retained earnings'.

c) Derivatives

- Derivatives are initially measured at cost and are subsequently stated at fair value. Fair values represent quoted market prices. Derivatives with positive market values are included in other assets and derivatives with negative market values are included in other liabilities. The resultant gains and losses from derivatives held for trading purposes are included in the statement of income.

- The Bank uses forward contracts, Fx swaps and interest Rate Swap for hedging purposes. These are economic hedges and the Bank has opted not to adopt hedge accounting for the same and hence have fair valued these derivative instruments as at the balance sheet date.

d) Revenue recognition

Interest income and expenses are recognized on accrual basis using the effective interest rate. Interest income on non-performing loans is excluded from income until received in cash.

Fees and commission income for other services is accounted for on time proportion basis. Dividend income for shares and investment funds recognized when the right to receive the dividend is established.

e) Investments

- Securities held for trading are recognized at fair value and any gain or loss arising from the change in their fair values is recognized directly in the consolidated statement of income for the same period during which this change occurs.

- Originated debt securities include instruments, which are purchased directly from the issuer other than those purchased with the intent to be sold in the short term. Originated debt securities whose fair value has not been hedged are stated at amortized cost, less provision for impairment. Any gain or loss is recognized in the consolidated statement of income when the investment is sold or impaired..

- Available for sale investments are recognised at fair value for each investment separately, and any gain arising from a change in fair value of these investments is recognised directly in the fair value reserve until the investment is sold, at which time the cumulative gain previously recognised in shareholders' equity is included in the statement of income. In cases where unrealised losses occur on a specific investment due to changes in its fair value, the loss is recognised in the statement of income to the extent that it exceeds the specific fair value reserve. Future unrealised gains on that investment are recognised in the statement of income to the extent of unrealised losses previously recognised. Any excess is taken to the fair value reserve. When indications exist for the decrease of the recoverable investment value, the recoverable amount will be estimated and any losses in the fair value shall be recognised in the statement of income under the provision for impairment of investments.

- Held to Maturity investment is stated at amortized cost. When indications exist for the decrease of the recoverable investment value, the recoverable amount will be estimated and any losses in the fair value shall be recognised in the statement of income under the provision for impairment of investments.

f) Fair Value

The fair value of the marketable financial assets represents the quoted price at the balance sheet date. In case of non-availability of quoted prices for some financial assets, fair value will be arrived at cost less provision for impairment, if any.

g) Date of recognition of the financial transactions

The bank's policy is to recognize the purchase and sale of financial assets at the date of settlement.

h) Loans and advances

- Loans and advances are stated at cost less any provisions for their impairment and deferred interest. Specific provisions are determined for the impairment of loans which represents the difference in the book value and the recoverable value of the loans and advances i.e. the existing expected cash flows discounted at the effective interest rate and based on a detailed appraisal of the lending portfolio by the management following Qatar Central Bank regulations. General provision is made to cover impaired loans and advances based on the bank's experience of its loan portfolio, and at a minimum rate of 1% of the total outstanding to the private sector in accordance with QCB instructions.

- Loans and advances are written off in case of failure of all collection activities, by charging them to the provision to which recoveries of previously written off loans shall be added.

i) Properties acquired against settlement of customers debts

- Properties acquired against settlement of debts are stated in the bank's balance sheet under the item "Other assets" at its acquisition value net of provision for permanent impairment.

- According to QCB instructions, the bank should sell the lands and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition and this period can be extended for further periods or the Bank may own the property by getting an approval from QCB.

j) Property, Furniture and equipment

Property, furniture and equipment are depreciated on a straight-line basis over their estimated useful lives as follows

Buildings	20 years
Furniture and equipment	3-8 years
Motor Vehicles	5 years

k) Intangible assets

- Intangible assets represents franchise cost relating to acquiring franchise right to operate Diners Club Card business in Qatar, Egypt, Bahrain, Sudan, Yemen and Iran. These are amortised over the duration of the franchise agreement of 20 years and are included in other assets.

(l) Impairment of assets

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognized in the statement of income.

m) Employees' end of service benefits

The Bank makes provisions for end of service benefits payable to employees on the basis of the individual's period of service at the year-end in accordance with the employment policy of the Bank. This provision is included in "other provisions" under "other liabilities".

n) Other Provisions

The Bank creates provisions charging the income statement for any potential claim or for any expected impairment of assets, calculating the value of the potential claim or expected impairments. Amounts of such provision at balance sheet date is shown in details under note no. 15.

o) Repurchase or Resale Agreements

Counter party securities sold subject to a linked repurchase agreements (repos) are retained in the balance sheet, due to the continuance of the Bank's controlling them, and their evaluation will continue according to the practiced accounting policies. The liability for the received amounts of these agreements will be included in the "Balances due to Banks And Financial Institutions" or in the customers' deposits as appropriate, and the difference between sale and repurchase price will be treated as interest expenses and accrued over the life of the repo agreements.

Securities purchased under agreements to resell at a future date, will not be recognised in the balance sheet as investments, as there is no control over these assets, and the concerned amounts paid for these agreements will be included in "Balances due from Banks And Financial Institutions" or in the "Customer's Loans And Advances" as appropriate, and the difference between the purchase and re-sale price paid will be treated as interest income accrued over the contract period.

During 2003 Commercial Bank was involved in a repo transaction on Government securities owned by the bank and registered with Qatar Central Bank (QCB). The period of repo transaction was 14 days at the QCB repo rate and was not renewable. There were no repo transactions outstanding on the balance sheet date.

p) Off-balance sheet

These are items where the bank is a party in addition to the obligations about foreign exchange forwards, interest rates agreements and others, as they do not constitute actual assets or liabilities at the balance sheet date. On the balance sheet date bank has no contingent liabilities other than those disclosed under note no. 25.

q) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, deposits with Central Bank, balances with banks and financial institutions maturity within 90 days and investments held for trading. Note 31 shows the detail of cash and cash equivalents.

r) Taxes

As a Qatari company, the Bank is not liable to pay tax. One of the Bank's Subsidiaries Diners Club Services Egypt (DCSE) is liable to pay tax on Net Profit. However, current year's profit of DCSE is not subject to tax due to the brought forward losses that is deductible from current year's taxable income.

3- FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

3/1 Financial Instruments

a) These represent the Bank's financial assets and liabilities. Financial assets include cash balances and current accounts and placement with banks, loans and advances, investments and financial liabilities include customers deposits and due to banks. Financial instruments also include rights and commitments listed under "Off-Balance Sheet Items"

Note no (2) includes the accounting policies followed by the bank in respect of recognition and measurement of the key financial instruments and their related income and expenses.

b) Fair value of Financial instruments

In accordance with the basis followed in the evaluation of the Bank's assets and liabilities mentioned in the supplementary notes to the financial statements, the fair value of the Bank's assets and liabilities does not differ substantially from their book value at the date of the balance sheet. Exception to this is for the fair value of originated debt securities and held to maturity investments, fair values of which at the date of the balance sheet are stated under note number (8).

3/2 Risk Management

The Bank derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The Bank's lines of business expose it to four major risks: liquidity, credit, market and operational.

Liquidity risk is the inability to accommodate liability maturities and withdrawals, fund asset growth and otherwise meet contractual obligations at reasonable market rates. Credit risk is the inability of a customer to meet its repayment or delivery obligations. Market risk, which also includes foreign currency and interest rates risks, is the fluctuation in asset and commodity values caused by changes in market prices and yields. Operational risk is the potential for loss resulting from events involving people, processes technology, legal issues, external events or execution or regulatory issues.

Risk Committees

The governance structure of the Bank commences with the Board of Directors. The Board of Directors evaluates risk through the General Manager and the following Board and Management committees:

- Credit Committee of the Board reviews all aspects related to credit risk.
- Audit Committee of the Board reviews the scope and coverage of external and corporate audit activities.
- The Asset and Liability Committee (ALCO) is a management committee primarily responsible for the Asset and Liability Management (ALM) process, establishing overall risk parameters relating to liquidity risk and market risk, developing the relevant policies and managing all market risks, including the interest rate risk inherent in the balance sheet and trading risk inherent in the customer and proprietary trading portfolio.

(a) Derivatives Instruments used for Risk Management

The Bank's Market Risk and Structural Risk Management policies envisage the use of interest rate derivative contracts and foreign exchange derivative contracts as part of its ALM process.

(b) Interest Rate Risk

The ALM process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Bank's non-trading financial instruments.

The Bank's goal is to manage interest rate sensitivity so that movements in the interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to the net interest rate income caused by changes in market interest rates. The Bank typically manages the interest rate risk of its non-trading financial instruments by segmenting these assets and liabilities into two broad portfolios: non-discretionary and discretionary. The non-discretionary portfolio consists of the Bank's customer driven loans and deposit positions and securities required to support regulatory requirements. To manage the resulting interest rate sensitivity of the Bank's non-discretionary portfolio, the Bank uses a discretionary portfolio of securities, long dated deposits, inter-bank takings and placements,

and when warranted, derivatives. Strategically positioning the discretionary portfolio, the Bank largely manages the interest rate sensitivity in the non-discretionary portfolio.

The following table summarizes the interest rate sensitivity position at 31 December 2003 of the Bank's assets, liabilities and off-balance sheet exposures:

Figures in thousand Qatar Riyals

	Up to 3 months	3-12 Months	1-5 Years	Non-interest Sensitive	Total	Effective Interest Rate %
As at 31 December 2003						
Cash and deposits with Central Bank	15,000	-	-	242,155	257,155	1.23
Securities held for trading	1,127	-	12,131	-	13,258	
Due from banks and financial institutions	2,269,351	46,994	127,675	-	2,444,020	1.31
Loans and advances to customers	3,544,041	376,369	734,395	-	4,654,805	6.51
Investments	-	117,970	656,839	374,749	1,149,558	6.42
Other assets	-	-	-	265,787	265,787	
Total assets	**5,829,519**	**541,333**	**1,531,040**	**882,691**	**8,784,583**	
Due to banks and financial institutions	430,933	-	-	-	430,933	1.31
Customer deposits	5,692,312	469,791	110,063	-	6,272,166	1.51
Other borrowed funds	436,800	-	-	-	436,800	1.79
Other liabilities	-	-	-	233,536	233,536	
Shareholders' Equity	-	-	-	1,411,148	1,411,148	
Total liabilities and shareholders' equity	**6,560,045**	**469,791**	**110,063**	**1,644,684**	**8,784,583**	
Balance Sheet Items Gap	(730,526)	71,542	1,420,977	(761,993)	-	
Off-Balance Sheet Items Gap	-	-	-	-	-	
Interest rate sensitivity gap	(730,526)	71,542	1,420,977	(761,993)	-	
Cumulative interest rate sensitivity gap	**(730,526)**	**(658,984)**	**761,993**	**-**	**-**	
As at 31 December 2002						
Cash and deposits with Central Bank	20,000	-	-	183,099	203,099	1.28
Securities held for trading	22,496	-	-	-	22,496	
Due from banks and financial institutions	1,362,920	21,612	49,140	9,200	1,442,872	1.99
Loans and advances to customers	2,013,257	336,319	1,022,180	-	3,371,756	8.00
Investments	-	-	587,394	266,148	853,542	6.95
Other assets	-	-	-	247,299	247,299	
Total assets	**3,418,673**	**357,931**	**1,658,714**	**705,746**	**6,141,064**	
Due to banks and financial institutions	392,762	-	-	-	392,762	1.73
Customer deposits	4,053,642	282,304	54,145	-	4,390,091	2.25
Other borrowed funds	436,800	-	-	-	436,800	2.56
Other liabilities	-	-	-	134,765	134,765	
Shareholders' Equity	-	-	-	786,646	786,646	
Total liabilities and shareholders' equity	**4,883,204**	**282,304**	**54,145**	**921,411**	**6,141,064**	
Balance Sheet Items Gap	(1,464,531)	75,627	1,604,569	(215,665)	-	
Off-Balance Sheet Items Gap	-	-	-	-	-	
Interest rate sensitivity gap	**(1,464,531)**	**75,627**	**1,604,569**	**(215,665)**	**-**	
Cumulative interest rate sensitivity gap	**(1,464,531)**	**(1,388,904)**	**215,665**	**-**		

(c) Credit Risks

Credit risk is attributed to both on-balance sheet financial instruments such as loans, overdrafts and acceptances and credit equivalent amounts related to off-balance sheet financial instruments. The Bank's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into the business management processes. Policies and procedures, which are communicated throughout the organization, guide the day-to-day management of credit exposure and remain an integral part of the business culture. The goal of credit risk management is to evaluate and manage credit risk in order to further enhance this strong credit culture. The Bank has significantly enhanced its loan mix. This improvement is being achieved through a strategy of reducing exposure to non-core client relationships while increasing the size of the consumer portfolio comprising of consumer loans, vehicle loans, credit cards and residential mortgages, which have historically recorded very, low loss rates. The following methodologies are integral to the Bank's credit risk management:

* Risk Ratings: Commercial borrowers are assigned an internal risk rating based on an evaluation of the qualitative and quantitative trends and forecasts. The ratings system is based on a 10-point scale.

* Portfolio Diversification: Portfolio diversification is an overriding principle, therefore, the credit policies are structured to ensure that the Bank is not over exposed to a given client, industry sector or geographic area. To avoid excessive losses if any single counter-party is unable to fulfill its payment obligations, large exposure limits have been established per credit policy. Limits are also in place to manage exposures to a particular country or sector.

* Risk Mitigation: In order to proactively respond to credit deterioration and mitigate risk, management of and collection of all problem loans are handled by specialist work out units, outside the business groups.

Note no (7) of the supplementary notes to the financial statements includes the distribution of loan portfolio to different sectors and note no (26) includes geographical distribution.

(d) Liquidity Risks

Liquidity is the ongoing ability to accommodate liability maturities, fund asset growth and meet other contractual obligations on a timely and cost effective fashion. Liquidity management involves the maintenance of an ample and diverse funding capacity, liquid assets and other source of cash to cushion fluctuations in asset and liability levels arising from unanticipated events or market turbulence.

The management of liquidity risk is governed by the Bank's Liquidity Policy. The primary objective of liquidity risk management; over which ALCO has the oversight, is to provide a planning mechanism for unanticipated changes in the demand or need for liquidity created by customer behaviour or abnormal market conditions. ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements. ALCO has in place a contingency plan, which is periodically reviewed. The Bank's ability to raise wholesale and/or long term funding at competitive costs is directly impacted by our credit ratings, which are as follows:

a) Moody's : Long Term A3, Short Term P2 and Financial strength D+
b) Fitch : Long Term BBB+, Short Term F2 and Financial strength C

The following table sets out the maturity profile of the Bank's major assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

Figures in thousand Qatar Riyals

	During 1 month	Up to 3 months	3-12 months	1-5 Years	Total
As at 31 December 2003					
Cash and deposits with Central Bank	257,155	-	-	-	257,155
Securities held for trading	13,258	-	-	-	13,258
Due from banks and financial institutions	1,698,112	571,239	46,994	127,675	2,444,020
Loans and advances to customers	1,082,667	662,693	308,545	2,600,900	4,654,805
Investments	-	202,984	-	946,574	1,149,558
Other assets	14,652	31,112	25,628	194,395	265,787
Total assets	**3,065,844**	**1,468,028**	**381,167**	**3,869,544**	**8,784,583**
Due to banks and financial institutions	430,933	-	-	-	430,933
Customer deposits	3,374,706	1,360,732	469,791	1,066,937	6,272,166
Other borrowed funds	-	-	-	436,800	436,800
Other liabilities	154,960	26,400	8,982	43,194	233,536
Total liabilities	**3,960,599**	**1,387,132**	**478,773**	**1,546,931**	**7,373,435**
Maturity Gap	(894,755)	80,896	(97,606)	2,322,613	1,411,148
As at 31 December 2002					
Cash and deposits with Central Bank	203,099	-	-	-	203,099
Securities held for trading	22,496	-	-	-	22,496
Due from banks and financial institutions	1,334,610	1,249	21,473	85,540	1,442,872
Loans and advances to customers	887,699	355,297	108,234	2,020,526	3,371,756
Investments	-	385,269	128,423	339,850	853,542
Other assets	-	85,415	21,370	140,514	247,299
Total assets	**2,447,904**	**827,230**	**279,500**	**2,586,430**	**6,141,064**
Due to banks and financial institutions	392,762	-	-	-	392,762
Customer deposits	3,559,004	494,638	282,304	54,145	4,390,091
Other borrowed funds	-	-	-	436,800	436,800
Other liabilities	-	89,779	44,986	-	134,765
Total liabilities	**3,951,766**	**584,417**	**327,290**	**490,945**	**5,354,418**
Maturity Gap	(1,503,862)	242,813	(47,790)	2,095,485	786,646

(e) Foreign Currency Risks

Foreign Currency risk is the risk of loss that results from changes in foreign exchange rates. Given the nature of the Bank's business, exposure to foreign currency risk is limited and is strictly controlled by the Market Risk Policy and the Structural Risk Management Policy which governs the maximum trading and exposure limits that are permitted.

Figures in thousand Qatar Riyals

	Qatar Riyals	US Dollars	Euro	Sterling Pounds	Other Currencies	Total
As at 31 December 2003						
Assets	3,588,113	5,073,224	38,617	41,014	43,615	8,784,583
Liabilities and shareholders equity	(5,860,784)	(2,819,253)	(37,379)	(40,675)	(26,492)	(8,784,583)
Net Currency Position	**(2,272,671)**	**2,253,971**	**1,238**	**339**	**17,123**	**-**
As at 31 December 2002						
Assets	2,770,151	3,288,763	33,853	26,859	21,438	6,141,064
Liabilities and shareholders equity	(3,783,236)	(2,283,197)	(35,105)	(28,672)	(10,854)	(6,141,064)
Net Currency Position	**(1,013,085)**	**1,005,566**	**(1,252)**	**(1,813)**	**10,584**	**-**

(f) Financial Investments Market Risks

The Bank's proprietary investments are managed according to the Bank's internal investment policy, approved by the Board of Directors, drafted in accordance with the Qatar Central Bank guidelines. Investment policy restricted maximum limit of the Bank's total proprietary investments (i.e..total of held for trading, held to maturity and available for sale investment) portfolios to 70% of Bank's Capital and Reserve (Tier 1 Capital). However Individual limit for Held for Trading Investment portfolio is redistricted to 10% of Capital and Reserve (Tier 1 Capital) with a maximum permissible loss to carry for a single script and for whole trading portfolio on any given time. Investment policy is reviewed by the Board of Directors annually and day to day limits are independently monitored by the Risk Management department.

Investment decisions are driven by the Investment strategy, under taken by the Business Manager, reviewed by Head of Risk management and approved by General Manager. Overall Investment strategy is reviewed and approved by Assets and Liability Committee (ALCO).

(g) Capital Adequacy

The Capital adequacy ratio of the bank is calculated in accordance with the risk weighted assets of Basle Committee guidelines and Qatar Central Bank instructions. The following tables shows the risk assets and its risk weighted value for Capital adequacy ratio.

Figures in thousand Qatar Riyals

	Assets Amounts		Risk Weighted Assets	
	2003	2002	2003	2002
Cash and due from Central Bank	257,155	203,099	-	-
Balances from banks and financial institutions	2,444,020	1,442,872	558,692	335,194
Loans and advances to customers	4,686,805	3,371,756	2,418,983	1,810,387
Investments	1,014,092	816,487	318,569	238,098
Property and equipment	154,402	93,214	154,402	93,214
Other assets	111,385	154,085	108,694	146,487
Contingent or deferred liabilities, guarantees and other commitments	2,577,216	1,987,923	1,137,976	804,542
Total assets/Risk weighted assets	**11,245,075**	**8,069,436**	**4,697,316**	**3,427,922**

	Amount		% BIS	
	2003	2002	2003	2002
Tier 1 capital	1,145,284	660,394	24.38%	19.27%
Tier 1 + Tier 2 capital	1,185,296	686,394	25.23%	20.02%

The minimum ratio limit decided by Qatar Central Bank is 10% and by Basle Committee is 8%.

(h) Risk of Management of others Investments

The Bank is managing the customers' investments either directly through their instructions or in the form of investment portfolios. Investments managed by the Bank, or the management of these investments by the bank, could lead to some legal, moral and operational risks. The bank takes necessary measures to control these risks.

Management of client's investment portfolios are guided by the terms and conditions agreed to in the written agreement signed by the respective clients and the banks to manage such portfolios. These portfolios are primarily invested in fixed income, capital guaranteed or coupon paying structures. Proper books of records for such portfolios are maintained as per Qatar Central Bank guidelines and standard accounting practices. Operations of these portfolios are audited annually by external auditors as a specific assignment to ensure the regulatory compliance on the top of Bank's internal Risk Audit function.

Note number 25(b) and 29 shows the size of these investments.

(I) Other Risks

Operational Risk

Operational risk is the risk of direct or indirect loss that may result from inadequate or failed technology, human performance, process or external events. The Bank endeavours to minimize operational losses by ensuring that effective infrastructure, controls, system and individuals are in place throughout the organization. Recently bank has implemented a organization wide Incident Report format, which will be adhered to in cases of any operational loss or associated consequence for the organization.

4. CASH AND BALANCES WITH CENTRAL BANK

Figures in thousand Qatar Riyals

	2003	2002
Cash	70,776	58,689
Cash Reserve with Qatar Central Bank	171,009	122,483
Other balances with Qatar Central Bank	15,370	21,927
Total	**257,155**	**203,099**

The cash reserve with QCB is mandatory reserve not available to fund the Bank's day-to-day operations.

5. SECURITIES HELD FOR TRADING

Figures in thousand Qatar Riyals

	2003	2002
	Listed	Listed
Shares	1,123	3,126
Other notes/Bonds	12,132	19,367
Investment funds	3	3
Total	**13,258**	**22,496**

6. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

Figures in thousand Qatar Riyals

	2003	2002
Demand Accounts	25,673	9,200
Placements	2,272,727	1,361,011
Loans to banks & financial institutions	175,039	87,360
Provision for impairment losses	(28,710)	(14,600)
Interest in suspense	(709)	(99)
Total	**2,444,020**	**1,442,872**

Provision charge to income statement for impairment loss during the year 2003 is QR 14.11 million (2002: QR 14.6 million) and interest suspended during the year 2003 is QR 610k (2002: QR 99k).

7. LOANS AND ADVANCES TO CUSTOMERS

Figures in thousand Qatar Riyals

a) By type	2003	2002
Loans	3,704,975	2,631,723
Overdrafts	1,082,667	887,699
Bills Discounted	91,537	66,217
Total Loans and Advances	**4,879,179**	**3,585,639**
Specific Provision	(145,818)	(147,434)
Interest in Suspense	(46,556)	(40,449)
General Provision	(32,000)	(26,000)
Net loans and advances	**4,654,805**	**3,371,756**

The non-performing loans and advances at 31 December 2003 amounting QR 195 million represents 4.0% of the total loans and advances (QR 204 million represents 5.69% of total loans as at 31 December 2002)

7. LOANS AND ADVANCES TO CUSTOMERS (cont'd)

Figures in thousand Qatar Riyals

b) By industry	Loans	Overdrafts	Bills Discounted	Total 2003	Total 2002
Government	291,200	487,035	-	778,235	561,668
Government and semi-government agencies	892,945	34,226	-	927,171	527,411
Industry	80,269	20,924	4,058	105,251	95,215
Commercial	334,829	140,677	23,481	498,987	469,700
Services	150,521	45,619	753	196,893	215,359
Contracting	100,275	70,869	2,375	173,519	176,924
Housing	610,266	19,319	116	629,701	441,212
Consumers	1,100,078	263,998	4,452	1,368,528	1,039,988
Other	144,592	-	56,302	200,894	58,162
	3,704,975	1,082,667	91,537	4,879,179	3,585,639

Figures in thousand Qatar Riyals

c) Movement in provision	Specific Provision	General Provision	Interest-in-suspense	Total 2003	Total 2002
Balance at 1st January	**147,411**	**26,000**	**40,472**	**213,883**	**190,913**
Provisions made during the year	29,256	6,000	15,077	50,333	79,597
Provisions recoveries during the year	(25,284)	-	(1,823)	(27,107)	(26,717)
Net additional provisions during the year	3,972	6,000	13,254	23,226	52,880
Provisions used during the year to write off	(5,565)	-	(7,170)	(12,735)	(29,910)
Balance at 31 December	**145,818**	**32,000**	**46,556**	**224,374**	**213,883**

8. INVESTMENTS

Figures in thousand Qatar Riyals

	2003	2002
a) Originated Debt Securities		
By Party		
Government Debt Securities	339,850	339,850
By Interest Rate		
Fixed Rate Securities	117,970	117,970
Floating Rate Securities	221,880	221,880
	339,850	339,850

The investments in Qatari Government Debt securities denominated in Qatar Riyal has no secondary market and hence are carried at cost.

b) Investments available for sale

Figures in thousand Qatar Riyals

	2003		2002	
	Listed	Unlisted (b)	Listed	Unlisted
Equities	222,689	55,687	123,503	89,708
Government Bonds (a)	200,855	-	238,539	-
Other Bonds	39,479	-	9,005	-
Investment funds units	-	99,710	-	52,937
Provision for impairment (c)		(3,337)	-	-
	463,023	**152,060**	**371,047**	**142,645**

a) The fixed rate securities QR 203.93 million and the floating rate securities are QR 36.40 million at 31 December 2003 (against QR 247.54 million fixed rate securities as at December 2002)

b) Unlisted securities carried at cost less provision to recognize impairment. This is due to the unpredictable nature of future cash flows and the lack of suitable alternate methods for arriving at reliable fair value. Out of QR 155 million unlisted securities QR 24 million is capital guaranteed fund (Dec 2002: QR 27 million).

c) Provision for impairment includes QR 2.0 million General provision as per Qatar Central Bank instruction.

c) Investments Held to maturity

Figures in thousand Qatar Riyals

	2003 Listed	2002 Listed
By Party		
Government Bonds and Notes	194,625	-
	194,625	-
By Interest Rate		
Fixed Rate Securities	158,225	-
Floating Rate Securities	36,400	-
	194,625	**-**

The fair value of held-to-maturity investments is QR 198.83 million at 31 December 2003.

9. PROPERTY, FURNITURE AND EQUIPMENT

Figures in thousand Qatar Riyals

	Land and Buildings	Lease Hold Improvments	Furniture and Equipment	Motor Vehicles	Capital Work -in- Progress (a)	Total
Balance at 1 January 2003 (Cost)	98,212	13,340	77,201	1,766	-	190,519
Additions during the year	36,909	7,232	17,211	348	13,800	75,500
Disposals during the year	(3)	(2,197)	(14)	-	-	(2,214)
Foreign Currency Translation + (-)	-	-	(302)	(38)	-	(340)
Balance at 31 December 2003	**135,118**	**18,375**	**94,096**	**2,076**	**13,800**	**263,465**
Accumulated depreciation						
Balance at 1 January 2003	25,239	10,755	60,075	1,236	-	97,305
Charge for the year	3,456	2,046	8,384	277	-	14,163
Disposals	-	(2,197)	(5)	-	-	(2,202)
	28,695	10,604	68,454	1,513	-	109,266
Foreign Currency Translation + (-)	-	-	(177)	(26)	-	(203)
Balance at 31 December 2003	28,695	10,604	68,277	1,487	-	109,063
Net book value as at 31 December 2003	**106,423**	**7,771**	**25,819**	**589**	**13,800**	**154,402**
Net book value as at 31 December 2002	72,973	-	19,711	530	-	93,214

a) This includes QR 12.32 million incurred till date towards professional service and piling works in respect of a new building of the Bank under construction.

10. OTHER ASSETS

Figures in thousand Qatar Riyals

	2003	2002
Accrued Interest Income	25,628	21,370
Prepaid expenses	9,161	19,099
Pre-payments	30,941	32,829
Net value of the properties acquired in settlement of debts (a)	414	13,240
Intangible Assets (b)	25,315	26,732
Positive fair value of derivatives (Note # 27)	12,429	15,245
Sundry assets (c)	7,497	25,570
Total	**111,385**	**154,085**

a) This represents the value of the properties acquired in settlement of debts which are stated at cost less provision for impairment amounting to QR 2.7 million as at 31 December 2003 (QR 4.09 million as at 31 December 2002). The market value of these properties as at 31 December 2003 is QR 2.3 million (2002: QR 16.2 million). Market value of QR 2.3 million includes QR 1.9 million for a fully provided property. On court mediation, the Bank has agreed to return the property to the previous owner/borrower on a token repayment.

b) This represents the cost of acquiring Diners Club franchise in Qatar, Egypt, Bahrain, Syria and Yemen. The franchise costs are amortised over the duration of the franchise agreement (20 years).

c) Sundry assets includes QR 1.74 million as at 31 December 2003 (QR 2.3 million as at December 2002) representing the book value of ten vehicles leased out on operating lease basis.

11. DUE TO BANKS AND FINANCIAL INSTITUTIONS

Figures in thousand Qatar Riyals

	2003	2002
Banks and Financial Institutions - Current Accounts	15,136	8,742
Banks and Financial Institutions - Placements	415,797	384,020
Total	**430,933**	**392,762**

12. CUSTOMERS DEPOSITS

Figures in thousand Qatar Riyals

	2003	2002
a) By type		
Demand and call deposits	1,959,200	1,063,845
Savings deposits	252,049	193,894
Time deposits	4,060,917	3,132,352
Total	**6,272,166**	**4,390,091**

The blocked balances from customers' deposits against credit facilities is QR 68 million as at December 2003 against QR 64 million as at December 2002.

Figures in thousand Qatar Riyals

	2003	2002
b) By sector		
Government	775,602	403,355
Government and semi-government agencies	2,180,859	1,530,211
Individuals	1,857,908	1,571,577
Corporate	1,457,797	884,948
Total	**6,272,166**	**4,390,091**

13. OTHER BORROWED FUNDS

This represents medium term borrowings raised through a syndicated loan facility from a consortium of international and regional banks, to support the general funding needs of the bank. During October 2002, the Bank refinanced the loan signed in 2000, prior to its maturity, at significantly lower pricing, and prepaid the earlier USD 120 million facility. The balance as at 31 December 2003 remains unchanged at USD 120 million or QR 436.8 million (2002: USD 120 million or QR 436.8 million). The bullet loan is repayable in full after 36 months from the date of signing.

This unsecured facility carries a floating rate of interest linked to LIBOR plus a margin of 47.5 basis point. The bank has the usual prepayment option under this facility.

14. OTHER LIABILITIES

Figures in thousand Qatar Riyals

	2003	2002
Unearned income	8,153	3,453
Accrued expenses	26,400	26,453
Other provisions (Note 15)	30,824	25,707
Negative fair value of derivatives (Note 27)	12,530	15,350
Cash margins	29,381	18,816
Clearing cheque suspense	45,459	-
Accounts payable	32,920	23,266
Social responsibility fund	5,985	3,235
Outward cheques in collection	8,550	1,251
Manager cheque and payment order	7,122	7,463
Sundry liabilities	26,212	9,771
Total	**233,536**	**134,765**

15. OTHER PROVISIONS

Figures in thousand Qatar Riyals

	Other Provision(a)	Providend fund	Retirement fund	2003	2002
Balance at 1st January	-	25,707	-	25,707	24,231
Transfer from providend fund to retirement fund	-	(1,383)	1,383	-	-
Provisions made during the year	2,000	2,695	926	5,621	2,620
Provisions used during the year	-	(504)	-	(504)	(1,144)
Balance at 31 December	**2,000**	**26,515**	**2,309**	**30,824**	**25,707**

a) Other provision includes a provision taken against Bank's investment in its subsidiaries as per Qatar Central Bank instruction.

16. SHAREHOLDERS EQUITY

Issue and paid-up capital

The issued, subscribed and paid up share capital of the bank is: QR 355.957 million divided into 35,595,666 ordinary shares of QR 10 each. During the year, the bank has increased its share capital by a right issue of one share for every five shares held at a price of QR 60 (including premium QR 50) per share.

Legal Reserve

In accordance with Qatar Central Bank Law, 20% of the net profit for the year is required to be transferred to the Legal Reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 5 of 2002 and after approval of Qatar Central Bank. Legal reserve also includes the share premium on right issue raised from time to time from the date of incorporation.

Other reserves

This represents a general reserve as per the Bank's Articles of Associations to be used by a resolution from the General Assembly upon the Board of Directors recommendation and after Qatar Central Bank approval.

Fair Value Reserve

The fair value reserve arose from the revaluation of the available for sale investments. The movement in fair value reserve during the year is as follows:

Figures in thousand Qatar Riyals

	2003	2002
Balance at 1st January	59,551	44,058
Revaluation results	124,907	41,931
Transferred to Income Statement	(37,131)	(26,438)
Net changes during the year + (-)	87,776	15,493
Balance at 31 December	**147,327**	**59,551**

Proposed Dividend and Issue of Bonus Shares

The Board of Directors have proposed a cash dividend of 30% (or QR 3.0 per share) for the year 2003 (2002:QR 2.5 per share). The Board of Directors have also proposed a bonus shares issue of 25% of the Bank's capital as at 31 December 2003 (25% of the Bank's capital in 2002).

17. INTEREST INCOME

Figures in thousand Qatar Riyals

	2003	2002
Due from banks and other financial institutions	20,660	18,227
Securities	42,601	57,895
Loans and advances to customers	277,975	239,086
Total	**341,236**	**315,208**

18. INTEREST EXPENSE

Figures in thousand Qatar Riyals

	2003	2002
Due to banks and financial institutions	1,396	1,539
Customers' deposits	72,180	78,417
Other borrowed funds	7,908	11,317
Total	**81,484**	**91,273**

19. FEES AND COMMISSION INCOME

Figures in thousand Qatar Riyals

	2003	2002
Commission on loans and advances	44,588	31,966
Commission on indirect credit facilities	14,011	11,033
Commission & Fees on credit card, banking and other operations	35,461	30,285
Commission on investment activities for others	12,150	8,918
Total	**106,210**	**82,202**

20. DIVIDEND ON SHARES AND INVESTMENT FUNDS UNITS

Figures in thousand Qatar Riyals

	2003	2002
Investments Held for Trading Purposes	33	250
Investments Available for Sale	4,049	5,089
Investment Funds Units	1,027	208
Total	**5,109**	**5,547**

21. PROFITS/(LOSSES) FROM FOREIGN CURRENCY TRANSACTIONS

Figures in thousand Qatar Riyals

	2003	2002
Profits from Foreign Currency Transactions	19,905	12,028
(Losses)/Profits from revaluation of Assets and Liabilities	(45)	619
Total	**19,860**	**12,647**

22. PROFITS FROM INVESTMENT

Figures in thousand Qatar Riyals

	2003	2002
a) Profits/(Losses) from Sale of Investments		
Held for Trading	528	(751)
Available for Sale	52,387	25,024
b) Differences in revaluation		
Held for Trading	282	(197)
Available for Sale (Negative fair value) (a)	(1,607)	
Total (a) + (b)	**51,590**	**24,076**

a) Negative fair value of an individual available for sale investment as at year end after netting off previously recognized positive fair value if any, are taken to statement of income in conformity with Qatar Central Bank regulations.

23. GENERAL AND ADMINISTRATIVE EXPENSES

Figures in thousand Qatar Riyals

	2003	2002
Salaries and other benefits	65,600	58,049
Bank's participation in the retirement fund	926	-
Employees' end of service benefits	2,695	2,620
Training Programmes costs	2,055	1,949
Marketing and promotional expenses	10,767	10,636
Legal and professional charges	14,788	9,680
Communication, Utilities and Insurance	6,316	5,933
Occupancy and maintenance	9,767	6,812
IT Consumables	1,552	789
Supplies	2,599	2,508
Others operating expenses	14,657	7,736
Total	**131,722**	**106,712**

The number of staff as at 31 December 2003 was 566 (2002: 523)

24. EARNINGS PER SHARE

Earning per share is calculated by dividing the net profit for the year by the weighted average number of shares in issue during the year.

Figures in thousand Qatar Riyals

	2003	2002
Net Profit for the Year	248,030	158,777
Ordinary Number of Shares	35,595	23,730
Basic earnings per Share	6.97	6.69
Net Profit for the Year	248,030	158,777
Weighted Average Number of Shares	30,157	22,742
Adjusted earnings per Share	8.22	6.98

25. OFF-BALANCE SHEET ITEMS

Figures in thousand Qatar Riyals

	2003	2002
a) Deferred or Contingent Liabilities		
Acceptance	180,600	78,530
Guarantees	1,247,636	1,007,581
Letter of Credit	789,970	502,993
Un-utilized Credit Facilities to Customers	868,305	422,160
Guaranteed Investment Funds (Note 1)	102,090	188,090
Certified Cheques	38,148	-
Total	**3,226,749**	**2,199,354**
b) Other Undertakings and Commitments		
Foreign exchange contracts and derivatives in favour of the bank and Customers (Note # 27)	336,172	398,826
Portfolios and investments managed for others (Note 2)	58,240	-
Capital commitments in respect of building under construction	6,100	-

Note 1) This represents bank's exposure to the credit risk on its principal guaranteed funds issued to investors. The bank has guaranteed the principal amount of the funds issued in collaboration with the lead manager which has, in return, issued a back to back guarantee to the bank. More details provided in the note number 29.

Note 2) The Bank manages USD 16 million of investments on behalf of clients. This portfolio is managed in line with the terms and conditions agreed upon through an investment management agreement.

26. GEOGRAPHICAL DISTRIBUTION

Figures in thousand Qatar Riyals

	Qatar	Other GCC Countries	Europe	North America	Others	Total
As at 31 December 2003						
Cash and balances with Central Bank	257,122	5	-	-	28	257,155
Securities held for trading	-	13,258	-	-	-	13,258
Due from banks and financial institutions	170,779	1,410,802	460,526	293,465	108,448	2,444,020
Loans and advances to customers	4,447,922	170,113	-	-	36,770	4,654,805
Investments	911,636	18,868	75,118	42,226	101,710	1,149,558
Other assets	242,705	543	-	-	22,539	265,787
Total assets	**6,030,164**	**1,613,589**	**535,644**	**335,691**	**269,495**	**8,784,583**
Due to banks and financial institutions	130,167	151,406	68,191	79,184	1,985	430,933
Customer deposits	6,233,792	30,822	6,143	1,409	-	6,272,166
Other borrowed funds	-	436,800	-	-	-	436,800
Other liabilities	226,518	531	-	-	6,487	233,536
Shareholders' Equity	1,411,148	-	-	-	-	1,411,148
Total liabilities and shareholders' equity	**8,001,625**	**619,559**	**74,334**	**80,593**	**8,472**	**8,784,583**
As at 31 December 2002						
Cash and balances with Central Bank	203,099	-	-	-	-	203,099
Securities held for trading	-	3,083	19,413	-	-	22,496
Due from banks and financial institutions	19,587	1,138,392	154,816	85,230	44,847	1,442,872
Loans and advances to customers	3,221,117	148,623	889	-	1,127	3,371,756
Investments	462,945	22,537	249,404	34,868	83,788	853,542
Other assets	227,117	95	-	-	20,087	247,299
Total assets	**4,133,865**	**1,312,730**	**424,522**	**120,098**	**149,849**	**6,141,064**
Due to banks and financial institutions	156,520	140,603	36,745	19,327	39,567	392,762
Customer deposits	4,373,437	9,421	4,234	2,999	-	4,390,091
Other loans	-	436,800	-	-	-	436,800
Other liabilities	134,017	748	-	-	-	134,765
Shareholders' Equity	786,646	-	-	-	-	786,646
Total liabilities and shareholders' equity	**5,450,620**	**587,572**	**40,979**	**22,326**	**39,567**	**6,141,064**

27. DERIVATIVE INSTRUMENTS

The table below shows the positive ad negative fair values of derivatives financial instruments together with the notional amounts analyzed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the derivatives fair value.

Principle Value at Maturity
Figures in thousand Qatar Riyals

Details of Derivatives per type	Positive fair value	Negative fair value	Notional Amount	Within three months	3-12 months	1-5 years	More than 5 years
As on 31 Dec. 2003							
a) Cash Flow Hedges							
- Interest rate swaps	12,161	12,301	321,176	21,410	21,410	171,294	107,062
- Forward foreign exchange contracts	268	229	14,996	14,996	-	-	-
Total	**12,429**	**12,530**	**336,172**	**36,406**	**21,410**	**171,294**	**107,062**
As on 31 Dec. 2002							
a) Cash Flow Hedges							
- Interest rate swaps	14,717	14,888	364,000	21,410	21,410	171,294	149,886
- Forward foreign exchange contracts	528	462	34,826	34,826	-	-	-
Total	**15,245**	**15,350**	**398,826**	**56,236**	**21,410**	**171,294**	**149,886**

28. CUSTODIAN ACTIVITIES

On the balance sheet date Bank holds on behalf of its customer QR 343.38 million worth of international investment securities. Out of this amount QR 265.47 (U$ 72.43) million worth of investment securities are held with Clearstream Banking, an international AA+ rated custody and settlement house. Balance, investment securities are held with the financial institutions, through whom the securities was purchased. These financial institutions are industry leaders in their respective field. Bank has also established maximum limit for such holding with each financial institution according to its risk management policy.

29. INVESTMENT FUNDS

On the balance sheet date, Bank's exposure to managed funds are USD 34.7 million or QR. 126.20 million (2002: USD 57 million or QR 207.48 million). These are capital guaranteed funds and have back-to-back guarantees from at least "AA" rated international financial institutions. Bank has customised and sold these funds to its customers as its own funds. Following is the size and maturity of the funds..

Name of the fund	Size of the Fund	Customers participation	Maturity
Tejari Guaranteed Fund 5	U$ 10,000,000	U$ 8,932,000	June-2004
Tejari Guaranteed Fund 6	U$ 10,000,000	U$ 8,733,000	May-2005
Tejari Guaranteed Fund 7	U$ 10,000,000	U$ 8,490,000	June-2005
Tejari Guaranteed Fund 8	U$ 4,669,666	U$ 1,891,666	Feb-2006

30. TRANSACTIONS WITH RELATED PARTIES

The Bank carries out various transactions with subsidiaries and associates companies and with members of the Board of Directors, the executive management or companies in which they have significant interest or any other parties of important influence in the bank's financial or operations decisions. The balances at the year-end with these accounts were as follows:-

Figures in thousand Qatar Riyals

	2003	2002
Board Members		
Loans and advances (a)	159,077	131,006
- Deposits	67,011	75,225
- Contingent liabilities, guarantees and other commitments	47,661	40,796
Parent/Subsidiaries Companies (b)		
- Balance with Bank/ Customers' Deposits	40,896	38,832
- Accounts Receivables/Payables	9,673	7,224

Additional information

a) A significant portion of the balances at the year end with the members of the Board and the companies in which they have significant interest are secured against tangible collateral or personal guarantees. Moreover the loans and advances are performing satisfactorily with all obligations honoured as arranged. The pricing of any such transactions are primarily based on banker customer relationship and the prevailing market rate.

b) Balance with Bank/Customers' deposits and Accounts Receivables/ Payables between parent and subsidiaries companies including any income/expenses on those balances have been eliminated on consolidation.

31. CASH AND CASH EQUIVALENTS FOR CASH FLOW STATEMENTS

Figures in thousand Qatar Riyals

	2003	2002
Cash and balances with Central Bank*	86,146	80,616
Balances from banks and financial institutions	1,805,614	892,137
Held-for-Trading Investments	13,258	22,496
Total	**1,905,018**	**995,249**

* Does not include the mandatory cash reserve with the Central Bank.

32. FINANCIAL STATEMENTS FOR THE PARENT BANK

CBQ Parent Bank Balance Sheet
As at 31 December 2003

Figures in thousand Qatar Riyals

	2003	2002
ASSETS		
Cash and balances with Central Bank	257,122	195,056
Securities held for trading	13,258	22,496
Due from banks and financial institutions	2,434,619	1,442,872
Loans and advances to customers	4,647,324	3,364,391
Investments	1,224,544	927,128
Property, furniture and equipment	154,036	92,552
Other assets	95,338	134,565
Total assets	**8,826,241**	**6,179,060**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Due to banks and financial institutions	430,933	392,762
Customers' deposits	6,313,323	4,428,923
Other borrowed funds	436,800	436,800
Other liabilities	233,223	134,017
Total liabilities	**7,414,279**	**5,392,502**
SHAREHOLDERS' EQUITY		
Paid up capital	355,957	237,305
Legal reserve	526,140	229,509
Other reserves	26,500	26,500
Fair value reserve	147,327	59,551
Proposed dividend	106,787	59,326
Proposed bonus shares	88,989	59,326
Retained earnings	160,262	115,041
Total shareholders' equity	**1,411,962**	**786,558**
Total liabilities and shareholders' equity	**8,826,241**	**6,179,060**

32. FINANCIAL STATEMENTS FOR THE PARENT BANK (cont'd)

CBQ Parent Bank Statement of Income
For the year ended 31 December 2003

Figures in thousand Qatar Riyals

	2003	2002
Interest income	340,347	314,028
Interest expense	(81,999)	(92,099)
Net interest income	**258,348**	**221,929**
Fee and commission income	103,684	77,693
Fee and commission expense	(20,922)	(15,362)
Net fee and commission income	82,762	62,331
Dividend on shares and investment funds units	5,109	5,547
Profits from foreign currency transactions	18,525	12,647
Profits from investments (net)	51,590	24,076
Other operating income	1,946	2,208
Net operating income	**418,280**	**328,738**
General and administrative expenses	126,412	101,452
Depreciation and amortization	13,947	11,438
Provisions for impairment losses on loans and advances to financial institutions	14,110	14,600
Provisions for impairment losses on loans and advances to Customers (net)	10,009	39,518
Provision/charge for impairment loss of available for sale investments (±)	3,337	2,602
Impairment losses on properties acquired in settlement of debt	92	-
Other provisions	2,000	-
Net profit	**248,373**	**159,128**
Earning per share		
- Basic	6.98	6.71
- Adjusted	8.24	7.00

32. FINANCIAL STATEMENTS FOR THE PARENT BANK (cont'd)

CBQ Parent Bank Statement of Cash Flows
For the year ended 31 December 2003

Figures in thousand Qatar Riyals

	2003	2002
Cash flows from operating activities		
Net profit for the year	248,373	159,128
Adjustments of profit (losses) with cash flows from operating activities		
Depreciation and amortization	13,947	11,438
Provision for impairment of loans and advances	49,364	74,939
Provision/charge for impairment loss of available for sale investments (+) -	3,337	8,354
Impairment losses on properties acquired in settlement of debt	92	-
Other provisions	2,000	-
Profit from sale of property, furniture and equipment	(891)	(8)
Profit from sale of investments	(52,387)	(29,836)
Profits before changes in operating assets and liabilities	**263,835**	**224.015**
Net decrease (increase) in assets		
Balances with banks and financial institutions	(82,717)	(61,231)
Loans and advances to customers	(1,318,187)	(403,751)
Other assets	39,227	(39,407)
Net increase (decrease) in liabilities		
Customers deposits	1,882,214	736,588
Other liabilities	91,831	(41,683)
Net cash from operating activities (1)	**876,203**	**414,531**
Cash flows from Investing activities		
Purchase of investments	(445,546)	(580,132)
Proceeds from sale and redemption of securities	284,956	422,601
Purchase of property and equipment and development of branches	(75,500)	(35,740)
Proceeds from sale of property and equipment	903	214
Net cash used in investing activities (2)	**(235,187)**	**(193,057)**
Cash flows from Financing activities		
Proceeds of borrowed funds	-	436,800
Payments of borrowed funds	-	(436,800)
Proceeds from rights issue	355,957	-
Dividend paid	(59,326)	(49,439)
Net cash from (used in) financing activities (3)	**296,631**	**(49,439)**
Net increase in cash and cash equivalents during the year (1+2+3)	937,647	172,035
Effects of foreign exchange fluctuation	150	(86)
Cash and cash equivalents at beginning of year	987,206	815,257
Cash and cash equivalents at end of year	1,925,003	987,206

33. COMPARATIVE FIGURES

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