

30 years of leadership



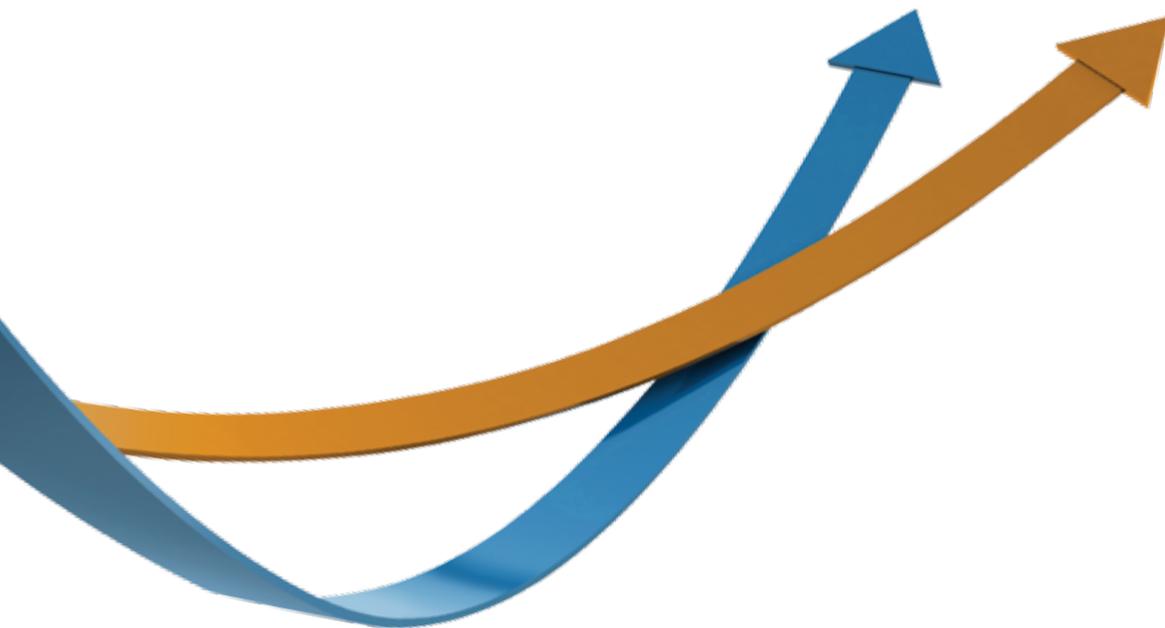


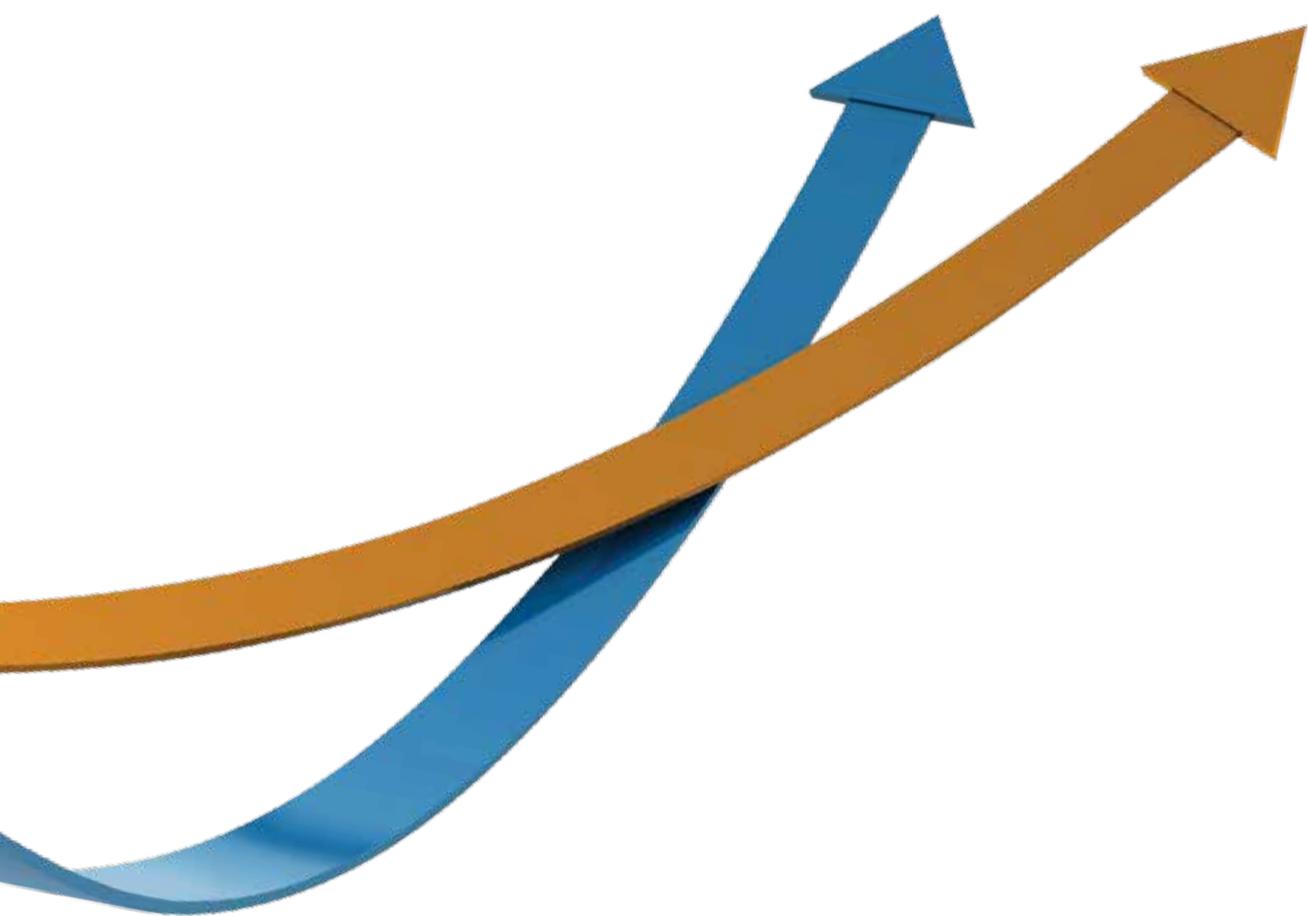


His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Emir of the State of Qatar



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





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QIB Objectives

Vision

A leading, innovative and global Islamic bank adhering to the highest Shari'a and ethical principles; meeting international banking standards; partnering with the development of the global economy and participating in the advancement of the society.





Mission

- To provide innovative Shari'a-compliant financial solutions and quality services to our customers.
- To maximize returns for our shareholders and partners.
- To nurture an internal environment of qualified professionals and cutting-edge technology.



Values

- Integrity
- Transparency
- Justice
- Co-operation and Teamwork
- Loyalty and Commitment
- Excellence

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QIB Financial Highlights

2008-2012

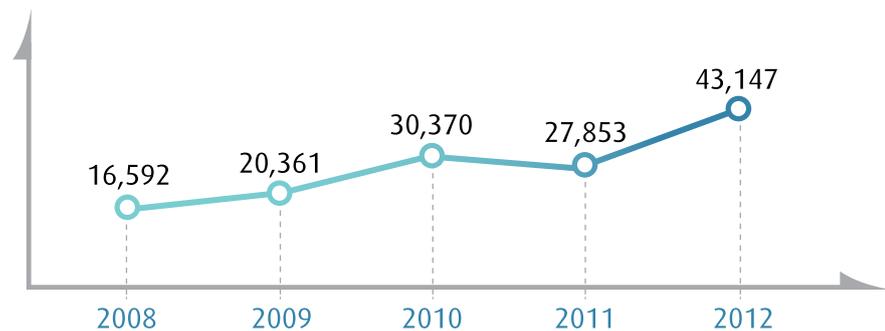
Total assets

(Million QR)



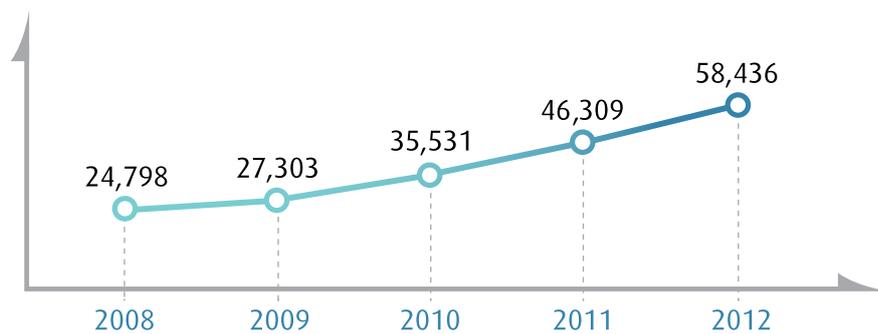
Deposits

(Million QR)



Financing & investments

(Million QR)



Operating income

(Million QR)



Net profit

(Million QR)



Share capital

(Million QR)



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Board of Directors



**Sheikh Jassim Bin Hamad
Bin Jassim Bin Jaber Al Thani**
Chairman



**Mr. Mohammad Bin
Abdullatif Al Mana**
Vice-Chairman



**Mr. Abdullatif Bin Abdulla
Al Mahmmoud**
Managing Director



**Mr. Issa R. Al Rabia
Al Kuwari**
Director



**Mr. Mohamed Bin Issa
Al Mohanadi**
Director



**Mr. Abdul Rahman
Abdulla Abdul Ghani**
Director



Mr. Mansour Al Muslah
Director



Mr. Abdulla Bin Saeed Al Eidah
Director



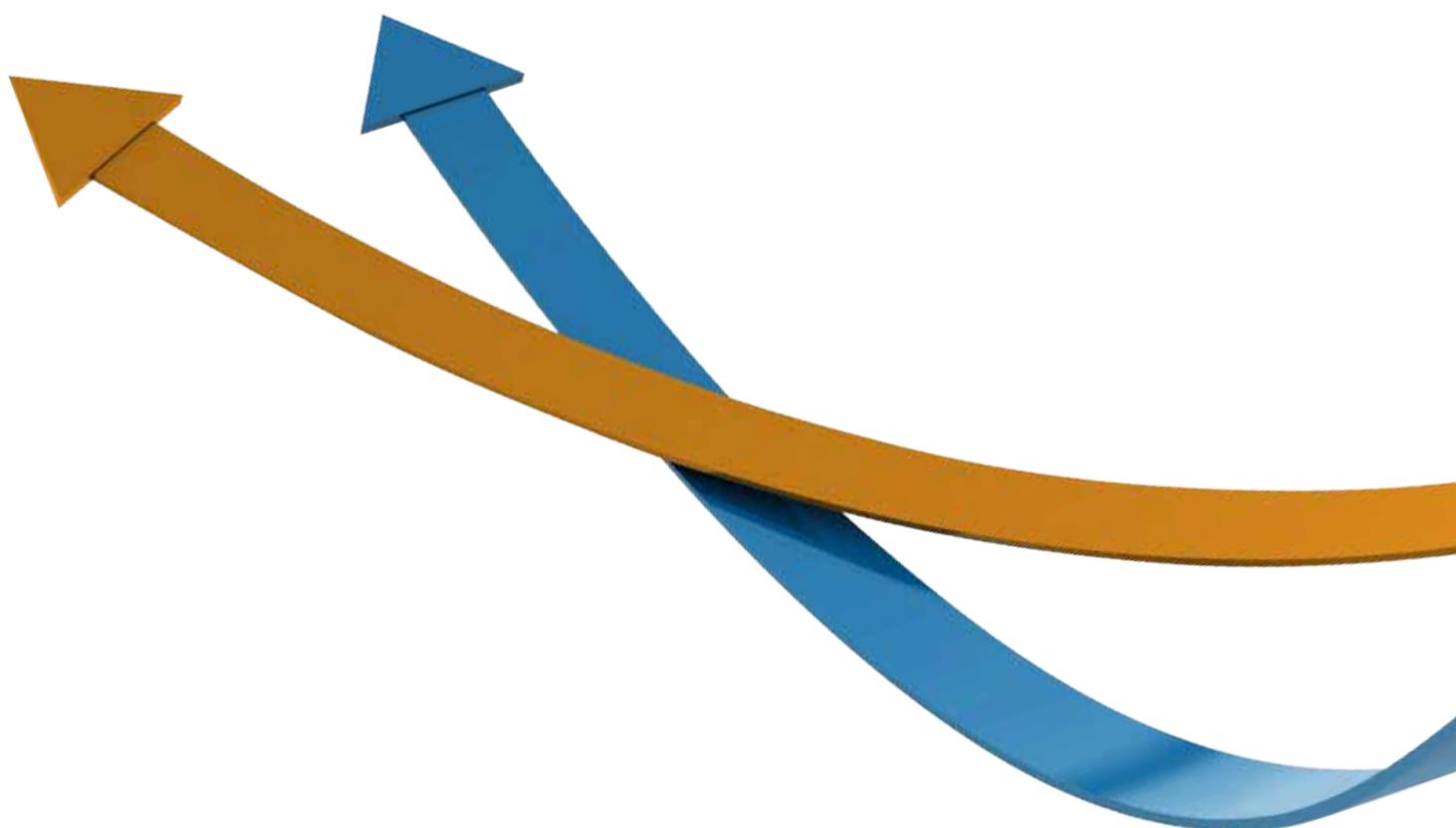
Mr. Nasser Rashid S. Al-Kaabi
Director

Shari'a Supervisory Board

His Eminence Sheikh Walid Ben Hadi
Chairman, Shari'a Supervisory Board

Prof. Abdul Sattar Abou Ghodda
Member

Dr. Mohammed Othman Shabeer
Member



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Senior Management



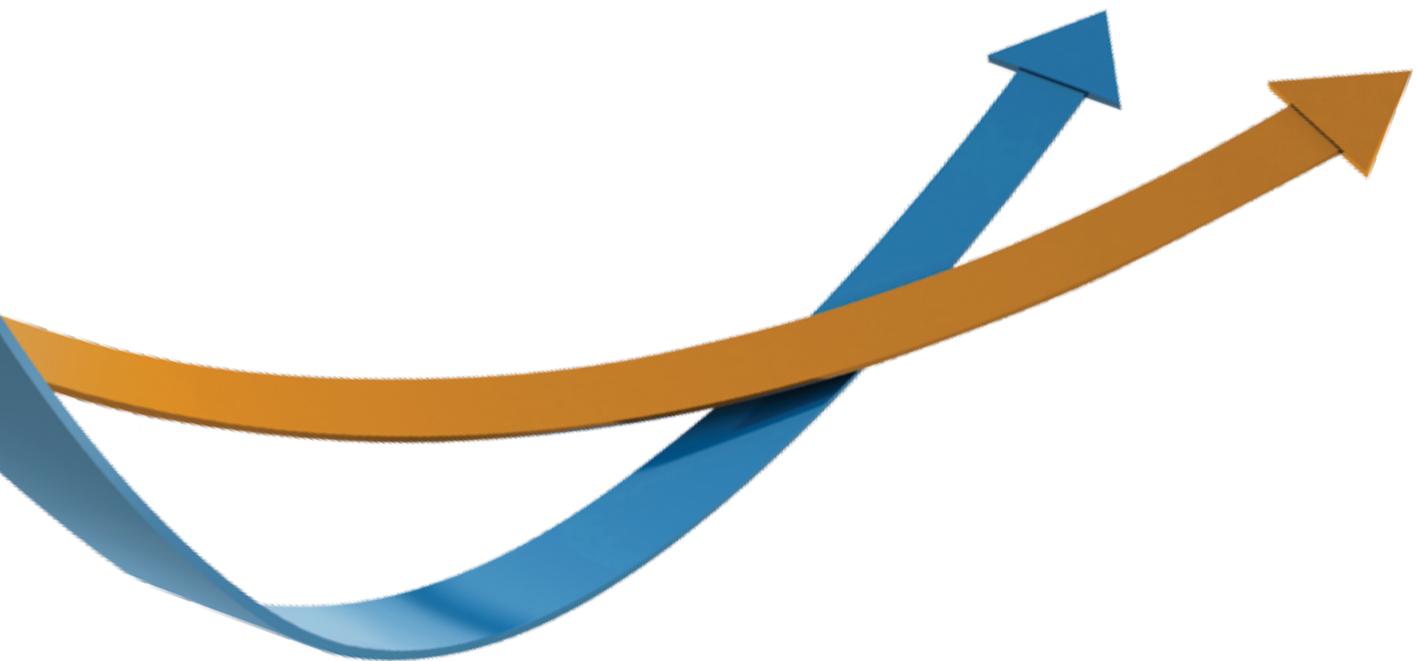
Ahmad Meshari
Acting CEO



Syed Maqbul Quader
Group Chief Risk Officer



Dr. Ahmed A. Al Kuwari
General Manager
Human Capital





Salah Al-Hail
General Manager
Real Estate Group



Dorai Anand
General Manager
Personal Banking



Constantinos Constantinides
Chief Strategy Officer



Bert de Ruitter
General Manager
Wholesale Banking Group



Giles Cunningham
Chief International Officer



Gourang Hemani
Chief Financial Officer

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Board of Directors' Report



**Sheikh Jassim Bin Hamad
Bin Jassim Bin Jaber Al Thani**
Chairman

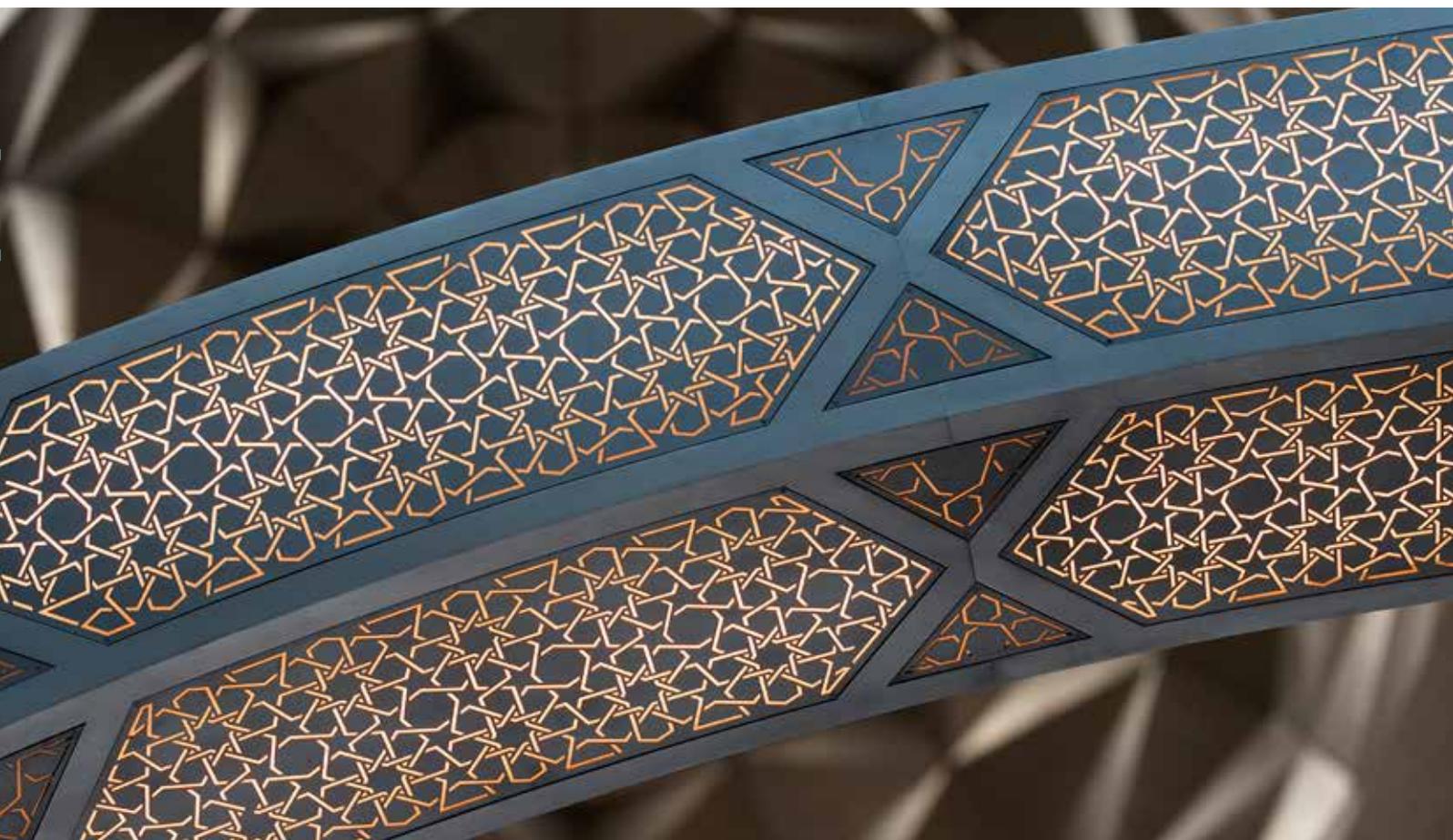
Dear Shareholders,

On behalf of Qatar Islamic Bank's Board of Directors, I am excited to present to you, QIB's Annual Report for the fiscal year 2012.

Overall, the global financial markets remained volatile in 2012. The severe financial crisis continued in the Eurozone while the Asian markets witnessed some growth. The Arab region was not immune to this volatility, along with the political unrest that did not spare a number of the region's economies. The economy in Qatar still maintained a strong yet balanced growth rate. The Bank's international sector has crafted, in collaboration with specialised consultants, a five-year strategic vision for its international investments, which will strengthen international Islamic banking and anchor the Bank's position as an Islamic financial institution of global stature. The Bank has registered substantial progress in restructuring of some of its affiliate and sister companies such as the Arab Finance House and QIB UK.

On a local level, QIB achieved significant progress in the implementation of the new organisational restructuring all levels. Various working positions were filled and made operational simultaneously, in order to achieve the best results. The crowning measure was the appointment of an eminent banker as Chief Executive Officer, who took

up his duties earlier this month. These measures substantially improved work procedures, as well as the level and diversity of our banking services. Foremost amongst the goals pursued by the various divisions was revenue increase and diversification, development of existing products and exploration of new markets with a view to making QIB the preferred bank for its outstanding service. Concurrently, progress was made on the level of developing Information Technology systems so as to facilitate the flow of work and regulate daily operations, in addition to providing e-banking services such as the introduction, most recently, of online and mobile banking applications. Attention was also given to Human Resources and to strengthening the performance of our staff while increasing their contribution, through innovative and modern means, to improving the workplace environment and enhancing productivity. Furthermore, QIB placed a special emphasis on attracting Qatari staff and advancing their capabilities. It welcomed through the course of this year 84 new Qatari employees and increased its Qatarization ratio to 30%.



With regards to future plans and initiatives, QIB aims 2013 to be its year of excellence. It seeks to adopt efficient tools for innovation and diversification of its credit portfolio, support for Small and Medium Sized Enterprises, expansion of foreign investments, and maximization of total profits to offset the negative impact of the decrease in the credit facility profit margin.

Dear Shareholders,

The Bank's results this year registered a quantum leap in Assets that grew from QR 58.3 billion in 2011 to QR 73.2 billion at the end of 2012 with a growth rate of 25.3%. Financing activities, that are the engine of asset growth, increased by 45.7% to reach QR 43.1 billion with an increase of QR 13.5 billion compared to the year 2011. Customer Deposits witnessed significant growth reaching QR 43.1 billion, up by 55%. These results impacted the Net Operating Income that amounted to QR 3.1 billion, up by 14.7% compared to year-end 2011, which allowed the Bank to achieve a Total Net Profit of QR 1.2 billion in 2012.

Based on these results, and bearing in mind the Bank's financial position and its long-term economic weight, as well as the need to safeguard its affirmed high ratings, the Board of Directors acknowledges the importance of cautious hedging, and full compliance with Qatar Central Bank's regulations on provisions required to cover all contingencies. It has decided

to increase this year's provisions while excluding the share earmarked for Risk Reserve with a view to enhancing the strong position of the Bank and the integrity of the financial data. In the same mindset, in order to support and increase the Bank's Reserves, the Board recommends to the General Assembly the distribution of a cash dividend of 37.5% representing QR 3.75 per share, knowing that such a rate would prevent us from tapping into the Bank's Reserve if higher rates were to be considered.

Finally, on behalf of the Board of Directors, I would like to convey our sincere appreciation and gratitude to the State's Leadership and Government for their constant support of the financial and banking sector.

Our appreciation is also extended to the State's officials concerned with the Banking sector for their continuous support and guidance, as well as to our customers, investors and shareholders for their confidence and loyalty, and to the Shari'a Supervisory Board, executive management and all staff of QIB for their dedicated efforts.

May Allah the Almighty lead our way to endeavor for the progress and development of our Bank.

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CEO Report 2012



Ahmad Meshari
Acting CEO

2012 was a year of financial and economic volatility across the globe. The Eurozone continued to suffer from distressed banks and crushing amounts of debt, while Asia witnessed some growth. Across the Middle East, political shifts in some countries threatened the economic security of the wider zone. The economy in Qatar, however, maintained a strong yet balanced growth rate, sustained by its sound policy of using petroleum-generated resources to diversify away from the oil and gas sector. This is further verified by statements of the International Monetary Fund estimating that Qatar's budget for 2012-13 could possibly post a surplus of \$10.7 billion, with the Governor of the Central Bank of Qatar predicting that actual economic growth will hit 5.5 percent in 2013.

In this context, QIB holds a 36% share of Qatar's Islamic banking assets by the end of 2012, and a 9% share of the banking sector overall. It maintains a strong and balanced financial position, contributing to an 'A' rating from S&P and Fitch, and "A-" from Capital Intelligence. With a well-distributed network of 31 branches and over 150 ATMs and CDMs spread across Qatar, QIB is also augmented by a growing international footprint, with holdings in the UK (QIB UK), in Malaysia (Asian Finance House) and Lebanon (Arab Finance House), and a new branch open in Sudan.

During the year, the Bank's results registered a quantum leap in total assets that grew by 25.6% compared to 2011 and now stands at QR 73.2 billion. This was achieved in the main by financing activities that continue to be the major growth driver and have reached QR 43.1 billion, having added QR 13.5 billion, representing a 45.7% growth compared with 2011. The Customer Deposits also climbed by 55%, amounting to QR 43.1 billion as of December 2012, reflecting a well-balanced financial position.

The operating income for 2012 reached QR 3.1 billion which is 16% higher than 2011, and Financing income grew by 17%, reaching QR 2.08 billion. This strong operating performance has enabled QIB to strengthen its financial position by allocating QR 502 million towards improving the provisional coverage on financial investments and financing activities compared to QR 194 million in 2011.



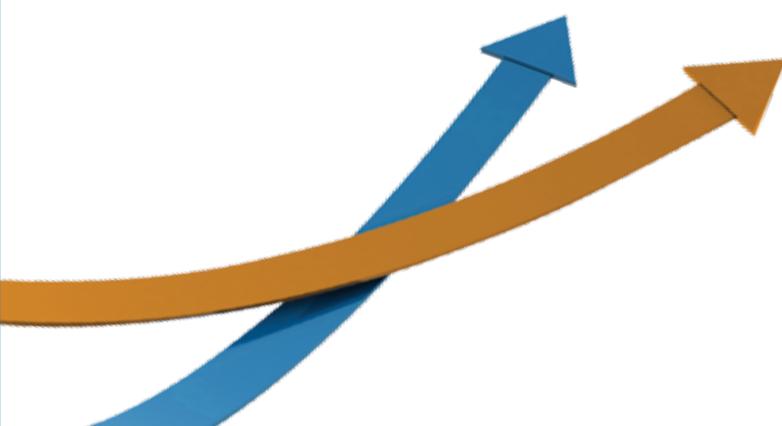
The Personal Banking Group (PBG) is now strategically well positioned to further capture growth opportunities in the Qatar market in the years to come. In 2013 QIB will continue on its transformation programmes – focusing on launching new programmes, delivering new branches with a new design, continuously enhancing its remote channels (including mobile banking), providing smart financial solutions across different customer segments and life stages and investing in its people to provide exceptional service to customers.

Personal Banking Group net income increased significantly in 2012 with net operating income reaching QR 310 million, a growth of 67% over 2011. Financing to customers increased to QR 9.6 billion as of December 2012 compared with QR 6.9 billion as of December 2011, representing a strong growth of 39%. Customer deposits reached QR 25.6 billion at year end compared to QR21 billion as of Dec 2011, marking a substantial growth of 21%.

In 2012, the Wholesale Banking Group (WBG) operated for the first full year under the new structure since the transformation of QIB's Corporate Banking activities. WBG covers all corporate entities in Qatar, ranging from the SME sector to Government Institutions. In addition, it provides specialized financial services to contractors and to the Real Estate sector. The WBG achieved growth of 45% in Customer Lending compared with 2011, and 107% growth in Deposits, 124% growth in trade Volumes, 10% in gross revenue, and 48% in Trade Finance Fees. The numbers show an impressive year-on-year growth in all areas. Owing to strong competition in the domestic market, the group experienced significant pressure on its lending margins which negatively impacted the Gross Revenue result.

For Operations and IT Group, 2012 was the year of building capacity and capability, reducing the cost of operations and establishing measurable benchmarks for quality and productivity targets, while completing several long outstanding IT projects and ensuring that they move into the production stage.

QIB believes that effective risk management is of primary importance to its overall operations. Accordingly, the Bank implements a comprehensive risk management process to evaluate monitor and manage the principal risks it assumes in conducting its activities. These include credit, market and operational risks.





relations with corporate clients, private and government institutions. This was achieved by providing Islamic financial solutions, as well as funding, for major projects that contribute to the economic growth of the State of Qatar. Major 2012 deals included funding large scale projects within both the public and private sectors, such as MEDCO, QTEL, Nakilat, MEDCO, Al Jaber and Partners, NBK, Mawashi and Gulf Cement.

A major achievement of the Bank in 2012 was the successful issuance of US\$ 750 million 5-year Sukuk issued at par with a 2.5% annual profit rate under its US\$ 1.5 billion Trust Certificate Issuance Programme. The transaction was priced efficiently against QIB's October 2015s. This financing represents the lowest profit rate ever achieved by any GCC financial institution. The issue was oversubscribed eight times, a fact that reflects the market confidence in the Bank's robust reputation and firm position.

Another achievement this year was the Bank's success in organising Qatar's first Real Estate Valuation Conference. This came within the framework of the Bank's strategy to build a symbiotic partnership with clients in the real estate sector, through the transfer and provision of expert knowledge to assist QIB's real estate customers to develop their business and investments. The main focus was to raise awareness of real estate valuation, international standards and best practices, and to initiate dialogue between the real estate stakeholders of the industry.

Meanwhile, QIB has achieved considerable success by launching new banking and financing products for retail and corporate clients, such as a QIB-Qatar Airways co-branded credit card, AAMALY programme for SMEs, TAMAYUZ programme for the affluent sector, a re-engineering of Private Banking services for High Net-Worth customers and QIB Mobile Banking.

On the International front, QIB-UK's highly successful EFH Global Sukuk Plus Fund broke through the US\$200 million level of assets for the first time, while the total return since inception has been 21.43%.

Moreover, towards the end of the year another key achievement was the launch of a new investment vehicle – the "International Sukuk Portfolio". The product is managed on a discretionary basis by a team of experts stationed in the UK. This International Sukuk

Portfolio invests in global Sukuk issued by sovereign, quasi-sovereign and corporate issuers using precise Investment Guidelines, designed to keep risk exposure under control by keeping at least 80% of total assets in investment grade Sukuk rated (BBB-Baa3, or better), as well as other control mechanisms. The Portfolio aims to provide investors with returns in excess of three-month US Dollar Libor plus 200 basis points over the cycle by investing predominantly in global Sukuk markets – with the exception of the Qatari market. Emphasis is on income, with the additional prospect of capital appreciation.

Throughout 2012 QIB has continued to implement the transformation programme which was launched in 2011, with the objective of building a modern and forward-thinking bank for the 21st century and beyond. The main focus of the programme is for QIB to deliver outstanding performance to all its stakeholders, namely shareholders through ensuring sustainable growth and profitability along with significant dividend payments, customers by offering diversified solutions capable of addressing different customer expectations while maximising customer satisfaction, and employees by increasing their knowledge levels and capabilities and providing an exciting and ideal working environment that keeps them motivated to perform to the best of their abilities.

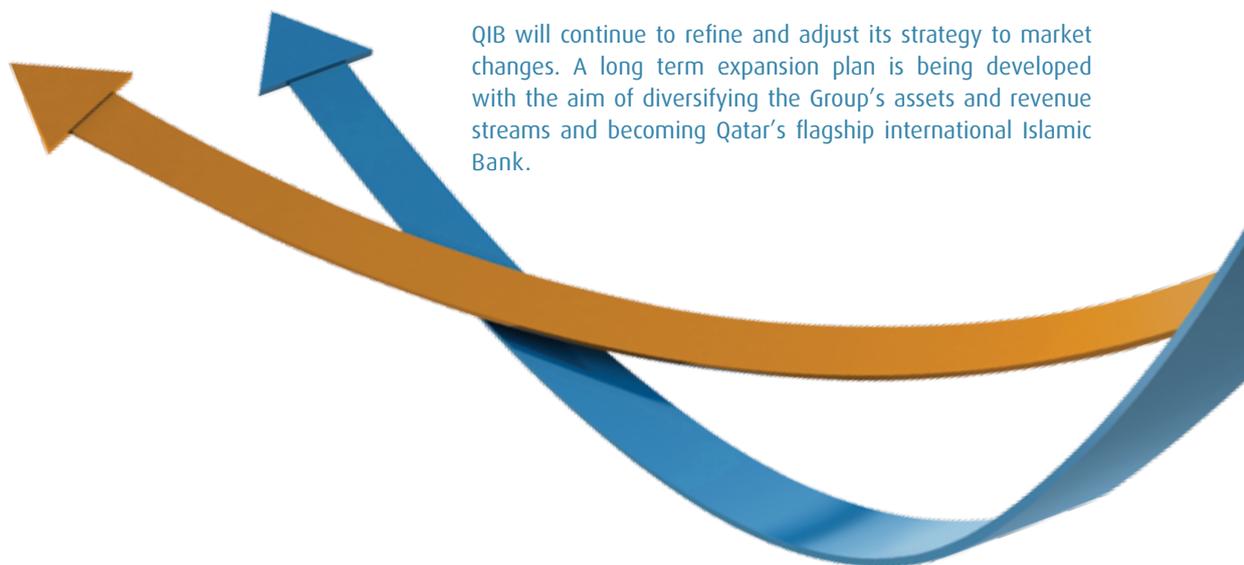
The year 2012 was a challenging one for the Human Capital team and the key focus was on implementing the organisation-wide change, as part of the Strategic Transformation project, and mobilizing new business channels. Major activities included restructuring the Group, enhancing organizational effectiveness and improving performance standards. As part of the Human Capital's Strategy, QIB achieved 30% Qatarisation as of year-end and remains committed to investing in developing National resources accordingly.

In view of its achievements in 2012, QIB received yet again a wide range of awards, notable among these were 'Best



Islamic Bank in Qatar' from Islamic Finance News (IFN) for the 3rd year in a row, Euromoney, The Asset Magazine and World Finance; 'Best Islamic Financial Institution in Qatar' from Global Finance; 'Best Asset Manager Europe' for QIB-UK from Islamic Business & Finance Awards and from IAIR Banking Awards the award for 'Banking Excellence in Qatar'. The Bank also won the prestigious annual 'STP Award', presented by Commerzbank, for outstanding performance in straight-through-processing and the delivery of commercial and financial payments in euros.

QIB will continue to refine and adjust its strategy to market changes. A long term expansion plan is being developed with the aim of diversifying the Group's assets and revenue streams and becoming Qatar's flagship international Islamic Bank.



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Strategy Group

The long-term vision of QIB is to become a leading regional financial services organisation and deliver strong shareholder value. The Group's Management is anticipating growth opportunities to continue to be present for those institutions that have a strong capital base and the right business focus and delivery commitment.

Within this context, the Strategy Group is tasked with coordinating the Bank-wide business planning process and aligning plans with target budgets and agreed initiatives. It ensures that the Bank's overall strategy, initiatives and projects, as well as the progress made and milestones achieved are monitored, communicated and understood. The Group also plays a vital role in supporting the execution of key projects.



The Group is also responsible for Marketing & Communications, and managing the Bank-wide marketing activities, such as advertising campaigns, public relations, media relations, corporate social responsibility, digital channels (website and social media), events and research (customer satisfaction/mystery shopping).

In addition to Quality assurance, it oversees all service quality related matters and initiatives for the Bank's internal and external customers. As a quality champion, continuously challenging and improving the quality of service and the overall customer experience is the primary focus of the Quality Division.

In line with QIB's long-term strategy, the Strategy Group ensured the execution of key projects during 2012, such as "Tamayuz" for affluent banking and private banking; a special initiative for SMEs called Aamaly; the expansion of new branches; the issuance of Sukuk and the setting up of a new deposit mobilisation plan and additional revenue initiatives.

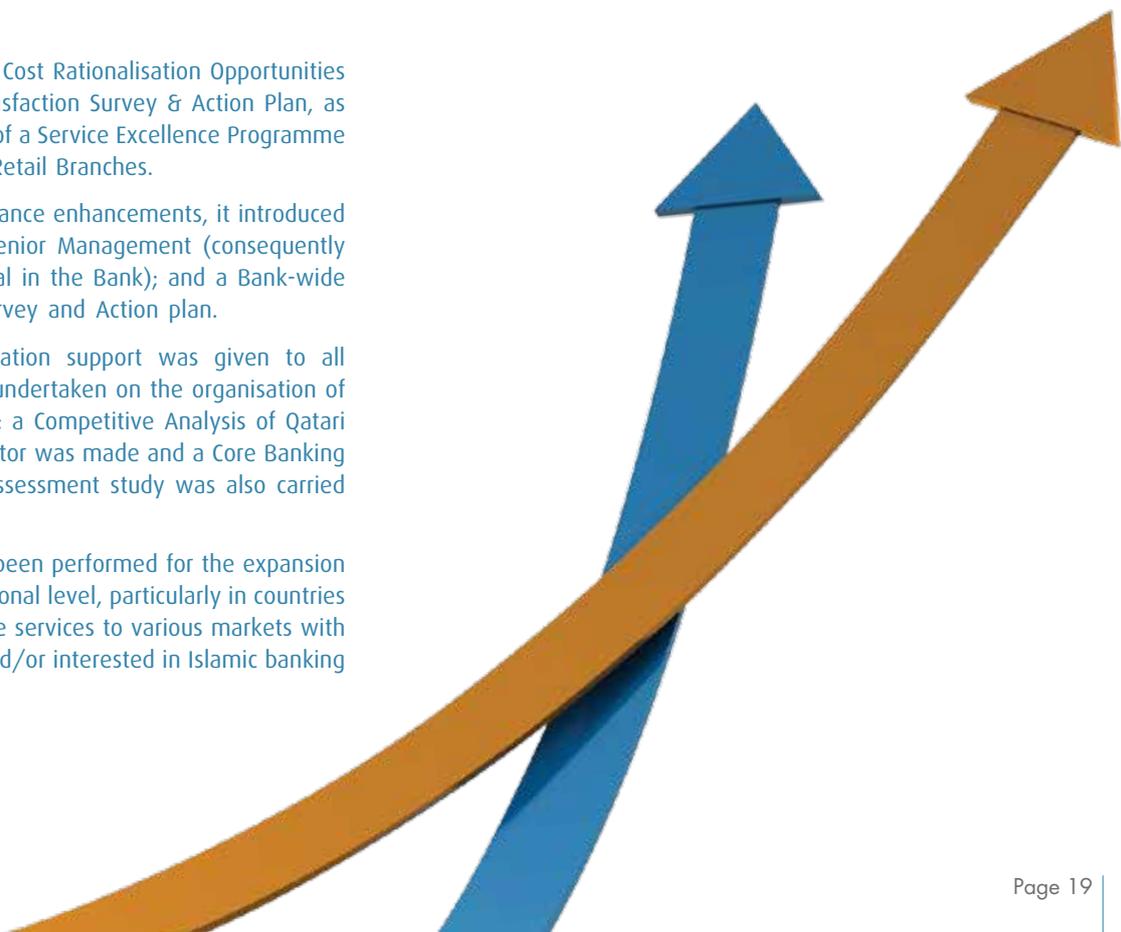


It also involved itself with Cost Rationalisation Opportunities and a Retail Customer Satisfaction Survey & Action Plan, as well as the establishment of a Service Excellence Programme and Mystery Shopping at Retail Branches.

As part of its staff performance enhancements, it introduced Balanced Scorecards for Senior Management (consequently cascaded to each individual in the Bank); and a Bank-wide Employee Engagement Survey and Action plan.

Marketing and communication support was given to all projects, while work was undertaken on the organisation of internal & external events; a Competitive Analysis of Qatari banks and the banking Sector was made and a Core Banking System Implementation Assessment study was also carried out.

Finally, an evaluation has been performed for the expansion of opportunities at the regional level, particularly in countries where QIB can offer unique services to various markets with business ties with Qatar and/or interested in Islamic banking products & services.



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Personal Banking Group

Personal Banking Group (PBG) made significant progress in its transformation programme by executing its strategy of strengthening its distribution capability, launching new segmented value propositions, developing new products to increase revenue streams, enhancing electronic banking functionalities and – most importantly – focusing on providing exceptional service to its customers.

PBG net income increased significantly in 2012 with net operating income reaching QR 310 million, a growth of 67% over 2011. Financing to customers increased to QR 9.6 billion as of Dec 2012 compared to QR 6.9 billion as of Dec 2011, representing a strong growth of 39% and a resultant significant market share gain in customer financing. Customer deposits reached QR 25.6 billion as of Dec 2012 compared to QR 21 billion as of Dec 2011, a substantial growth of 21%.

2012: Key Results

Personal Banking results summary as at the end of 2012 (Million QR)

	2012	2011	Growth
Assets	9,580	6,890	39%
Liabilities	25,604	21,091	21%
Fee Income	59.6	40.8	46%
Gross Revenues	945.5	788.0	20%



Tamayuz (Affluent Banking)

In 2012 QIB unveiled its new affluent banking proposition - Tamayuz - to meet the financial needs of its growing numbers of affluent customers. Tamayuz customers will now have access to a team of experienced Relationship Managers to provide personalised service and advice on investment and financial products. Tamayuz customers will also enjoy exclusive benefits, privileges and access to financial products tailor-made to meet their distinct financial needs. Four new dedicated Tamayuz centres were opened to provide exclusive banking access for Tamayuz customers where they can conduct their banking transactions in privacy and in an exclusive environment. In addition, Tamayuz customers will have access to priority service in all branches as well as a dedicated phone banking line.

Branch Banking

QIB continued to invest in providing exceptional service to its branch customers. During 2012, 3 new branches were opened - in the Supreme Council of Health, C-Ring Road and City Centre, bringing the total number of branches to 29.

The Bank has embarked on an ambitious plan to expand its total number of branches to 45-50 by 2015 and expects to open 5 new branches in 2013 with a new design and layout to enrich the branch customer experience.

As part of delivering excellent service in branches, the Bank implemented a pioneering Instant Issuance of debit cards which allows customers to visit a QIB branch and get a debit card issued instantaneously.

A new customer care department to handle customer complaints started to track and ensure all customer complaints are handled in a timely and accurate manner.

Private Banking

Private Banking provides customised financial solutions to High Net Worth individuals. During 2012, Private Banking embarked on enhancing its value proposition to this highly valuable customer segment by offering new investment opportunities, providing increased access to well experienced Relationship Managers and bringing on board new Private Banking clients to be serviced by the expanded Private Banking division. New Private Bank branding was introduced to energise and uplift the value proposition.

New Products

During the year QIB launched several new innovative, Shari'a compliant products to meet the financial needs of a wide segment of customers.

To meet the growing investment needs of its Private and Tamayuz customers, two new investment products, Hemaya 6 - a capital protected structured note linked to the GCC equity market, and Masaref - a structured note linked to GCC Islamic Banks, were launched.

A new innovative Lombard financing product was introduced for financing against financial collaterals such as shares, structured notes and deposits to meet the financing needs of Private and Tamayuz customers.

A range of new Takaful products was launched in collaboration with Beema. The Pioneer among them was Family Shield which provides Takaful cover for life, critical illness and disability. A new travel takaful product to provide travel takaful benefits, and a new 3-year Auto Takaful were also launched.

The Auto finance business led the way with tie-ups with more than 25 car dealerships to offer unmatched benefits to QIB customers ranging from special rates to discounts on car accessories and reduced takaful rates.

QIB cards dominated the market in terms of new card issuances and gained significant market share in both debit and credit cards. The cards business led the way in launching programmes to benefit card members. One of the well-received programmes was a tie-up with leading restaurants in Doha to offer large discounts for customers using a QIB card, and another unique 'Win your spend back' programme was launched in the summer, in partnership with Visa, whereby customers can win back what they spent using their debit card during the summer.

e-banking

QIB continues to enhance its electronic channels, both through expansion and through enriching the functionality available in remote channels.

During the year, QIB added 30 new ATMs and relocated 13 ATMs to reach a total of 169 ATM/CDM machines. 28 ATM locations were also refurbished.

New functionalities were added to the ATM and internet banking platforms, including online utility bill payments, which make QIB electronic channels one of the most functionally rich services.

A new simplified internet banking enrolment process was introduced with a customer-friendly login to increase internet banking penetration.

Personal Banking is now strategically positioned to further capture growth opportunities in the Qatari market in the years to come. In 2013 QIB will continue with its transformation programmes with a focus on delivering the new branches with a new design, continuously enhancing its remote channels including mobile banking, providing smart financial solutions across different customer segments and life stages and investing in its people to provide exceptional service to customers.

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Wholesale Banking Group

In 2012, the Wholesale Banking Group (WBG) operated for the first full year in the new structure since transformation of QIB's Corporate Banking activities.

WBG covers all corporate entities in Qatar, ranging from the SME sector to Government Institutions. In addition, we provide specialised finance services to contractors and to the Real Estate sector. Our international financing activities are covered through our Cross Border team.

2012: Key Results

WBG achieved the following results as at the end of 2012

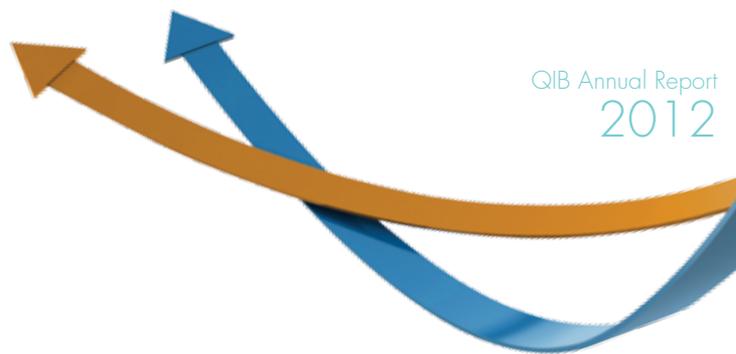
	2012	2011	Growth
Customer Lending	QR 33.2 bn	QR 22.9 bn	45%
Deposits	QR 14.1 bn	QR 6.8 bn	107%
Trade Volumes	QR 6.5 bn	QR 2.9 bn	124%
Gross Revenues	QR 1.61 bn	QR 1.46 bn	10%
Trade Finance Fees	QR 56.75 m	QR 38.33 m	48%

The numbers show impressive year-on-year growth in all areas. Owing to strong competition in the domestic market, WBG experienced pressure on lending margins which negatively impacted the Gross Revenue.

Landmark transactions

Summary of the top 5 landmark transactions:

Transaction	Amount (in Million QR)	Remarks
QTel	1,830	First Islamic transaction for them; Sukuk for QEFG
Nakilat	657	Nominated for regional Ship Finance award
NBK	800	
Gulf Cement	970	
MEDCO	1,324	Finance of Doha Port project



2012: Key Objectives and Initiatives

Our Business Plan objectives for 2012 were as follows:

- Income growth through product cross selling
- Income growth through customer diversification
- Development of new products
- Exploring new markets
- Market share growth
- To become the preferred bank for Qatari companies

In order to deliver the above objectives, WBG undertook the following initiatives:

- Creation of Transactional Banking Unit, resulting in an almost 50% growth in our Trade Finance Fee income
- Establishing a joint sales approach with Treasury Group, resulting in growth of FX income
- Establishing a sales approach, which involves proactive account planning and cross selling one bank to the customer
- Strengthening of ties with QInvest, resulting in 4 joint transactions in 2012, which creates value for both QIB and QInvest
- Focus on deposit gathering (107% growth) in order to diversify sources of funding and to maintain the Central Bank loan to deposit ratio
- Customer acquisition plan, resulting in acquisition of more than 50 new-to-Bank customers in Corporate, Contracting and Institutional
- Building of cross border team; sourcing transactions in international markets (Turkey, UAE, Saudi Arabia)
- Establishment of International Contracting & Project Finance team; responsible for origination of large regional Infrastructure projects (for example Doha Metro project)

The above initiatives enhanced QIB's market share in lending from 6.7% in 2011 to 8.6% in 2012.

2013 Outlook

In 2013 WBG expects a continued slowdown in economic growth compared to the years 2006-2011. In combination with increased competition this could lead to further margin pressures on our lending.

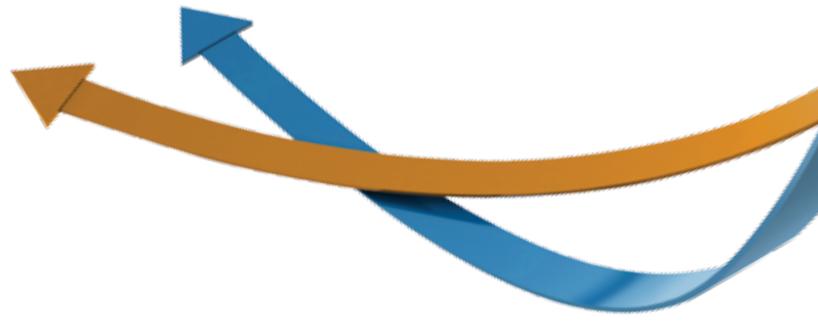


2013: Key Objectives

WBG's 2013 Business Plan builds on the 2012 success and has the following key objectives:

- Continue to improve cross sales income as part of overall relationship income, in order to compensate for lower lending margins
- Enhance the relationship management and product specialist model, in order to improve the Bank's customer service offering
- Demonstration of support to Vision 2013, by launching a new SME offering

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Treasury Group

Treasury Group is primarily responsible for managing the ALM position of the Bank and day to day management of liquidity and market risks. Treasury also manages activities such as the provision of treasury products, foreign exchange services, execution services, as well as managing the Bank's proprietary trading book. To strengthen the Bank's position in the provision of innovative treasury services and products, it recently established a dedicated product structuring desk.



In 2012 the global economy was still recovering from the financial crisis of five years ago. Though the Eurozone debt crisis has become less acute, Europe's chronic problems have worsened and the European area economies shrank. The American economy compared to Europe looked vibrant, with the housing market turning a corner and a steady fall in the unemployment rate observed; however the recovery remains weak. Emerging markets, notably the BRIC economies of Brazil, Russia, India, and China had a dismal year.

Gulf economies including Qatar maintained steady growth which helped the banking sector in general.

The Treasury Group played a pivotal role in managing QIB's liquidity and market risk working closely with other profit centres of the Bank such as corporate, retail and wealth management. The Treasury Group managed to substantially increase the number of counter parties and relationships both globally and within the GCC itself.

The Treasury team considerably increased the FX volume and profit and was able to reduce the cost of funds driving the rates lower, as well as increasing corporate deposits when needed.



Debt Capital Markets

Apart from managing and increasing the overall returns on the portfolio, the DCM team participated in most of the primary sukuk issuances of 2012. The DCM desk was instrumental in issuing the new QIB Sukuk programme of US\$1.5 billion and successfully launched the first trench of US\$ 750 million which was more than seven times oversubscribed. This helped the Bank in attaining relatively cheap funding and helping its ALM. The team was also responsible, along with wealth management, to set-up a customer sukuk trading capability.

2012 saw another record breaking year for Sukuk issuance in the global markets of US\$46 Billion. The demand for Sukuk in 2012 continued to out-weight supply, and this is anticipated to lead primary issuers to look for tighter pricing in 2013. The DCM team expects to see significant growth in market-making activities and Sukuk issuance participation in 2013.

Equity Capital Markets

Qatar Islamic Bank is also sharing in the success of other sectors of the Qatari economy with its Qatar Equity Portfolio, managed by the Equity Capital Markets team, generating returns that significantly out-performed the market when compared to the QE Total Return Index, which gained 1.40% in 2012.

Product Structuring

The newly formed product structuring desk's main function is to design, implement, and cross-sell innovative hedging and investment solutions that conform to Shari'a principles. The structuring function will allow QIB to offer bespoke solutions to clients across business divisions, as well as satisfying any internal requirements. Hedging solutions will allow both QIB and clients to efficiently manage risks across asset classes. Bespoke structured investments will be engineered in house, and include short term structured deposit products, as well as medium/long term structured investment solutions. A dedicated sales function will assist and support other divisions within QIB to cross-sell solutions to clients.

QIB Treasury is well positioned to continue to contribute meaningfully to the growth of the Bank in 2013.

With a continued prudent approach to ALM and managing the overall market risks of QIB, together with the launching of new innovative structured products in 2013 and further developing other Treasury activities, moving forward we hope to substantially increase the impact of the Treasury business on the bottom line of the Bank.

30 years of
leadership

QIB International

QIB international is responsible for all international banking activities of the QIB Group. The department plays a key role in expanding the Bank's operations beyond Qatar in order to bring essential diversification benefits to QIB Group and cater for the worldwide growth of Shari'a-compliant banking.

In 2012, QIB International focused on the restructuring activity of its international operations in the UK and Lebanon in which QIB has strategic investments. Also, in the 2nd half of 2012, QIB International put all the preparations in place for the opening of its first overseas branch in Sudan.

At the same time, QIB International continued to scan the international marketplace assessing opportunities for QIB Group, in line with its international strategy of expanding its QIB branded presence in key markets.

QIB International's portfolio of equity investments continues to be monitored closely. This involves regular evaluation of the equities, investments or divestments according to different business scenarios.

Global Network

QIB has established the following banks in various key markets around the world:

Arab Finance House (AFH) in Lebanon

AFH was established in 2004 with an issued capital of US\$ 100 million by a group of strategic partners from Qatar and other GCC countries. AFH was the first fully-fledged Islamic bank (commercial and investment) in Lebanon. The restructuring in 2012 refocused the bank on four strategic locations in the country from which to offer a full service proposition, and further alignment with QIB will bring additional benefits in 2013.

Asian Finance Bank (AFB) in Malaysia

Asian Finance Bank (AFB) was established in Malaysia in 2007, and is considered to be QIB's gateway to the lucrative Asian market. It specialises in investments and corporate financing in Malaysia and in neighbouring countries which have investment links with GCC countries.

QIB - UK

was established in 2008. QIB's entry into the world's most important financial centre - London - signalled its intentions to cover the world's key time zones and be an international player. QIB (UK) participates in key sectors such as real estate, asset management and corporate finance.

QIB - Sudan (new)

Opened in February 2013, as QIB's first overseas fully owned branch, with a start-up capital of US\$ 50 million, it provides Shari'a-compliant corporate finance and trade finance solutions to major corporates.



Risk Group

Qatar Islamic Bank (QIB) believes that effective risk management is of primary importance to its overall operations. Accordingly, QIB has a comprehensive risk management process to evaluate, monitor and manage the principal risks it assumes in conducting its activities. These include credit, market and operational risks.

The continued growth in our business in 2012 was achieved while ensuring risks were assumed in a measured manner and in line with our appetite for such risks. Within the challenging economic and financial environment, we maintained our conservative risk profile by reducing exposure to the most likely areas of stress. We continued to be very selective in our exposure, while ensuring the overall quality of the portfolio remained strong.



QIB's risk management framework is designed to balance corporate oversight with well defined independent risk management functions. Enhancements continued to be made to the risk management framework throughout 2012, based on guiding principles established by the Board of Directors where:

- Risk decisions are based on transparent, accurate and rigorous analytics
- Accountability through a common platform/framework of risk reporting and managing risk
- Expertise, stature, authority and independence of risk managers; and empowering managers, including risk managers, to make decisions and escalate issues.

Risk Governance

The overall authority of risk management is vested in the Bank's Board of Directors, through the Audit & Risk Management Committee, for which members are nominated from the Board. The risk management function at QIB is managed by the Risk Group, which is an independent unit within the Bank, reporting directly to the Audit & Risk Management Committee.

Regular presentations are made by the Risk Group to the Board of Directors concerning all risk related matters for their review and action.

A centralised and proactive risk management approach is exercised at all levels of QIB Group, including the Board of Directors and its committees, the senior management team and through various management committees.

Within the Risk Group, the risk management responsibilities at QIB are broken down and assigned to different sub-units within the Group. These sub-units are organised in a manner such that they are able to effectively meet the challenges of the ever changing marketplace and thereby add value to the organisation.

The Group Chief Risk Officer (GCRO), working closely with QIB's Chief Executive Officer and the Audit and Risk Committee:

- Identifies, assesses, communicates and monitors risks on a Bank-wide basis;
- Establishes core standards for the management, measurement and reporting of risks;
- Engages with senior management on a frequent basis on material matters with respect to risk-taking activities in the businesses and related risk management processes; and
- Ensures that the risk function has adequate independence, authority, expertise, staffing, technology and resources.

Conservative Credit Policy

QIB as a Group has followed a conservative approach to credit extension that ensures full understanding of potential risks. This encompasses adequate checks and balances and an appropriate diversification of risk through the product range and customer base, both domestically and in international operations. This approach, coupled with periodic stress testing and scenario analysis, and a periodic review of risk appetite to proactively manage risks, continues to yield positive results.

Capital Adequacy

Preserving our strong capital position has long been, and will remain, a key priority for QIB. As a bank we continuously and consistently maintain compliance with the capital requirements of Basel II as directed by Qatar Central Bank (QCB). Additionally, as a bank we are well equipped to respond to any changes in the capital requirements if and when mandated by QCB. This is reflected in our strong Capital Adequacy ratio of 15.05% as of 31st December 2012.

Enhanced Operational Risk Function

To minimise the potential losses from operational risks, the Bank has implemented methodologies to identify, assess, control, manage and report process and system vulnerabilities. The controls in place include effective duty segregation, effective authorisation and reconciliation procedures, access limits and ongoing staff education and assessment processes. The Bank also follows an aggressive Risk and Controls Assessment exercise to cover all areas and functions of the Bank to ensure that the Operational Risk Management framework is followed and established to the letter and in spirit across the Bank.

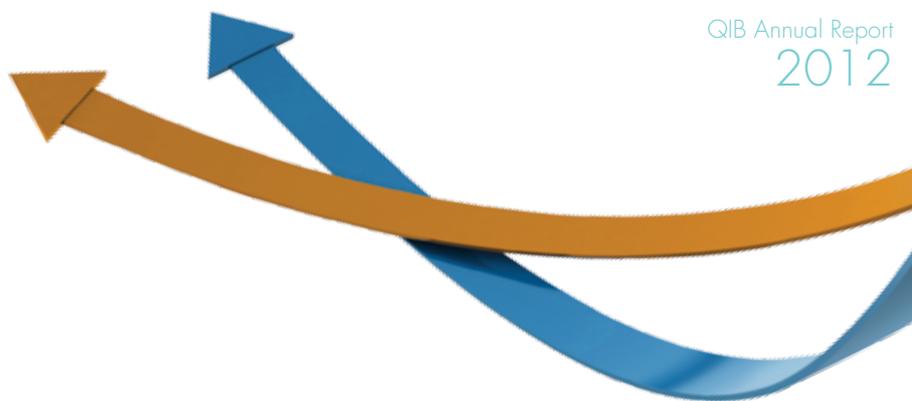
A dedicated Operational Risk System is used to manage all risk indicators, a database of risks and controls and the loss events. In addition QIB has a robust Information Security framework to protect data security.

With regards to Business Continuity, QIB was the first bank in Qatar to achieve the coveted British Standards BS 25999 in 2011 and we continue to refine and fine tune the Business Continuity readiness and contingency planning of the Bank.

Credit Risk Management

Credit risk, which is the risk of financial loss if a customer or a counterparty defaults in an obligation to the Bank, is managed by various committees with delegated authorities. The limits over the highest level of delegated authorities within the management are approved by the Board of Directors, based on the recommendation made jointly by the Chief Executive Officer and the Group Chief Risk Officer. Each committee with a delegated authority is represented by officers from the Business Groups as well as the Risk Group. Retail transactions, most of which fall under pre-approved criteria, are processed by Branch management. In order to protect the credit quality of the businesses booked, all committee decisions at QIB have to be made on a unanimous basis, otherwise the subject matter is referred to the higher level committee.

Credit Risk is managed by formulating credit policies and procedures, setting limits for counterparties, countries and sectors which are regularly reviewed. In addition, a rigorous and systematic credit assessments approach, with well-defined risk rating criteria and pricing guidelines, is applied. The credit reviews are mostly prepared by separate specialised departments, which are subsequently passed on to the Risk Group for validation and final approval by the respective committees and the Board.



The Bank's total portfolio, which includes all types of exposure to the Qatari domestic market as well as international exposures including equity investments, exposures to other banks and country exposures are reviewed at least once a quarter. This is done in addition to the annual reviews prepared by the Business Units for customers and for all other exposure outside Qatar and bank limits. The portfolio review allows QIB to take appropriate decisions in a timely manner. Given the recent turbulence in the international banking sector, QIB has managed to avoid the contagion risks in those markets in a prudent manner.

Internal Rating System Development

In 2013, QIB will be implementing an automated Moody's Credit Rating system that will gradually replace the existing manual processes. This will enable QIB to monitor in a proactive and sophisticated manner its exposure to default risk for both Corporate and Personal Banking customers.

Market Risk Management

Market risk is the risk that an adverse and/or unexpected movement in the market causes a decline in the value of the related exposure. QIB has established conservative limits for its treasury products to manage the risks within an acceptable level. The Market Risk Department and the Treasury Middle Office, both within the Risk Group, monitor these risks on a daily basis. To estimate the exposures of the trading portfolios to market risk, QIB has successfully implemented a daily monitoring of value-at-risk using historical (VaR) methodology.

Comprehensive stress tests are in place for the trading and financing portfolios. These stress test reports measure the potential impact to QIB of changes in various types of key risk factors e.g. rates, spreads etc. as well as the potential impact of a number of historical and hypothetical forward looking systemic stress scenarios.

Supplementing the stress testing, the Market Risk Management, working with input from the business units and finance, provides periodic updates to senior management on significant potential areas of concern across the Bank that can arise from risk concentrations, financial market participants, and other systemic issues. These areas of focus are intended to be forward-looking assessments of the potential economic impacts to the Bank that may arise from these exposures. Risk Management also provides reports to the Audit & Risk Committee and the Board on these matters

Liquidity Risk Management

We continue to maintain a very strong liquidity position and are well positioned for the emerging new regulatory landscape. The Asset Liability Management Committee (ALCO), comprising senior managers in the Bank, has developed prudent and conservative policies for managing liquidity risk. QIB's deposit base has been growing and remains very stable. Regular stress testing is done, under different scenarios, to ensure that the Bank is able to meet its obligations even during uncertain market conditions.

During 2012, QIB has successfully rolled-out a Liquidity Contingency Plan based on daily liquidity dashboard.

Information Security Management

QIB has achieved compliance with the Payment Card Industry Data Security Standard [PCI DSS] for "Card Issuance and Acquisition Process". The certification to this standard validates practices in payment card data security processes – including prevention, detection and secure management of card operations processes. The underlying Information Technology, applications, people, and processes are included in the overall compliance scope. QIB has also re-certified the benchmark ISO 27001 Information Security Management System for its Alternative channels. This security certification is associated with the usage of Internet Banking, Mobile Banking, ATM network, Contact Centre and all IT and operations supporting units. This certification confirms QIB's adherence to industry security best practices by adopting an overarching management process to ensure that the information security controls continue to meet the organisation's information security needs on an ongoing basis.

30 years of
leadership

Financial Group



One of the key priorities of the Bank's transformation programme was to strengthen its financial management organisation and infrastructure in order to facilitate attainment of its vision, mission and strategic objectives.

Finance Group partnered with the Business Group to focus on maximizing shareholder value whilst adopting prudent policies and establishing effective financial systems, controls and a risk management framework.

Enhanced financial control was underpinned by augmentation of its management information framework, budgetary control, proactive Asset Liability management, and persistent compliance with regulatory controls.

The Bank has been rapidly growing its assets in the past few years, requiring additional focus on capital and liquidity management. The Finance Group has been actively managing the capital planning process to optimise capital utilisation and ensure compliance with the QCB's and Basel's capital adequacy requirements. In 2012, the Bank established a US\$ 1.5 billion Sukuk programme and made an issuance of US\$ 750 million to secure stable and long term funding. The Sukuk enabled the Bank to reduce and manage the prudential ratios and long term liquidity gaps that naturally arise when it provides long term financing facilities to its clients.

The Bank also rolled out a new budget methodology, which was successfully developed and implemented during the year 2012. This new methodology enhances ownership and accountability at each business group level, enabling efficient forecasting and monitoring of the Bank's performance vis-à-vis its established targets. The Finance Group actively worked with the International Group to further strengthen budgeting and performance monitoring of its subsidiaries and associates, while assisting in its on-going reorganisation.

The Bank is in the process of revamping its MIS capabilities to support the new client segmentation adopted in the Personal and Wholesale Banking divisions. The new MIS framework provides high levels of support and direction that the business demands in order to deliver its targets and enable better tracking of performance at various levels within the organisation.

The Finance Group continued to streamline its processes and functions with the twin objectives of enhanced internal control systems and cost management.

The Bank successfully adopted the new model financial statements introduced by the Qatar Central Bank, incorporating the latest pronouncements by AAOFI and IFRS aimed at promoting comparability, consistency and transparency of published information.

As part of its commitment to improve investor relations, the Bank has enhanced its level of engagement with research analysts, investors and rating agencies to provide them with a meaningful insight into the Bank's financial position and performance. In 2012, Qatar Islamic Bank was rated for the first time by Standard & Poor's and was assigned a long-term counterparty credit rating of 'A-' with a stable outlook. Fitch also reaffirmed its long term rating of 'A' with a stable outlook.

The Finance Group plans to further develop and improve financial reporting and internal control systems by providing proactive support towards achieving the targets for 2013. It will continue with its role in managing and developing integrated financial systems to keep pace with the Bank's strategic plan to expand both domestically and internationally through improved synergy and integration of its associates, subsidiaries and branches.

Operations & IT Group

For the Operations and IT Group, 2012 was the year of building capacity and capability, reducing the cost of operations and establishing measurable benchmarks for quality and productivity targets.



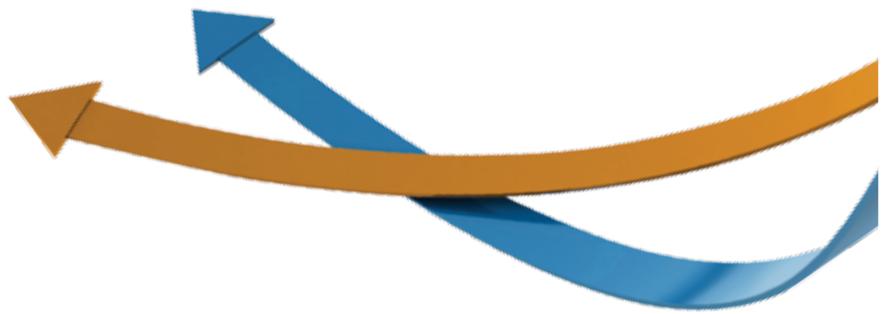
This was achieved under a theme of “50/50/50” (50% better than what we did in 2011, 50% faster and 50% leaner/cheaper) implemented right across IT, Operations and Business Services functions. Examples included:

- Centralisation of key processes to optimise and improve efficiency and synergies with customer facing units in areas such as account opening and account related services, Bank Takaful, and retail finance operations.
- Business Process Re-engineering – commencing an exercise to re-engineer business processes in Operations in order to improve their efficiency and effectiveness and define productivity measures to embed a high performance culture across the IT and Operations Group.

2012 was also the year of completing several long outstanding IT projects and ensuring that they move into production with fewer operational issues:

Alternate Channels

- Smoothing the flow of customer screens with targeted e-Marketing in ATMs
- Mobile Banking pilot launch (phases 1 and 2)
- SMS service improvements across all types of alerts
- 40+ new ATMs rolled-out as per revised CBQ guidelines
- Retail Internet Banking features enhanced



Cards

We launched the MasterCard and chip personalisation using DDA and SDA cards; launched SME Debit cards and moved to instant issuance of debit cards.

Branches

Q-Matic screens were installed and a monitoring solution for queue management from a central location was enabled.

Risk and Finance

- Completion of Asset Liability Management Solution
- Funds Transfer Pricing and Basel II
- Integrating the bank system with Credit Bureau online

Information Technology

- Process improvements to reduce the End of Day IT operations and thereby extend the availability hours for customers using online channels
- Implemented COBIT processes and introduced various controls.
- Renegotiated SLAs and various vendor contracts, significantly reducing OPEX costs
- Rationalising software licenses by way of consolidation.
- QIB successfully re-certified for ISO 27001 for the Information Security in the Alternate Channels domain. Also QIB get PCI DSS certification for compliance to regulations related to Cards.

International Banking Group: Readying Sudan Operations using T-24 as the core banking solution for a go-live date in Q1 2013.

Business Services

- Archived physical records as per the QCB mandates and moved to a new warehouse to manage the inventory.
- Worked with all the units in the Strategy team to reduce the cost of operating expenses related to consumables, direct telephone lines, printers, Q-Tel leased lines, voice related expenses, and Blackberry services.

2013 Objectives

Following the appointment of a new COO in December 2012, the Operations and IT Group have been busy re-planning priorities for 2013. These have centred around rapidly enhancing and then stabilizing performance in 5 "C" domains: Control, Capability, Capacity, Clarity & Cost.

These are captured under a 2013 campaign entitled "Better, Faster, Cheaper", the self-explanatory aim of which is to become better fast. This means clarifying, from a bank customer perspective exactly what level of performance we need to achieve internally in order to truly deliver the best levels of customer service in the market and then enhancing our internal processes and performance to consistently meet these requirements. As we centralise, re-engineer and automate many of what are currently manual activities, we will raise performance levels and lock these into our DNA. This will enable us to turn around requests faster and at significantly lower unit costs

To ensure we deliver this overarching aim, we have developed a 28 point action plan of 2013 initiatives, which will be phased in through the year. Some of the highlights include:

- Implement a significant number of business improvement projects, including:
 - channel improvements, such as Mobile Banking & WBG customer portal.
 - new products like revolving credit card, dial-a-cheque & credit shield for credit cards.
 - process automation with better systems for Trade Finance, Treasury system (AG Quantum), a new document management system across the Bank and Business Intelligence (Corporate Analytics / Financial MI tools).
 - infrastructure upgrades in areas such as Disaster Recovery, Business Continuity Management and an Operational Data Store
- Implement a robust Service Level Management Framework, including refreshed KPIs for all internal processes
- Introduce E2E workflow management and business intelligence tools to accurately monitor, manage and report progress on all customer requests
- Adopt the latest demand forecasting & capacity planning techniques across all Operations functions to improve productivity & utilisation rates
- Re-plan the implementation of our new core banking system
- Review our tier 1 and 2 vendor contracts, to ensure we are maximizing performance and minimising costs

Human Capital Group

Human Capital in QIB is responsible for overseeing all aspects related to employees, which includes attracting, retaining and developing staff and ensuring effective management of their performance. Human Capital provides optimum support to the business by providing quality staffing and management tools to optimise organisational performance. Human Capital is also committed towards attracting, training and developing Qatari Nationals to ensure that we achieve the organisation's strategic goal towards the process of nation building.



Key Achievements of 2012

The year 2012 was a challenging one for the Human Capital team and the key focus was on implementing the organisation-wide change, as part of the Strategic Transformation project, and mobilising new business channels. Major activities included restructuring the organisation and realigning the business model, enhancing organisational effectiveness and improving performance standards.

As part of implementing Human Capital strategy to become a preferred employer in Qatar and to ensure that we are able to attract and retain top talent, Human Capital implemented various initiatives at an organisational level in 2012. A new compensation & benefits structure was designed and implemented in July 2012. To develop a high performance culture within the organisation, a new objective based (balance score card) performance management system was implemented and automated. In order to develop a performance based reward practice in the organisation and to recognise best performers, various employee reward schemes such as Employee of the month awards, "STAR" awards, and "Shukran" awards were implemented. Human Capital also implemented various lucrative incentive schemes, for sales teams and branches to motivate the employees to optimise performance. The Human Capital team also conducted the

first ever Employee engagement study in the Bank to identify key areas for improvement and set action plans to improve employee engagement levels. HC also set clear operational service standards for HR Operations services, to enhance the services it provided to internal customers and to meet employee expectations. As part of improving the productivity of the Bank Human Capital also successfully executed a productivity optimisation project to identify weak performers and retiring employees and replace them with a more qualified and competent workforce. As part of enhancing process automation, key processes like Performance Management, recruitment and Employee document expiry warnings have been fully automated using Oracle HRMS.

Owing to the introduction of new channels for business and the expansion of the business network, Human Capital had a challenging task mobilising various business functions in 2012. The team also took on critical Leadership roles in the organisation such as GM Strategy, GM Finance, COO, Chief International investments etc. Human Capital hired 222 new employees, including 84 Qatari Nationals. In addition to various local hirings, Human Capital also successfully mobilized international projects such as a Sudan Branch. Human Capital was also instrumental in mobilising direct sales, corporate & SME banking, and Affluent Banking (Tamayuz) which contributed substantially to improving business delivery and achieving organisational goals.

As part of the Human Capital's Strategic Nationalisation plan, QIB achieved 30% Qatarisation as of year-end and continued to invest in developing National resources. Human Capital has also sponsored 47 Qatari National students as part of its National resource development programme. They will be joining the Bank's workforce upon successful completion of their education. As per QIB's strategic nationalisation plan, the Bank is expected to reach 36% Qatarisation by the year 2014.

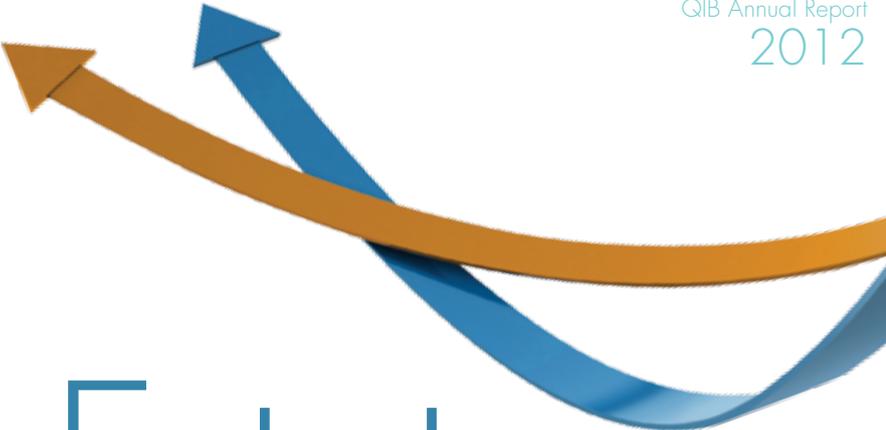
One of the critical focus areas for Human Capital was to improve the learning capability of the organisation and enhance skill sets across the Bank. In 2012 over 2,150 learning days were delivered covering 2,841 participants across various functions in the organisation. The learning and development initiatives covered major skill requirements in areas such as Islamic banking knowledge, corporate banking and relationship management, customer service, product knowledge, specialised trainings etc. In addition, various programmes for Qatari Nationals Development, Branch Manager development programmes, and leadership development were launched. In order to develop a self learning culture in the organisation and to reduce the costs of learning, HC introduced a self learning model using innovative e-learning solutions.

Way Forward 2013

Based on the 2013 business forecast and an overall expected downward trend in the Qatari Market, Human Capital will be focusing more on cost rationalisation while ensuring that quality and productivity are not compromised. 2013 is expected to be a busy year for Human Capital and key initiatives/objectives for the year include mobilising six new QIB Branches and meeting staffing requirements for various functions, while the overall number of staff is expected to increase by 10% from 794 to 870. On the Qatarisation front, various initiatives are planned, which are expected to raise the Nationalisation percentage from 30 to 33%. As part of the Qatari National development plan, HC will be sponsoring an additional 15 Qatari students under the Bank's Qatari National Sponsorship programme in 2013.

Meeting the need for change across the organisation, various OD initiatives will be undertaken. Human Capital will be implementing best in class Human Capital Policies, automating the hiring process, providing extensive coaching to employees to develop a high performance culture, executing various initiatives based on an employee engagement action plan and improving employee engagement levels. HC will also implement new reward schemes and incentive plans, an employee savings scheme, long term incentives for retaining senior leadership, and a cost/productivity optimisation project, to replace poor performers and optimise the headcount-task ratio.

HC has also planned various key learning and development programmes for employees and senior management to ensure that critical employee skills are enhanced to support the organisation's growth aspirations. The Learning & Development function will also be focusing on developing the e-learning capability and inculcating a self learning culture within the Bank. As part of HC strategy, more focus will be given to developing Qatari national skills and an exclusive Qatari national Management Trainee programme will also be launched at the beginning of the year 2013. Human Capital will also establish a QIB specific Leadership Development programme based on Islamic values and principles and leading international standards.



Real Estate Group

The Real Estate Group is one of the Bank's key structural divisions. Since its establishment in the early 1990s it has been offering numerous services to customers in the domain of construction projects and Real Estate investments. This division has enabled QIB to play a significant role in the development and progress of Qatar's construction sector through a wide range of key projects performed under various Islamic financing schemes (Istisnaa, Ijarah, 'lease-to-own', etc.).

In addition to providing technical and engineering advisory services to customers, the Bank's Real Estate Group provides QIB-concerned departments with similar services, project assessment and review of feasibility studies. This is beneficial in rationalising relevant Financing and Contracting contracts with interested customers. It also supervises the construction and fitting-out of QIB's new branches.

Further, through financing and management contracts, the Group oversees the development of those Bank-owned projects that cover the responsibilities of quality and cost control, performance appraisal, and supervision of projects' progress. Thus, the Real Estate Group is involved in all stages of a project – starting from initial planning, design, tendering and contracting, through to completion, maintenance, and final delivery. This effectively makes QIB a market leader in the provision of turnkey projects in Qatar.

QIB Real Estate Group manages projects worth billions of riyals both inside and outside Qatar. In 2012, the size of QIB's local and international real estate projects (completed or ongoing) represented QR 3 billion. Those projects include:

Five towers on The Pearl-Qatar; Al Faisal Holding Tower, the Sheikh Abdullah Bin Khaled Tower, the Silhouette Tower (Intercontinental the City Hotel), Al-Rames Tower, Al Rifaa Tower, Alkhor Complex, Abu Salaa Tower, Sheikh Abdullah Bin Khaled Show Rooms, CIGRE Head office building and many other residential buildings and compounds.

The Real Estate division is also realising the designs of several macro projects, namely the Doha Souqs, QIB IT Centre, QIB Tower (in Lusail Marina district) and Al Gharafa Mall.

QIB Real Estate Group is now a 'legacy' provider of construction solutions, illustrated by its past involvement in numerous developments of importance. These include: office towers for the Ministry of Education, the Qatar Olympic Committee Tower, Al Sulaiti Tower (HQ of the Ministry of Education), Courts of Justice Tower, Lusail Tower, Al Faisal (Ashghal), Ouweina Tower, Al Oussayri Tower, Retaj Al Rayyan Hotel, Lavender Village, Palm Village, Awqaf residences and administration, The Mall shopping centre, and several others projects inside Qatar and abroad in Asia, Africa and Latin America.

The achievements of the Real Estate Group represent an addition of quality to the country's urban development record, and a flexible Islamic financing experience. As a result of this activity – past, present and future – QIB stands as a reference point for several domestic and foreign Islamic Financing establishments, both locally and internationally.

Domestic Affiliates



QInvest

Licensed by Qatar Financial Centre in May 2007 with a declared capital of US\$ 1 billion and a paid-up capital of US\$ 720 million, QInvest is the largest financial establishment to commence operations in Qatar Financial Centre (QFC). QIB played a key role in establishing QInvest and holds a 46.67% stake in the Company.



Al Jazeera Finance

Founded in 1989, Al Jazeera Finance is jointly owned by QIB (30%), Awqaf (20%) and other institutions such as Qatar Insurance Company (QIC) and QNB. Al Jazeera Finance spares no effort in satisfying the needs of its customers and offers them the best Shari'a' compliant solutions.



Aqar Real Estate

Established in year 2000 as a Shari'a' compliant joint venture. QIB holds 49% shares in the Company, Awqaf holds 34%, while the Endowment Department and the General Authority for Minors Affairs hold 17%.



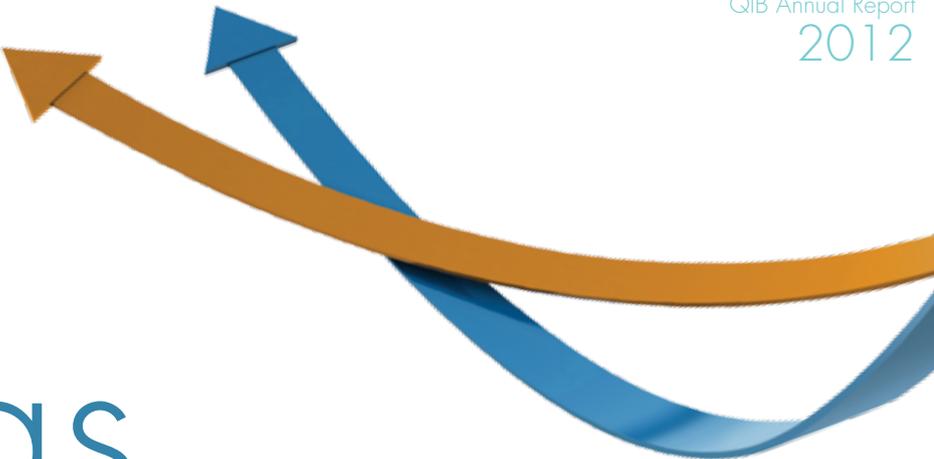
Damaan Islamic Insurance Company (Beema)

Was incorporated in September 2009 as a fully Shari'a'-compliant private Closed Qatari Shareholding Insurance Company, licensed to transact all classes of insurance (General and Family Takaful). The founders of the Company are: Qatar Islamic Bank, 25%; Qatar Insurance Company, 25%; Masraf Al Rayan, 20%; Barwa Real Estate Company, 20% and QInvest, 10%.

Bawabat Al-Shamal

Bawabat Al-Shamal Co. W.L.L

Established in late 2007 in the State of Qatar. Qatar Islamic Bank, AQR Real Estate Co., and Al Futtaim Group are the shareholders of the Company. The activities of Bawabat Al Shamal include Real Estate Development and Investment as well as purchasing and selling real estate properties.



Ratings and Awards

Ratings 2012

Standard & Poor's Rating

2nd July 2012: In a move that reflects Qatar Islamic Bank's sound financial position and business strategy, Standard & Poor's recently assigned its 'A-' long-term and 'A-2' short-term counterparty credit ratings to QIB with a stable outlook rating for the long-term. S&P, which rates QIB for the first time, hailed the bank's business position, its leading position in the fast-growing Qatari Islamic banking segment and its business model and management.

Fitch Rating

20th August 2012: Fitch Ratings has affirmed Qatar Islamic Bank's (QIB) Long-term Issuer Default Rating (IDR) as an 'A' with a stable outlook and Viability Rating (VR) of 'BBB'.

Awards 2012

As a result of its achievements in the banking business, QIB received a clutch of international awards and certifications for quality and excellence in 2012. The most prestigious awards received were:

- Best Islamic Bank in Qatar 2012 from Islamic Finance News (IFN).
- Best Islamic Bank in Qatar 2012 from Euromoney.
- Best Islamic Bank In Qatar 2012 from The Asset Magazine.
- Best Sukuk Deal 2012 from World Finance.
- Best Islamic Bank in Qatar 2012 from World Finance.
- Best Islamic Financial Institution in Qatar 2012 from Global Finance.
- Best Asset Manager Europe/Australia/Americas 2012 for QIB-UK from Islamic Business & Finance Awards.
- Banking in Excellence Special Category – Regional 2012 from AIAR Awards.



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Corporate Social Responsibility 2012

At QIB we view Corporate Social Responsibility as a management concept whereby we integrate social and environmental concerns in our business operations and interactions with our stakeholders.



Our social responsibility vision is based on achieving a set of principles and objectives:

- Building effective communication with all society sectors to get a sense of the activities that need support and achieve community partnership
- Cooperating positively to a range of activities within society by sponsoring core activities in various fields including education, health, sports, environment and programs related to people with special needs
- Contributing to charitable activities and supporting its work, especially those inside Qatar
- Playing an active role in the society through QIB's Zakat Committee.



QIB Ancillary Activities during 2012

The bank achieved a number of notable milestones in its Corporate Social Responsibility (CSR) program during 2012. They include:

- Providing funds of approximately QR 6 million towards students' sponsorships and helping the poor, debtors, the sick and others from QIB's Zakat Committee Fund
- Sponsoring the outstanding students honoring ceremony organised by the Public Authority for Minors' Affairs
- Supporting the activities of Reach Out to Asia (ROTA) member of Qatar Foundation
- Providing training on the practice of Islamic banking to Qatar University's Management and Economics students during the summer break sponsorship programme
- Providing sponsorship to 37 Qatari students to study finance, economics and business of the Bank
- Organising a blood donation campaign to enhance the stock of the Blood Center at Hamad Medical Corporation
- Organising a QIB staff campaign to collect donations and provide humanitarian relief to the drought affected Rohingya people inside Myanmar
- Sponsoring the celebrations of the Qatar National Day
- Sponsoring the Hajj bag for the fifth pillar Hajj and Umrah campaign and the First Aid bag for pilgrims on behalf of the Qatar Red Crescent Society
- Supporting Iftar campaigns organised by the Zakat Fund during the Holy Month of Ramadan
- Receiving a group of school students and providing them with information about how an Islamic bank operates and conducts its business
- For the ninth consecutive year, QIB sponsored the Ramadan supplement printed daily during the Holy Month by Qatar's Al Sharq newspaper
- For the third consecutive year, QIB participated at Carnegie Mellon University's Professional Day, a career and networking fair, which provides students an opportunity to explore job opportunities with the bank
- QIB is promoting environmental sanitation projects and green spaces in Qatari households by signing an MOU with Al Sulaiteen Agricultural and Industrial Complex that is designed to facilitate the financing of the landscaping of house gardens and grounds

30 years of
leadership



Corporate Governance Report 2012

1. Introduction

Corporate Governance is a critical issue and an integral part of Qatar Islamic Bank ('QIB')'s business activities. 'QIB' is committed to the sound practices of Corporate Governance which set the basic principles of rights and responsibilities for every Shareholder, the Board and, the Executive Management in order to ensure efficient control and management are duly exercised by the bank in support of Shareholders' added value.

In fact, QIB's commitment to apply the right Corporate Governance rules is due to its belief that these rules constitute an integral part of its culture in managing its daily strategic activities. Further, in addition to consolidating its own culture in terms of companies and establishments, Corporate Governance practices aim at improving the bank's internal and external controls.

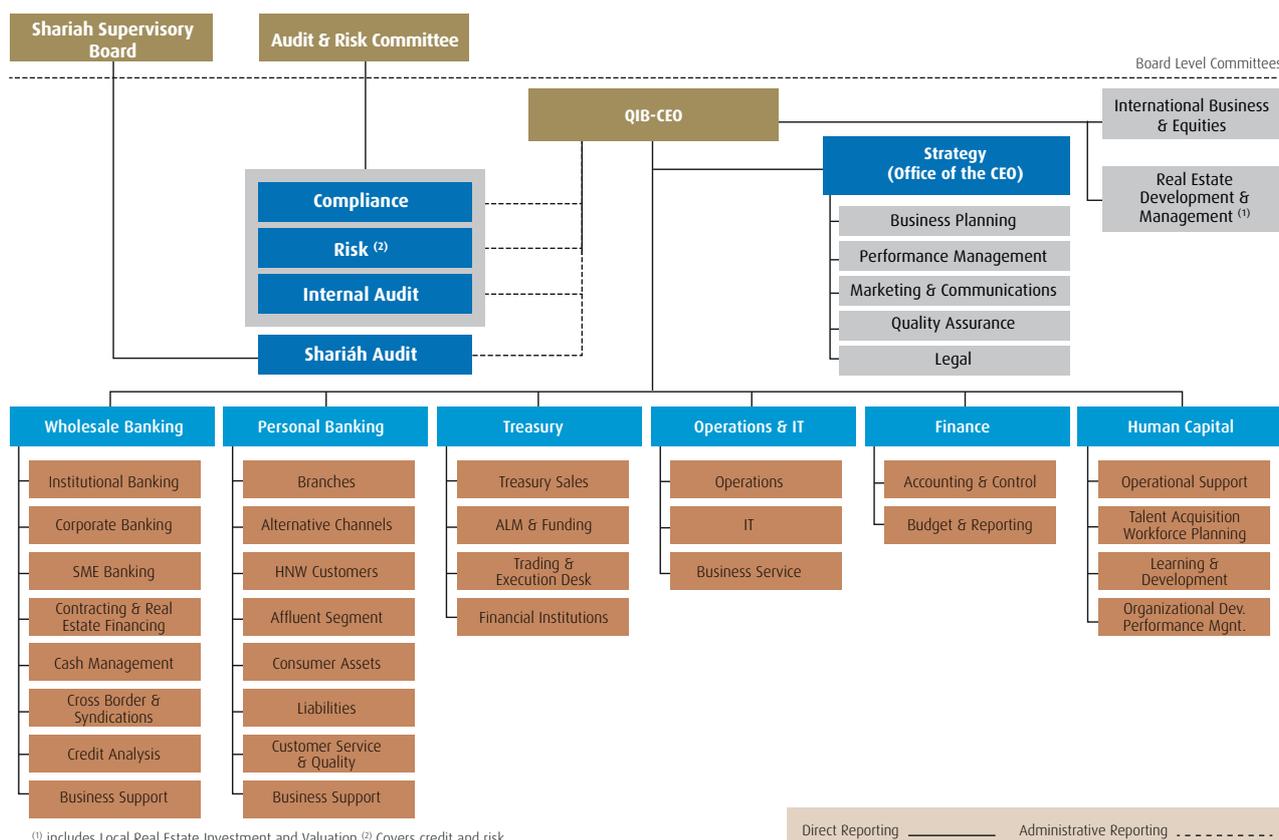
Effectively, 'QIB' has adopted a formal framework for Corporate Governance that covers all the aspects of Governance in Qatar Islamic Bank. Approval and implementation of an integral set of Policies and Procedures have been included in that framework in addition to the comprehensive Organizational Change that comprises a restructuring of the business's

Organization Chart, along with Job Descriptions for all the jobs, detailing competencies, responsibilities related to internal & external reporting requisites for the purposes of Audit, Risk & Compliance. It defines as well the B.O.D. responsibilities, its Work Chart and, the competencies of all its Committees in addition to the Executive Committees.

The Corporate Governance framework clearly defines also the General Principles, Policies, Controls of dealing with concerned parties, Conflict of Interests, Dealings with various parties, in addition to codes of Conduct and Ethics, Standards of Professional Behavior for Board Members.

In this respect, the Bank, in fulfillment of its responsibilities towards Shareholders, has managed to get its BOD approval on the following Corporate Governance criteria. The present report on the bank's Corporate Governance for 2011 reflects that 'QIB' has been always diligent to apply the best relevant practices that ensure the Bank's effective control and management.

2. Business Organization Structure



In application of Clause (30) of Corporate Governance Rules issued by Qatar Financial Markets Authority (QFMA), this report has been prepared based on the Bank's commitment to the sound Governance rules which lay the basis for the rights and responsibilities of Shareholders, BOD and, Executive Management to enable them to exercise efficient control and management in a way that enhances Shareholders' value as follows:

- Adoption of a general form for Governance report to be shared by Compliance Dept., Audit & Policies Committee, Risk Group, Media & Marketing Dept. under full coordination with the top Management.
- Governance procedures in the Bank have been regularly evaluated and necessary remedial actions taken to ensure full compliance with same.
- BOD Committees and the Executive Committees in charge of improving Governance practices.

- Observance of Ethics, Conduct and professional behavior criteria.

The context of this report emphasizes also the bank's commitment to the sub-clauses of said Clause, along with clarifications as necessary or in case of violations, in addition to mentions to the BOD, Board members, Committees, Internal Control departments procedures.

3. BOD and Board Members' Role

In application of Clause (5) of Corporate Governance Rules Issued by QFMA, The Board oversees the conduct of the Bank's business. It is primarily responsible for ensuring the effective dominance of Governance over the Bank's key affairs, including appointment of the Executive Management, approval of the Business strategies, evaluation of performance and assessment of the major risks facing the Bank.

For realizing its duties, the Board has to exercise governance to the best interests of the Bank and may rely on the Bank's Executive Management to apply the approved business strategies, resolve the day-to-day operational issues, maintain and promote high ethical standards.

To this end, the Board holds at least six meetings annually to review and approve the Annual balance sheet, business plans, and all Capital Expenses. The Board reviews as well the achievements performed against its Strategy and dynamically modifies it, as required. It is also the Board responsibility to ensure the implementation of a control framework covering Risk Management, Internal Audit and Compliance.

3.1 Board Structure

In application of Clause (9) of Corporate Governance Rules Issued by QFMA, the election and constitution of BOD must be according to the Bank's Articles of Association and the Companies Act clauses. Therefore, structure of the Board is subject to following conditions:

- The Board must include Executive, non-Executive and Independent Members to ensure that a single individual or small group will not control the Board's resolution-taking process.
- At least one third of the BOD members must be Independent and the majority to be non-Executive members.
- Chairman and Managing Director's posts cannot be occupied by the same person.
- Board members must possess adequate knowledge and experience to carry out their tasks effectively to the best benefits of the Bank and, should devote sufficient time and interest to such tasks as Board Members.

The Board should collectively possess the adequate professional knowledge, Commercial expertise, Banking Industry knowledge and financial awareness that enable it to carry out its responsibilities. Board members must possess sufficient experience and technical skills that enable them to assume their tasks for the best interests of the Bank.

3.2 Electing and Appointing of Board Members

The Board reviews the appropriate skills and particulars required for Board Members from time to time and the qualifications of eventual nominees. Board members are selected among the shareholders interested to such posts upon direct election, subject to specific criteria as stated in the Bank's Articles of Association and the Companies Act, subject to fulfill the required terms and conditions and, to receive a simple majority of votes cast in the election at the shareholders meeting.

Board Member's Membership shall cease if, amongst other things, he is convicted in an offence of dishonor or breach of trust or is declared bankrupt.

Pursuant to Clause (10) of Corporate Governance Rules Issued by QFMA, non-Executive Board members duties include:

- Attending Board meetings and giving an independent opinion on the issues of Strategy, policies, performance, accountability, resources, key appointments and work criteria.
- Ensuring priority is according to the benefits of the Bank and its Shareholders in case of any conflict of interests.
- Participating in Audit Committee
- Monitoring the Bank's performance towards the achievement of its agreed goals and targets and, reviewing its annual, half-annual and quarterly performance reports.
- Supervising the development of the Bank's procedure rules relative to Corporate Governance in order to follow up their implementation in pace with such rules.
- Putting their skills, expertise, rich specifications and, qualifications at the disposal of the Board or its Committees by regularly attending the Board meetings, effectively participating in the General Assembly's meetings and understanding shareholders opinions fairly and equitably.
- A majority of non-Executive members may seek the opinion of an independent Consultant at the expense of the Bank, in any issue regarding the Bank.

3.3 Board Members Responsibilities

In application of Clause (4) of Corporate Governance Rules Issued by Qatar Financial Markets Authority,

the Bank has adopted a Chart for the Board members detailing the Board's and the Board members functions and duties subject to their full commitment to such functions & duties.

Responsibilities of the Chairman and Board members is as drawn in the Bank's Articles of Association and the Policies & Procedures issued by the Board from time to time, with due respect to Clause (6) of Corporate Governance rules, which detail the Board members developmental duties as follows:

- Every Board member is committed towards the Company to perform his duties with due diligence and abidance with the institutional authority as it is stated in the relevant laws and regulations including the present and the Board's charts.
- Board members must at all times, act on the basis of clear, well intentioned information, with the necessary due diligence and care to the interest of the Company and all its shareholders.
- Board members must act efficiently to put into effect their commitment towards the Company.

Chairman's Duties:

In application of Clause (7) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Bank totally segregates between the posts of Chairman and Chief Executive Officer, as each of the two posts is occupied by an appointed person.

In application of Clause (8) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, Chairman is in charge of ensuring the smooth running of the Board activities using adequate and efficient means, including permitting the Board members to have access to full and integral information at the proper time. Chairman may not as well be a member in any of the Board Committees. His duties include also:

- Ensure the Board has discussed all the basic issues effectively and in the proper time.
- Approve every Board meeting's Agenda, taking in consideration any issue raised by a Board member. He may delegate such task to a Board member. However, the Chairman will remain responsible for the adequacy such delegated member had performed the assignment.
- Encourage all members to effectively take part in handling the Board's matters, in order to ensure the Board had acted to the favor of the Bank interests.
- Ensure the proper communication with shareholders to escalate their views to the board.
- Permit non-Executive members in particular, to actively participate in the Board's activities and encourage the establishment of constructive relationships between Executive and non-Executive members.
- Ensure an annual Board's performance report is made.

3.4 Board of Directors

As at 31st December 2012, the Board of Directors was constituted of the following members:

Name	Membership's Capacity	
Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani	Chairman	Executive, Non-Independent
Mr. Mohammad Bin Abdullatif Al Mana	Vice-Chairman	Executive, Non-Independent
Mr. Abdullatif Bin Abdulla Al Mahmmoud	Managing Director	Executive, Non-Independent
Mr. Mohamed Bin Issa Al Mohanadi	Director	Executive, Non-Independent
Mr. Abdul Rahman Abdulla Abdul Ghani	Director	Executive, Non-Independent
Mr. Mansour Al Muslah	Director	Executive, Non-Independent
Mr. Issa R. Al Rabia Al Kuwari	Director	Executive, Non-Independent
Mr. Abdulla Bin Saeed Al Eidah	Director	Executive, Non-Independent
Mr. Nasser Rashid S. Al-Kaabi	Director	Executive, Non-Independent

Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman

Member in 'QIB' BOD since 22/06/2004, Sheikh Jassim Bin Hamad Bin Jabr Al Thani acceded to the post of Chairman since April 2005. Graduated from Sandhurst Royal Military College in the United Kingdom, He received a series of advanced training courses in Leadership. He is also Chairman of: Q-Invest which represents the first Islamic Investment Bank in Qatar, QIB-UK (formerly: the European Finance House) and, the 'Daman' Islamic Insurance Co., in addition to being Board member in several establishments and financial/ investment companies (e.g. Qatar Maritime Co., Arcapita-Bahrain bank and, Credit Suisse-Zurich).

Mr. Mohammad Bin Abdullatif Al Mana
Vice-Chairman

Member in 'QIB' BOD since 1996. Mr. Mohammad Bin Abdullatif Al Mana' is Deputy Chairman since 2005.

Mr. Al Mana' holds a Bachelor degree in Shari'a & Islamic Studies from Qatar University on June 1978. He worked with the Ministry of Endowments & Islamic Affairs until becoming the Minister of Endowments & Islamic Affairs till April 2005.

At present, Mr. Al Mana' is: Chairman of Al Jazeera Financing Co., CEO of 'AQR' for Development & Property Investment Co., Board member in the Syrian International Islamic Bank and, Chairman of the Arab Finance House in Lebanon. He is also Board member in other BOD's.

Mr. Abdullatif Bin Abdulla Al Mahmoud
Managing Director

Member in 'QIB' BOD since April 1996, Mr. Abdullatif Al Mahmoud holds a B.Sc. in Economics & Business Administration from Seattle Pacific University (USA) in 1982. He progressively occupied several leading posts in Qatar General Petroleum Corp. (QGPC) since his Graduation till 2002. He was Board member of 'Al Jazeera' Financing Co., and then CEO to it till 2008. Headed an Audit Committee in QIB (2001-2005), and took part in several conferences and scientific seminars in the field of Energy. In addition to the issues relative to Islamic Banking, he held the post of General Manager of the 'Al Sharq' Printing & Distribution Co. Further, he was Chief Editor of the 'Al Sharq' daily newspaper (2003 -2010) and, Chairman of the 'Ritaj' Marketing & Projects Management Co.

Mr. Mohamed Bin Issa Al Mohanadi
Director

Member in 'QIB' BOD since 1996, Mr. Al Mohannadi, is the chairman of the Audit & Risks Committee and QIB Nomination and Remuneration Committee. He holds a Bachelor's degree in Business Management from Cairo University on 1977 and an MBA from Seattle University (USA) on 1983.

Mr. Mohannadi held several administrative positions in the Emiri Diwan of Qatar, where he finally became Minister in charge of the Council of Ministers Affairs (2002-2005). Afterwards, Mr. Mohannadi turned to his own private business activities. At present, he is the MD of 'Al Jazeera' Financing Co. and Board member in Qtel Communications Co.

Mr. Abdul Rahman Abdulla Abdul Ghani
Director

Member in 'QIB' BOD (since 1996), in the Executive Committee & BOD of 'Al Jazeera Financing Co. and QIB Policies Committees, Mr. Abdul Ghani holds a B.Sc. (with Honors) in Economics from Boston University, USA.

He is Board member in several national companies, such as the Qatar Industrial Manufacturing Company (QIMCO), and the United Development Company (UDC).

Mr. A. Abdul Ghani possesses a large experience in the field of business Management and a range of investments. He is currently Chairman of Abdullah Abdul Ghani Brothers Co. (Toyota), one of the prominent Car Trading companies in the region, and Chairman of Abdullah Abdul Ghani & Sons Trading and Contracting Group.

Mr. Mansour Al Muslah
Director

Member in 'QIB' BOD since 1996 and he is a member in several Committees including the Executive Committee, and the Zakat Committee in QIB, Mr. Musleh holds a Bachelor Degree in Social Science from Qatar University and prepares for the MBA degree. He occupied several posts in the Ministries of Interior and Defense. He also has a multitude of investment activities and businesses in Real Estate sector. At present, in addition to being Chairman of "AQR" and board member in other BOD's. Mr. Al Musleh is the Chairman of 'Al Andalus' Private Schools and, Chairman of the Board of trustees for Mayfair Islamic Centre, London.

Mr. Issa R. Al Rabia Al Kuwari**Director**

Member in 'QIB' BOD since April 2002 and member in the QIB Audit & Risks Committee, Mr. Issa Al Kuwari has a respectable experience in the Public Affairs domain. At present he is the Deputy Chairman of the Qatari Advisory Council ('Al Shourah') where he was a deputy since 1990. He also member in numerous formal Committees relevant to the Ministry of Interior, the Committee for Complaints and Compensations Committee at the Ministry of Municipal Affairs and Agriculture in which he served for a long time.

Further, Mr. Al Kuwari has a large economic activity in the fields of Trade, Contracting, Transport and Distribution of Petroleum products.

Mr. Abdulla Bin Saeed Al Eidah**Director**

Member in 'QIB' BOD since April 2005, member of the Audit & Risks Committee and in the QIB Nomination and Remuneration Committee, Mr. Al Eidah received long training courses and various programs in Administration from specialized centers in UK.

At present, he is the General Manager of Brooq Trading Company. Mr. Al Eidah is also involved in various other business ventures including Investment & Real estate management and, is the Deputy Chairman of 'Al Seyleyah' Club.

Mr. Nasser Rashid S. Al-Kaabi**Director**

Member in 'QIB' BOD since 2008 and, in several Committees including the Executive Committee and Head of the 'Privileges & Compensations Committee', which he presides, Mr. Al-Kaabi has a long history of successful business ventures dating back to the Seventies. He is the founder and owner of Al Sraiya Group Holdings, which is now a well-known, large conglomerate.

Mr. Al-Kaabi has been a member of the 'Shourah' (Advisory) Council since 1995 and a member of a host of other organizations including: the Advisory Body of the GCC Supreme Council in addition to his membership in many Boards of Directors (one of them is "AQR") and Specific Committees relative to his activities in business and property development fields.

3.5 Board Meetings

The Board holds its meetings at least once every two months upon an invitation from the Chairman or upon the request of two thirds of the Board Members in case of emergency.

The Chairman's invitation should include the meeting Agenda, duly approved by him.

Board Members are expected to endeavor to attend, in person, all the scheduled Board and Board Committees meetings (for those were they are members). Any member is entitled to request the inclusion of any specific issue in the Agenda. A Board meeting shall be considered as valid if attended by 50% of the members, including the Chairman or his Deputy, provided at least five Members are present.

Voting in Board meetings shall be in accordance with the Bank's Articles of Association, on majority of voting cast basis. Minutes of all matters discussed and decisions taken in the meeting shall be recorded and kept by the Secretary of the Board. Companies dept. of the Ministry of Businesses & Commerce to be provided with said Minutes for approval.

In application of Clause (11) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Bank's Articles of Association and Memorandum of Association, under Clause 25, Chapter III of the Company's Management state that BOD shall hold its meetings at least once every two months (six times early). The meeting shall take place upon invitation from the Chairman and may be upon the request of two thirds of the Board members in case of emergency. The call to the meeting must comprise an Agenda for the meeting approved by the Chairman and any Board member has the right to include any other issue to the meeting Agenda.

Board Secretary

In application of Clause (12) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, a Board Secretary is appointed by the Board. His functions include the recording, coordinating and, maintaining all the minutes, records, books and reports of the Board which are submitted to or issued by it. He is charged also, under the supervision of the Chairman, to ensure the proper communication and dispatching of the information and to coordinate between the Board members, the Board and the other interested parties in the Company, including Shareholders, the Management and the staff members. To this end, the Board Secretary:

- Shall make sure that Board members can have full and swift access to all Board meetings minutes, information, documents and records of the Company.
- Ensure that all Board members make use of his services and consultancy.
- His appointment of, or dismissal takes effect only vide a resolution by the Chairman.
- To be preferably a member in a renown professional accountants body or in a Board of Trustees of a chartered company or, an advocate or, to be bearer of a University degree from a renown university or the equivalent of such certificate and, to have at least (3) years experience in handling the affairs of a public company listed in the Stock market.

In application of Clause (13) of Corporate Governance Rules issued by QFMA, commitment to the “Policy of ‘Conflict of Interests’ & Dealings” with sub-contractors is ensured:

- Approve and announce general rules and procedures regulating any commercial transaction proposed to enter with a concerned party (the Company’s Policy in terms of Concerned Parties). In any way, it is not permitted to engage in any commercial transaction with a concerned party (or getting contracted with it) without taking full consideration of the ‘Related Parties Policy’ which ensures the principles of Transparency, Equity and Disclosure, subject to approval of shareholders majority, provided such concerned party not being a party in the vote.
- If any case of conflict of interests or a commercial transaction between the Bank and a Board member or any concerned party is raised in a Board meeting, the case must be discussed in absence of the concerned member who will have no right at all to take part in the vote on said transaction. In any way, the transaction must be executed at market price, on purely commercial basis and should not include any terms/conditions contradicting with the Bank’s interests.
- Board members trading in the Bank’ stocks, must be disclosed. The Bank must as well adopt clear policies & procedures controlling the members and staff dealings in QIB shares.

In application of Clause (14) of Corporate Governance Rules issued by QFMA, the BOD shall have the following additional duties:

- Board members must be allowed to have full and

immediate access to the business-related information. The Executive Committee should provide the Board and its Committees with all requested documents and information.

- Board members must ensure the presence of the Committees of: Recruitment, Remunerations & Bonuses and, oversee the Internal Auditors, representatives of External Auditors for the General Assembly.
- The Board must adopt an awareness program for its newly appointed members to ensure that, upon being elected by voting, they enjoy adequate understanding of how the business’s operations are running and what to ensure they are totally aware of their responsibilities.
- Board members are responsible for possessing a good understanding of their roles and duties; undergo a self-training task about financial, commercial and industrial operations and about the Bank’s operations and businesses. To this end, the Board has to organize adequate formal awareness courses aiming to consolidate its members’ skills and knowledge.
- The Board must keep its members updated with the latest developments in the area of Governance. It may delegate such task to the Audit Committee, the Governance Committee or any other party as deemed proper.
- The Company’s Articles of Association comprise clear statements on the termination of the Board members in case of absence from attending its meetings.

In application of Clause (15) of Corporate Governance Rules issued by QFMA, appointment of Board members- the Nomination Committee:

- Nomination and appointment of Board members must be according to strict and transparent formal procedures.
- The Board shall constitute a Nomination Committee, headed and formed by Independent members who will suggest the appointment and re-nomination of the Board members to be voted by the General Assembly. Nomination by mentioned Committee does not mean depriving any shareholder from exercising his right to record himself, or to propose someone else for appointment.
- Nominees should take into consideration, among other things, the candidates’ capability to allocate sufficient time for assuming their duties as Board members, in addition to possessing the required skills, know-how, professional, technical and academic qualifications and

their personalities, based on the “Adequate Guiding Norms for nominating Board Members”.

- Upon its constitution, the Nomination Committee should approve and publish its framework in a way that clearly indicates its powers and roles.
- The Committee’s function should include as well making an annual performance appraisal for the Board.
- The Bank should respect any terms or requirements relative to the Nominee’s election or appointment of Board members issued by Qatar Central Bank or any other authority.

In application of Clause (16) of Corporate Governance Rules issued by Qatar Financial Markets Authority, the Bank has constituted a Nomination and Remuneration Committee’ to define the policies of disbursing bonuses and link same to the Bank’s long term performance. Also, the Bank’s Articles of Association and Memorandum of Association state under Clause 33 that the aggregate sum that the Board member may receive under this capacity, as a lump sum salary paid to him regardless of the Company’s profit or loss or meetings attendance allowance, shall not exceed QR 20,000 (Twenty thousand Qatari Riyals).

In application of Clause (17) of Corporate Governance Rules issued by QFMA, the Bank has constituted an Audit Committee to which shall be relevant the following functions:

- Internal Audit
- Compliance
- Risk

In application of Clause (20, Clause-1) of Corporate Governance Rules Issued by QFMA in terms of Disclosure, the Bank is bound to all disclosure requisites, including the submission of financial reports and the disclosure of the number of stocks held by each Board member, Executive officer, or prominent shareholder. It discloses as well the necessary information on the Board members including their respective CV’s with details on their educational background, profession, memberships in other BOD’s and, the names of the various Board Committees’ members and structures.

In application of Clause (21) of Corporate Governance Rules Issued by QFMA in terms of Shareholders General Rights and Basis Ownership Elements: shareholders enjoy all the rights granted to them by the relative Laws and Regulations, including the Governance Chart, Articles of Association and the Board’s commitment to respect

Shareholders rights to the extent that achieves equity and equality.

In application of Clause (22) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Title records of the Bank as a Qatari Shareholding Company are correct, accurate and regularly updated, as per its Articles of Association, to clarify the ownership of stocks. A shareholder is entitled to peruse and get access to the Company’s Shareholders Record, free of charge, during official Work hours. He is also entitled to get copies of the following documents: Shareholders record, Board record, the Company’s Articles/Memorandum of Association, Encumbrances documents, Concerned Parties’ Contracts or any other documents as stated by Qatar Markets Authority from time to time against charges as decided by said Authority.

In application of Clause (23) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, in respect of Shareholders rights to get information in a way that preserves their rights to get clear and detailed information: the Bank’s Articles/Memorandum of Association guarantees under Clause (27) – Chapter 3: Management of the Company, that the Board of Directors shall, three days at least before the meeting of the General Assembly convened to consider the Company’s balance sheet and the Board’ Statement, put at the disposal of Shareholders, a detailed list of all the amounts disbursed to the Chairman and Board members in addition to the physical distinctions and remunerations proposed for distribution, as well as the amounts allocated for each member (salary, reserve, compensation), the operations contradicting with the Bank’s interests, publicity expenses and donations, all approved by the Bank’s Auditor.

All information and disclosures are also published on the Bank’s Internet site.

In application of Clause (24) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Bank’s Articles/ Memorandum of Association states, under Clause (39), Shareholders right to call for a General Assembly meeting and the Bank should respond immediately to such call. Shareholders have further the right to discuss or raise any item in General Assembly meeting’s Agenda, address inquiries and get corresponding answers or apply as a group of shareholders representing 10% at least of the Capital to include a specific issue in the Agenda.

In application of Clause (25) of Corporate Governance Rules Issued by QFMA , regarding fair treatment of

shareholders and the exercise of the voting right, the Bank's Articles/Memorandum of Association states, under Clause (16) – (Company's Capital) – stated that each share give the right to a quota equal other, without distinction, in the ownership of the Company's Assets and Dividends. Similarly, clause (35) – (General Assembly) – confirms every shareholder's right to attend the General Assembly meetings in person or as delegation. Minors and person placed under custody will be represented by their delegates.

In application of Clause (26) of Corporate Governance Rules issued by Qatar Financial Markets Authority, Board members have been appointed conforming to the Bank's Articles/ Memorandum of Association provisions, their qualifications & previous experiences, all being as appended on the Bank's website. It happens also that some shareholders obtain such information from Shareholders Affairs Dept. Finally, details of such information are included in the Corporate Governance Report that is distributed to Shareholders in the General Assembly meeting.

In application of Clause (27) of Corporate Governance Rules issued by QFMA Dividend Distribution Policy: said distribution takes place in line with the Bank's Articles/Memorandum of Association takes place pursuant to shareholders' absolute majority basis approving the profit shares (dividends) to be distributed during the General Assembly meeting which is held once yearly within four months of the year following the end of the Company's financial year, in presence of the External Auditor and QCB representative.

In application of Clause (28) of Corporate Governance Rules Issued by QFMA, Capital is stated in the Bank's Articles/Memorandum of Association under Clause (12)://Company's Capital//, which provides the protection of minority interests- rights, as shareholders are only committed up to each share's value and cannot increase that commitment. Clause (44)-(General Assembly), state that it is not permissible to take any resolutions on Capital increase or the Company's Contract extending its term, liquidate or sell in full only through Extraordinary General Assembly Meeting.

In application of Clause (29) of Corporate Governance Rules issued by QFMA, the Bank's Articles/Memorandum of Association under clause (27) guarantees that Interested Parties may be provided with reliable adequate and connected information regularly and in reasonable times. Furthermore, the Bank treats all employees on a pari-passu basis. It has created a

Nomination and Remuneration Committee assigned to disburse incentives to the staffs and the Management to the benefit of the Bank, taking in consideration the Bank's performance on the long term. Finally, the Bank has delegated several contact channels to report any violations and has adopted Board-approved policies and procedures to safeguard and protect the staff confidentiality in case of report in any suspicious activity.

3.6 Board Committees

To appropriately manage its duties the Board of Directors are assisted by five specialised committees that report directly to it and perform functions on its behalf to support efficient management practices. These committees include:

i. Board Executive Committee

The Board Executive Committee is represented by six Board Members with the participation of CEO and senior employees of the Bank who hold the responsibility of transferring information and under discussion data between the management level and the Board of Directors. The Executive Committee serves as a tool to coordinate the business. It has, as its prime tasks and responsibilities, the provision of ongoing information to the Board on business developments, regular review of business segments, consultation with and furnishing advice to the Board on strategic decisions and preparation of grant credit decisions within its jurisdiction. The Board Executive Committee works to develop the Bank's business plan to be or presented to the Board.

ii. Audit, Risk & Compliance Committee

The primary objective of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities related to the Bank. This includes financial reporting, internal control system, management of material business risks, the internal and external audit functions and the process for monitoring compliance with laws and regulations and the Bank's code of business conduct. Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to the Audit and Risk & Compliance Committee Charter in order to facilitate decision making by the Board.

The Committee is authorised by the Board to investigate any activity. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any

requests made by the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the assistance of outsiders with relevant experience and expertise if it considers this necessary but only after consultation with the Chairman of the Board.

The Committee has unlimited access to both the internal and external auditors and to the Senior Management of the Bank. The Committee is established by the Board to review, evaluate and make recommendations to the Board in relation to: General Risk and Accounting, Internal Control, Risk and Control Environment, Financial Reporting, Internal Audit, External Audit and Compliance.

iii. Policies and procedures Committee

The primary objective of this committee is to study, prepare and develop strategies, objectives, policies, systems, plans, budgets and working procedures directories. The Committee ensures that QIB policies and practices are conducted in accordance with the established and approved business operating standards. The Committee reviews the operating efficiency of the respective functions, and measures the alignment of functional procedures with corporate objectives and business processes.

The Committee is responsible to monitor the QIB quarterly performance against strategy, business plan and budgets. This includes review and consolidation of business development, product alignment and resources distribution across QIB. The Committee also highlights deviations of policies and procedures from laid down standards to the Management for necessary corrective action from time to time and

reviews compliance of the same. The Committee is also responsible to develop QIB's corporate social responsibility strategy in light of QIB's brand values.

iv. Nomination and Remuneration Committee

The Committee is responsible to develop a remuneration policy to attract, retain and motivate staff, management of the highest calibre who have the skills needed to achieve the Bank's objectives year on year. The Committee is responsible to ensure that it balances the interests of the shareholders, the Bank and its employees.

The Committee meets for remuneration functions six times at least every year. As a strict policy no person shall be present when his or her remuneration or contractual arrangements are discussed.

v. Zakat Committee

The Committee is responsible to promote interdependence and integration among members of the Muslim community by channeling contributions of Zakat. The Committee identifies key players in the field of humanitarian aid, general development and other channels that can be used to distribute Zakat proceeds. The Committee is responsible to develop good relationships with charitable, humanitarian aid groups and institutions that provide assistance in general development in order to evaluate recipients who would receive Zakat proceeds. They also, develop a Zakat collection and disbursement policy for the Bank for monitoring the result of the Zakat contributions and introducing accountability. The Committee also ensures that Zakat is calculated and distributed as per Shari'a rules and standards.

3.7 Meetings of Board of Directors and Board Committees

The Board of Directors meetings are held regularly, according to the Bank's Articles of Association and Companies Law, at least six times a year. The meetings are held Upon an invitation from chairman or based on a request of two of its members. The Board met eleven (10) times during 2012 with the Chairman attending and presiding at all meetings. The number of meetings held by the Board and its Committees are detailed below:

Board and Board Committees	Meetings during 2012
Board of Directors	10
Executive Committee	5
Audit, Risk & Compliance Committee	4
Policies & Procedures Committee	1
Nomination and Remuneration Committee	7
Zakat Committee	5

4. Shari'a Supervision

4.1 Shari'a Supervisory Board

The Shari'a Supervisory Board is responsible at the first place to ensure that the Bank's operations compliance with the Islamic Shari'a principles. It acts as an independent body of specialist jurists in Fiqh-Al-Muamalat. The Board is responsible for and to ensure the following:

- Provide Islamic advice and guidance to ensure that all QIB activities comply with Shari'a law.
- Review Shari'a Auditors' Reports and report to members on QIB's operations compliance with Shari'a.
- Determine whether contracts, transactions and dealings entered into by QIB complies with Shari'a.
- Examine financial statements to determine the appropriateness of profit allocation between QIB equity holders and policyholders, in accordance with Shari'a.
- Approve all marketing material of QIB, ensuring that the products are represented fairly and clearly to customers, in accordance with Shari'a.
- Ensure that all earnings realised from sources or by means prohibited by Shari'a are disposed of to charitable causes.
- Ensure that the calculation of Zakat is in compliance with Shari'a.
- Publish Fatwas, Rulings and Guidelines with regard to QIB activities.

Shari'a Executive Committee	Position
His Eminence Sheikh Walid Ben Hadi	Chairman, Shari'a Supervisory Board
Prof. Abdul Sattar Abou Ghodda	Member
Dr. Mohammed Othman Shabeer	Member

5. Segregation of Duties

A balance between the roles and responsibilities of the Board of Directors and Management is achieved through duty segregation. The Board of Directors provide the overall strategic direction and oversight through the review and approval of major strategic direction and oversight and through the review and approval of major strategic initiatives, policies and objectives while day-to-day management of the Bank is entrusted to the Chief Executive Officer.

6. Executive Management Team

Executive Management, defined as the group of persons with operational responsibility for the Bank and appointed by the Board, is responsible for the overall day-to-day management of the Bank. The Executive Management is headed by the Chief Executive Officer (CEO) and a experienced executive management team supports the CEO.

As of 31st December 2012, the Executive Management of the Bank comprised of the following persons:

Shari'a Executive Committee	Position
Mr. Ahmad Meshari	Acting CEO
Mr. Bert de Ruiter	GM – Wholesale Banking Group
Mr. Syed Maqbul Quader	Group Chief Risk Officer
Mr. Gourang Hemani	Chief Financial Officer
Mr. Constantinos Constantinides	Chief Strategy Officer
Dr. Ahmed A. Al-Kuwari	GM – Human Capital
Mr. Dorai Anand	GM – Personal Banking
Mr. Salah Al-Hail	GM – Real Estate Group
Mr. Giles Cunningham	Chief International Officer
Mr. Steven Crook	Chief Operating Officer
Mr. Tareq Rahmat	AGM – Treasury Group
Mr. Salah El-Sheikh	Head of Legal
Mr. Atef Abdul Khalek Mohamed Ali	Head of Internal Audit
Mr. Samir El-Ghandour	Head of Compliance

Mr. Ahmad Meshari Acting Chief Executive Officer

Mr. Ahmad Meshari assumed his current position as Acting Chief Executive Officer in October 2010. Mr. Ahmad Meshari, a seasoned professional at the Bank has been an integral part in the Bank's aspirations to grow its domestic business while cutting costs.

Prior to joining QIB, Mr. Ahmad Meshari worked as a Senior Vice President (Corporate Banking) at Sharjah Islamic Bank. While there, Mr. Ahmad Meshari worked on various projects including internal restructuring, strategy formation and instituting an achievements-based awards program. Before his post at Sharjah Islamic Bank, he worked on various other ventures including working for the Ministry of Interior in Kuwait and operating his own consumer goods company in Canada.

Mr. Ahmad Meshari holds an MBA from the University of Ottawa in Canada and a BA from Kuwait.

Mr. Bert De Ruiter General Manager – Wholesale Banking Group

Bert de Ruiter joined QIB as General Manager of the Wholesale Banking Group. Prior to that Bert was Country Manager – Netherlands for Lloyds Banking Group. He started his career in ABN AMRO Bank in several relationship management roles in SME Banking. After joining Lloyds, Bert worked in senior roles in Europe and the Middle East including Head of Corporate Banking, Netherlands, Deputy CEO/Managing Director – UAE, CEO – UAE and Head of Specialised Finance and Business Development – Wholesale Banking Europe.

Mr. Syed Maqbul Quader Group Chief Risk Officer

He has worked in banking for more than thirty nine years. Over the last two decades Mr. Syed Maqbul has been working for leading banks in the GCC region in senior positions in corporate banking and risk functions. He was previously the Chief Credit Officer of National Bank of Bahrain, and subsequently General Manager for Corporate Banking Group at Al Rajhi Bank in Saudi Arabia.

Mr. Qader began his career with Chase Manhattan Bank in Hong Kong in 1971, and subsequently served the Bank for over eighteen years in New York, London and Bahrain, where he was Vice President and Regional Credit Officer.

Mr. Gourang Hemani
Chief Financial Officer

He holds 22 years of accounting and Finance experience with international banks and with leading audit firms. Gourang started his carrier with Price Waterhouse Coopers – India and progressed through Standard Chartered Bank – India followed by long standing career with Banque Saudi Fransi in Saudi Arabia for 15 years handling various roles including Asset Liability Management, Treasury Middle Office, and Financial Planning. His last assignment, prior to joining QIB was with Banque Saudi Fransi as Deputy Chief Financial Officer. He is a CFA charter holder, FRM, Chartered Accountant of India.

Mr. Constantinos Constantinides
Chief Strategy Officer

Constantinos Constantinides (Dinos) joined QIB as Chief Strategy Officer to lead the Bank's transformation program. Prior to that Dinos held various senior roles at Al Rajhi Bank for the last eight years. Since 2007, he has been the General Manager of Strategy responsible for business development and regional expansion. Previously he was Deputy General Manager in Retail Banking. As a management consultant with Accenture, he has led several strategic initiatives for European banks and financial institutions. He Holds an MBA in international Strategy from University of Birmingham.

Dr. Ahmed A. Al-Kuwari
General Manager – Human Capital

He joined QIB in late 2008 and has performed a complete transformation of operational HR function into strategic Human Capital (HC) function by implementing various key HC initiatives. He has combined both practical & academic experience in these initiatives.

Before he joined QIB, he has worked with Qatar University as Assistant Professor of Management in the College of Business & Economics. He also managed a high profile Government Modernization Project aimed at improving government sectors' performance & services between 2003 and 2008.

Dr. Ahmed holds a PhD in Management from the School of Business & Economics, University of Exeter, U.K. in addition to a Master's Degree in Public Administration from Seattle University, U.S.A.

Mr. Dorai Anand
General Manager – Personal Banking

Mr. Anand has over 20 years' experience in banking industry, particularly in retail banking, consumer assets business, customer service & operations. Mr. Anand has held various senior Management roles during his tenure with both world's leading conventional and Islamic banks. Most of his career has been with Citi Bank however for the last 8 years he has been associated with Al Rajhi Bank –Saudi Arabia. Prior to joining QIB Anand was GM – Retail Banking Group with Al Rajhi Bank.

Mr. Salah Al Hail
General Manager – Real Estate Group

He has over 20 years' experience working with reputed financial organisations. Prior to joining QIB, Mr. Salah spent nearly ten years with QNB, the largest bank in Qatar. His duties there ranged from managing a team of staff in the areas of project management, purchasing and procurement, security and safety and real estate management.

Prior to his tenure at QNB, Mr. Al-Hail worked on Qatar's Physical Development Plan as well as other key infrastructure and development projects in the country.

Mr. Giles Cunningham
Chief International Officer

He carries 22 years of international experience in Banking & Finance with leading institutions in the region & UK. He has worked with reputed organization such as Lloyds TSB General Insurance, Zubair Corporation – Oman & Lloyds in senior roles including CEO – Middle East, Managing Director – International Retail Banking & International Strategy. His last assignment, prior to joining QIB was with Lloyds Banking Group as Sr. Strategy & Advisor – Wealth & International Banking. He holds BA (Hons), ACIB & MBA from Sheffield Hallam University.

Mr. Steven Crook
Chief Operating Officer

Steven is a seasoned banking executive with 27 years of experience across Corporate, Retail, Cards and Group Centre functions. He holds professional certification of ACIB (Associate of Chartered Institute of Bankers) in addition to various leadership programs. He Commenced his career with Barclays Bank as a Teller in the UK, he worked his way through the ranks to reach his first senior executive in his early 30's and has since undertaken a variety of leadership roles including Change Director for Barclaycard and COO positions in Botswana and Egypt. His last assignment, prior to joining QIB was with the UAE Islamic bank Al Hilal, as Chief Operating Officer.

7. Bank Committees

The CEO relies on a number of multi-functional internal committees in the execution of his functions. The Committee meetings are authenticated if a quorum, including the Chairperson of the Committee or his deputy, is attained. Where majority rules are the norm for decisions, the vote of the Chairperson of the Committee prevails in case of a tie or non-resolution, with the exception of the Credit Committee and Investment Committee where unanimous decisions are always required, and any suggestions that are not approved by all members are always denied. All committees have a dedicated Secretary and each committee has a set of minimum meetings to be held during the year. Officers from concerned departments may be invited to attend meetings. Based on the Organisation Transformation and corporate governance approach that the Bank has been implementing since 2009 seven specialised management committees are functioning as detailed below:

i. Management Committee (MANCOM)

The Management Committee ensures that everything the Bank does supports its vision, purpose and aims. The Committee establishes fundamental values, ethical principles and strategic direction in which the Bank operates. The Committee monitors and evaluates all areas of the Bank's performance and accounts for everything the Bank does as an organisation including its spending and activities. Everything the Management Committee does must be in line with all its governing guidelines, strategies and approved business plans.

ii. Assets and Liabilities Committee (ALCO)

The Assets and Liabilities Committee is responsible for coordinating the Bank's borrowing and financing strategy, the funds acquisition to meet profitability objectives as well as the market and business environment changes. The primary goal of ALCO is to evaluate, monitor and approve practices related to risks due to imbalances in the capital structure. Among the factors considered are the liquidity risk, market risk, external events and operational issues that may affect the Bank's forecast and strategic balance-sheet allocations. The Committee is responsible to take important decisions related to the balance sheet of the Bank.

iii. Credit Committee

The Credit Committee reviews, recommends, and when approved, implements credit policies and procedures related to all corporate, financial institutions and retail assets across the Bank. The Committee reviews the delegated authorities across the Bank and recommends amendments to the Board where appropriate. The

Committee reviews the adequacy of the credit and risk controls implemented by the Management and the Board and the standard and quality of reporting to the Board. The Committee approves financing facilities if deemed fit or declines them within its delegated authority in line with QIB's business strategy, and recommends to the Executive Committee/Board of Directors where authority is exceeded. The Committee also conducts the following:

- Review and make recommendations regarding credit controls and financing conditions approved by the Management.
- Monitor and review country exposures across QIB.
- Monitor and review financing compliance by QIB with QCB regulations, applicable local regulations and board policy.
- Review introduction of new credit products across QIB.

iv. Investment Committee

The Investment Committee is responsible for reviewing and recommending the investment strategy, policies and procedures across QIB to the Executive Committee and the Board. The Committee approves the purchase and sale of investments with delegated authority, approves acceptable brokers, dealers and custodians, and reviews the introduction of new investment products across QIB. The Committee is responsible to ensure that local and foreign investments are considered in line with the investment limits, ratios and parameters set by the Board. The Committee is also responsible to monitor and review the performance of all investment activities in terms of profitability, financial performance, risks, volatility and volumes against the Board assigned limits, QCB and any other regulators.

v. Risk Committee

The Risk Committee is responsible to assist the Board in fulfilling its oversight responsibilities with regard to the inherent risks in the Bank. The Committee is responsible to create, review and recommend the risk management strategy, and define the risk appetite. The Committee ensures that the relevant risk policies are in place to manage the risks to which the Bank is exposed, including market, operational, liquidity, credit, regulatory, legal, compliance and reputational risk. The Committee sets risk tolerance limits and policies as well as checks compliance with limits. The Committee monitors on a regular basis, QIB's risk management performance and obtains, on a regular basis, assurance that the risk management policies are being adhered to.

vi. Information Technology Committee – IT Committee

The IT Committee is responsible to monitor the development and continuing support of the information systems across the Bank and address integration of systems and enhance MIS reporting. The Committee reviews and prepares plans for the development of Information technology systems across the Bank in the short and long term and has the overall responsibility of aligning all IT activities with the QIB vision, mission and business plans. The Committee supervises the development and revision of IT policies as well as suggests and recommends future IT initiatives. The Committee is also responsible to monitor the progress of IT projects across the Bank and take corrective action where appropriate.

vii. HR Committee

The Human Resources Committee is responsible to ensure the effective human capital management across QIB in accordance with QIB standards and Qatar Labour Law and Regulations. The Committee ensures that appropriate human capital policies and procedures are in place and leads the Bank's recruitment, retention, selection and assessment, grading and succession planning process. The Committee has the overall responsibility of fulfilling the Bank's Qatarization program and supporting human capital in the development and implementation of QIB's manpower plan.

8. Risk Management

Risk management is exercised at all levels of the Bank, including the Board of Directors, Board Committees, and senior management team and through various management and bank committees. A comprehensive, centralized and proactive risk approach effectively minimizes exposures on all fronts and mitigates credit, market, liquidity risks, as well as operational and business continuity risks, balanced against business growth.

Conservative Credit Policy

The Bank has always implemented and followed a conservative credit policy to ensure full understanding of potential risk through a diverse product range and client base, and a wider geographical and industrial spread. This approach, coupled with a periodic stress testing and scenario analysis and an appetite to proactively manage all risks continue to yield positive results in strengthening the solidness of QIB's Overall Credit Portfolio.

Improved Liquidity Ratios

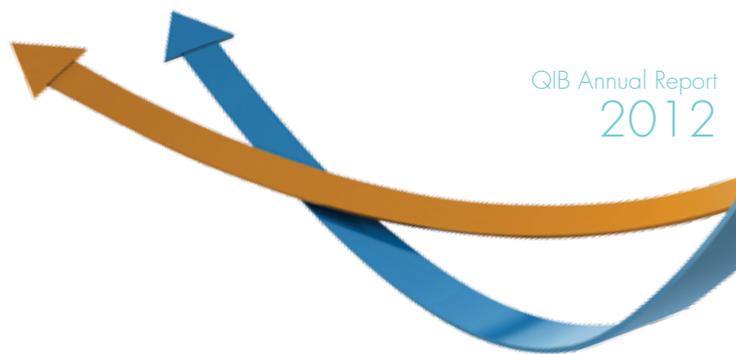
The Bank, on a continuous basis, applies diversified approaches to improve its liquidity ratios. The Bank continues to maintain a capital adequacy ratio well above the minimum accepted ratio set by Qatar Central Bank and the Basel Committee's banking supervision requirements.

Enterprise-wide Risk Management System

The Bank is in the process of implementing a number of initiatives across the board which constitutes stronger and granular MIS tool, improved limit and threshold controls, better portfolio management.

Operational Risk

To minimize potential losses from operational risks, the Bank has developed and implemented policies and procedures to methodically identify, assess, control, manage and report system vulnerabilities. Controls include effective duty segregation, access limits, effective authorisation and reconciliation procedures and ongoing staff education and assessment processes. In addition, a new sophisticated operational risk system has been deployed to manage all risk indicators, including database risk and loss events. This enhanced system is expected to be fully functional in 2011.



9. Internal Audit

The Bank's internal audit function continues to adapt its audit methodology to respond effectively to the Bank's expansion and to conduct independently, planned and unplanned internal audit engagements, in order to recommend changes that enhance governance, risk management, internal controls and compliance. During the year the role of audit transformed from being outsourced to a fully functional internal audit capability of the Bank. Operationally, the audit team supports individual unit managers by routinely analyzing audit reports and identifying areas of vulnerability. This process will be

further enhanced in the coming year with the implementation of a self assessment checklist that will enable staff to avoid common oversights and promote flawless processes. The process will minimize routine errors and will be expanded to develop appropriate training tools for staff in the future. The Internal Audit function also provides valuable input on internal controls, processes, and service quality and advices on how to enrich the Bank's training curriculum and development plans so that appropriate preventive focus is brought to bear on the risks faced by the Bank.

10. Compliance

The Bank's Compliance Team reports directly to the Head of Audit , Risk & Compliance Committee. The Bank's governance structure ensures that it benefits extensively from expert advice and the support of compliance in order to ensure that all areas of domestic and international operations are in full compliance with relevant local and international jurisdictional and statutory requirements. These include, but are not limited to Basel Committee on Compliance Requirements, Financial Action Task Force (FATF) recommendations on Anti Money Laundering and Counter-Terrorist Financing (AML/CTF) and other international standards on corporate governance as

well as QCB instructions and regulations. Over the past year the Bank's Compliance Team has played an active role in reviewing the policies, codes and terms of reference of the Board to ensure full compliance with Qatar Central Bank's and QFMA's requirements. The Compliance Team responds on a continuous basis to all bank inquiries seeking clarification on applicable regulations and standards and continues to provide a wide range of advisory services, including studies, comments, suggestions, recommendations and appropriate reviews.

11. External Audit

Ernst & Young was the appointed external auditors to audit the financial statements of Qatar Islamic Bank for the financial year 2012 inclusive, to report on the outcome of these audits to the Board of Directors and to provide an audit opinion on the financial statements of Qatar Islamic Bank. Furthermore, PwC also audited and reported on the effectiveness of internal control over financial reporting on 31 December 2012. The external auditors attended the meetings of the Audit Committee and the Shareholders' Meeting held in 2012.

After a maximum period of five years of performing the financial audit of Qatar Islamic Bank, the external audit firm responsible for reviewing the audits, have to be replaced by another external audit firm. The external auditors may be questioned at the Annual General Assembly Meeting about their audit opinion on the annual accounts. The external auditors will therefore attend and be entitled to address the meeting.

The external auditors may only provide audit and non-audit services to Qatar Islamic Bank with the permission of the Audit and Risk Committee. The Audit and Risk Committee generally pre-approves certain types of audit, audit-related and non-audit services to be provided by the Bank's external audit firms on an annual basis. Services that have not been generally pre-approved by the Audit and Risk Committee should not be provided by the external auditor or should be specifically pre-approved by the Audit and Risk Committee after the recommendation of the QIB management.

The Audit and Risk Committee also sets the maximum annual amount that may be spent for pre-approved services. Throughout the year the external audit firm and the Bank monitors the amounts paid versus the pre-approved amounts.

12. Corporate Social Responsibility

The Bank, as a responsible corporate citizen, recognises its social responsibility to the community in which the Bank operates. The Bank is committed to promoting sustainable development, protection and conservation of human life, health, natural resources and the environment, and adding value to the communities in which we operate. In doing so, the Bank recognises the importance of both financial and non-financial commitment and contribution.

The QIB Zakat Committee, which reports to the Board of Directors, provide assistance to a wide range of beneficiaries which included various educational, cultural and health care activities; sports clubs; social causes; charity societies; scholarships; conferences; exhibitions and sporting events.

13. Environmental Policy

The Bank is committed to environmental management in ensuring that no harm should come to the environment when performing its operations. In keeping with these beliefs and commitments, the Bank endeavours to ensure that all the management and employees comply with the following environmental policies.

1. Conduct business in an environmentally responsible manner.

2. Comply with all applicable environmental laws and regulations.

3. Promote the efficient use of resources and reducing (and where possible eliminating) waste through recycling and pursuing opportunities to reuse waste.

4. Notify the Board of any pertinent environmental issues and how QIB contributes towards those issues.

14. Health Policy

The Bank recognises that good health and safety management has positive benefits to an organisation, and thus is committed to providing and maintaining a healthy, safe and secure working environment for all employees. The Bank is committed to:

1. Ensuring the health, safety, security of all its employees whilst at work.

2. Ensuring that visitors to the Bank's premises are not exposed to risks to their health and safety.

3. Identifying hazards, assessing risks and managing those risks.

Pursuant to this the Bank has in place a comprehensive Fire, Health and Safety Insurance and Policy and provides extensive Medical and Health Insurance through a recognised insurance provider for the benefit of all permanent staff.

15. Penalties or Fines Imposed on the Bank by Regulatory Authorities

Fines aggregating to QR 68500 were imposed on the Bank in 2012 by Qatar Central Bank in respect of breaches of Qatar Central Bank regulations.

16. Material Issues Regarding the Bank's Employees and Stakeholders

There are no material issues regarding the Bank's employees and stakeholders to be disclosed in this report.

17. Communication with Stakeholders & Investors and Shareholders

The Bank keeps Qatar Exchange, QFMA and Qatar Central Bank updated on matters and developments that may affect its share price performance.

Transparency and full disclosure are the cornerstones of the Bank's communication efforts. The Board values clear, comprehensive and timely communication with shareholders and stakeholders.

At the General Assembly Meetings, the Chairman of the Board of Directors presents the shareholders with detailed information and data on the Bank's performance and its

achievements during the prior year, along with an outline of the major business plans and objectives of the current year.

The Bank's Articles of Association and by-laws include provisions that ensure the shareholders' right to call for a General Assembly and the Bank should ensure that the same is conducted in a timely manner. Also the shareholders have a right to place items on the agenda, discuss matters listed on the agenda and address questions and receive answers thereupon.

Shari'a Supervisory Board Report 2012

In the Name of Allah,
the Most Gracious, the Most Compassionate

Praise Be to Allah, Lord of the Lords; Prayers and Peace be upon Our Master Muhammad, Messenger of the Divine Mercy to the Universe; and all His Companions and Followers.

The QIB Shari'a Supervisory Board, to produce this report, has reviewed the Bank's contracts, answered questions by management, and contributed towards developing solutions to practical difficulties in the implementation stage that may or may not arise.

Over the course of the year, the Executive Committee and the Shari'a Supervisory Board oversaw the Bank's work, and monitored the correct application of the decisions made by the Shari'a Supervisory Board itself.

The Shari'a Supervisory Board is in place to ensure that the Bank's transactions are compliant with the guidelines as they are understood by all parties, and that any errors that may have

occurred in transactions during the practical implementation are quickly corrected. The Bank's financial statements and profit and loss accounts for the financial year 2012 have been examined by the Shari'a Supervisory Board, which is now confident that are not in conflict with the terms of Shari'a compliance.

The Shari'a Supervisory Board further stresses that the responsibility of applying such compliance lies with QIB management itself, while the Supervisory Board's role is primarily limited to giving 'fatwa' (advisory opinion) and supervising the transactions submitted, through Shari'a auditing within the means available.

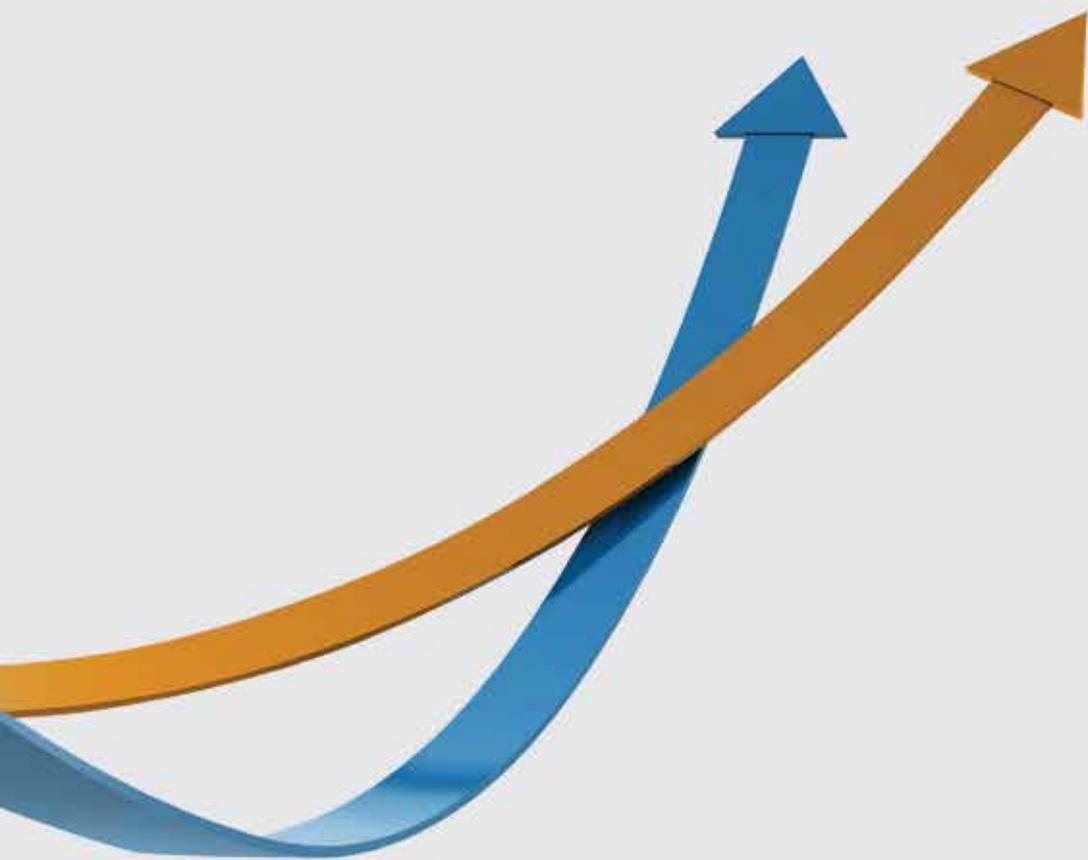
Thus, the Shari'a Supervisory Board would like to extend its thanks to the QIB management for its assistance, and prays to God that the Bank continues to receive the appropriate guidance to enable it to better serve the Islamic Finance sector, and to bless the funds and transactions of shareholders and dealers.

"Praise be to Allah"

His Eminence Sheikh Walid Ben Hadi
Chairman, Shari'a Supervisory Board

Prof. Abdul Sattar Abou Ghodda – Member
Dr. Mohammed Othman Shabeer – Member

Financial Statements 2012



Independent Auditors' Report

to the Shareholders of Qatar Islamic Bank (S.A.Q)

We have audited the accompanying consolidated financial statements of Qatar Islamic Bank S.A.Q. ("QIB" or the "Bank") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2012, consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows, consolidated statement of changes in restricted investment accounts and consolidated statement of sources and uses of charity fund for the year then ended, and a summary of significant accounting policies and other explanatory information. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). 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 consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012, the results of its operations, its cash flows, changes in equity and changes in restricted investment accounts for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Report on other legal and regulatory matters

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

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

20 January 2013
Doha
State of Qatar

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012	2011
QR '000s			
Assets			
Cash and balances with central banks	9	3,643,735	1,832,513
Due from banks	10	8,757,963	7,368,705
Financing assets	11	43,137,334	29,595,870
Investment securities	12	13,355,758	14,810,188
Investment in associates	13	875,311	884,917
Investment properties	14	774,232	693,060
Assets of a subsidiary held for sale	15	293,638	324,505
Fixed assets	16	377,366	362,115
Intangible assets	17	249,819	256,136
Other assets	18	1,726,906	2,146,877
Total assets		73,192,062	58,274,886
Liabilities, equity of unrestricted investment account holders and equity			
Liabilities			
Due to banks	19	10,371,518	13,342,262
Customers' current accounts	20	9,081,880	9,198,682
Sukuk financing	21	5,415,628	2,716,691
Liabilities of a subsidiary held for sale	15	205,182	195,282
Other liabilities	22	1,001,367	1,317,708
Total liabilities		26,075,575	26,770,625
Equity of unrestricted investment account holders	23	34,065,482	18,653,837
Equity			
Share capital	24(a)	2,362,932	2,362,932
Legal reserve	24(b)	6,370,016	6,370,016
Risk reserve	24(c)	763,213	428,500
General reserve	24(d)	81,935	666,571
Fair value reserve	24(e)	86,074	(30,514)
Foreign currency translation reserve	24(f)	(31,078)	(38,856)
Other reserves	24(g)	289,080	-
Proposed cash dividends	24(h)	886,100	1,063,319
Retained earnings		665,603	380,451
Total equity attributable to shareholders of the bank		11,473,875	11,202,419
Non-controlling interests	25	1,577,130	1,648,005
Total equity		13,051,005	12,850,424
Total liabilities, equity of unrestricted investment account holders and equity		73,192,062	58,274,886

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

Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman

Ahmad Meshari
Acting Chief Executive Officer

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the year ended 31 December 2012

QR '000s

	Notes	2012	2011
Net income from financing activities	26	2,081,360	1,775,466
Net income from investing activities	27	585,123	669,889
Total net income from financing and investing activities		2,666,483	2,445,355
Fee and commission income		472,533	323,134
Fee and commission expense		(55,369)	(23,131)
Net fee and commission income	28	417,164	300,003
Net foreign exchange gain (loss)	29	26,104	(25,265)
Share of results of associates	13	(15,930)	(38,541)
Other income		11,249	-
Total income		3,105,070	2,681,552
Staff costs	30	(484,317)	(410,170)
Depreciation and amortisation	16,17	(60,596)	(50,235)
Sukuk holders' share of profit		(129,782)	(105,854)
Other expenses	31	(297,563)	(290,650)
Total expenses		(972,258)	(856,909)
Net impairment losses on investment securities	12	(302,298)	(181,963)
Net impairment losses on financing assets	11	(188,256)	(13,001)
Other impairment losses		(11,379)	-
Net profit from continuing operations before tax		1,630,879	1,629,679
Discontinued operations			
Loss from subsidiary held for sale	15	(42,137)	(1,919)
Net profit for the year before return to unrestricted investment account holders and tax		1,588,742	1,627,760
Return to unrestricted investment account holders before the bank's share as Mudarib		(888,767)	(831,200)
Bank's share as Mudarib		427,674	421,585
Net return to unrestricted investment account holders	23	(461,093)	(409,615)
Net profit for the year before tax		1,127,649	1,218,145
Tax expense	32	(1,958)	(2,282)
Net profit for the year		1,125,691	1,215,863
Net profit for the year attributable to:			
Shareholders of the Bank		1,241,445	1,365,149
Non-controlling interests	25	(115,754)	(149,286)
Net profit for the year		1,125,691	1,215,863
Earnings per share			
Basic earnings per share (QR per share)	36	5.25	5.87
Diluted earnings per share (QR per share)	36	5.25	5.87

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

QR '000s

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividends	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2012	2,362,932	6,370,016	428,500	666,571	(30,514)	(38,856)	-	1,063,319	380,451	11,202,419	1,648,005	12,850,424
Change in foreign currency translation reserve	-	-	-	-	-	7,778	-	-	-	7,778	-	7,778
Fair value reserve movement	-	-	-	-	116,588	-	-	-	-	116,588	-	116,588
Net profit (loss) for the year	-	-	-	-	-	-	-	-	1,241,445	1,241,445	(115,754)	1,125,691
Total recognised income and expense for the year	2,362,932	6,370,016	428,500	666,571	86,074	(31,078)	-	1,063,319	1,621,896	12,568,230	1,532,251	14,100,481
Transfers from												
General Reserve	-	-	-	(584,636)	-	-	129,495	-	455,141	-	-	-
Transfer to other reserve	-	-	-	-	-	-	159,585	-	(159,585)	-	-	-
Cash dividends paid to shareholders	-	-	-	-	-	-	-	(1,063,319)	-	(1,063,319)	-	(1,063,319)
Transfer to risk reserve	-	-	334,713	-	-	-	-	-	(334,713)	-	-	-
Proposed cash dividends	-	-	-	-	-	-	-	886,100	(886,100)	-	-	-
Social and Sports Fund appropriation	-	-	-	-	-	-	-	-	(31,036)	(31,036)	-	(31,036)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	44,879	44,879
Balance at 31 December 2012	2,362,932	6,370,016	763,213	81,935	86,074	(31,078)	289,080	886,100	665,603	11,473,875	1,577,130	13,051,005

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2012

QR '000s

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Proposed cash dividends	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2011	2,166,022	4,654,922	428,500	666,571	(6,424)	(53,706)	1,083,011	112,752	9,051,648	206,684	9,258,332
Change in foreign currency translation reserve	-	-	-	-	-	14,850	-	-	14,850	-	14,850
Fair value reserve movement	-	-	-	-	(24,090)	-	-	-	(24,090)	-	(24,090)
Net profit (loss) for the year	-	-	-	-	-	-	-	1,365,149	1,365,149	(149,286)	1,215,863
Total recognised income and expense for the year	2,166,022	4,654,922	428,500	666,571	(30,514)	(38,856)	1,083,011	1,477,901	10,407,557	57,398	10,464,955
Shares issued to Qatar Investment Authority	196,910	1,715,094	-	-	-	-	-	-	1,912,004	-	1,912,004
Cash dividends paid to shareholders	-	-	-	-	-	-	(1,083,011)	-	(1,083,011)	-	(1,083,011)
Proposed cash dividends	-	-	-	-	-	-	1,063,319	(1,063,319)	-	-	-
Social and Sports Funds appropriation	-	-	-	-	-	-	-	(34,131)	(34,131)	-	(34,131)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	1,590,607	1,590,607
Balance at 31 December 2011	2,362,932	6,370,016	428,500	666,571	(30,514)	(38,856)	1,063,319	380,451	11,202,419	1,648,005	12,850,424

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012	2011
QR '000s			
Cash flows from operating activities			
Net profit for the year		1,169,786	1,220,064
Net loss before tax from discontinuing operations	15	(42,137)	(1,919)
		1,127,649	1,218,145
Adjustments for:			
Net impairment losses on financing assets	11	188,256	13,001
Net impairment losses on investment securities	12	302,298	181,963
Other impairment losses		11,379	-
Depreciation and amortisation	16,17	60,596	50,235
Net gain on sale of investment securities		(59,651)	(70,678)
Dividend income	27	(37,155)	(39,408)
Share of results of associates		15,930	38,541
Sukuk amortisation		3,283	3,401
Loss from investment revaluation		7,666	2,560
Gain on disposal of investment property		-	(5,266)
Tax expense	32	1,958	2,282
Net loss on disposal of fixed assets		125	450
Profit before changes in operating assets and liabilities		1,622,334	1,395,226
Change in reserve account with QCB		(704,304)	128,872
Change in due from banks		(66,334)	307,243
Change in financing assets		(13,729,720)	(257,098)
Change in other assets		406,633	125,651
Change in due to banks		(2,970,744)	4,912,329
Change in customer current accounts		(116,802)	272,927
Change in other liabilities		(282,467)	460,518
		(15,841,404)	7,345,668
Dividends received	27	37,155	39,408
Net cash (used in) from operating activities		(15,804,249)	7,385,076
Cash flows from investing activities			
Acquisition of investment securities		(1,880,067)	(13,518,563)
Proceed from sale of investment securities		3,138,517	3,346,971
Acquisition of fixed assets		(69,780)	(82,421)
Proceed from sale of fixed assets		-	101
Net cash acquired with the subsidiary		-	231,188
Acquisition of associate companies	13	(10,671)	(533,797)
Proceed from sale of associate companies		3,112	198,438
Acquisition of investment properties		-	(295,594)
Proceed from sale of investment properties		-	209,602
Dividends received from associate companies	13	9,000	108,930
Net cash from (used in) investing activities		1,190,111	(10,335,145)
Cash flows from financing activities			
Change in equity of unrestricted investment account holders		15,411,645	(2,985,304)
Proceeds from issuance of share capital		-	1,912,005
Proceeds from sukuk financing		2,705,962	-
Transaction cost on issuance of Sukuk		(10,308)	-
Cash dividends paid to shareholders		(1,063,319)	(1,083,011)
Net cash from (used in) financing activities		17,043,980	(2,156,310)
Net increase (decrease) in cash and cash equivalents		2,429,842	(5,106,379)
Cash and cash equivalents at 1 January		7,813,018	12,919,397
Cash and cash equivalents at 31 December	37	10,242,860	7,813,018

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Restricted Investment Accounts

For the year ended 31 December 2012

QR '000s

Investment	Movements during the year							At 31 December 2012
	At 1 January 2012	Investment (withdrawals)	Revaluation	Gross income (loss)	Dividends paid	Admin expense	Group's fee as an agent	
Fleet Street Financing 1 Limited	-	605,951	-	33,898	(50,548)	(7,045)	(22,832)	559,424
Qatar Equity	116,954	-	-	3,803	-	-	-	120,757
Discretionary Portfolio Management	163,570	(109,356)	5,724	10,219	-	-	(806)	69,351
John Spiers	-	8,811	1,042	-	-	-	(109)	9,744
Wise Capital	-	6,496	268	(1,263)	-	-	-	5,501
BLME Sub.	-	17,622	2,083	-	-	-	(216)	19,489
Eden Rock	-	8,889	1,332	-	-	-	(132)	10,089
ABC Sub.	-	20,559	-	-	-	-	-	20,559
Asian Finance Bank	105,560	-	-	-	-	-	-	105,560
Solidarity Group Holding B.S.C	4,441	-	-	-	-	-	-	4,441
Marsa Al Seef	135,590	-	-	-	-	-	-	135,590
QIB-UK	-	8,811	-	-	-	-	-	8,811
	526,115	567,783	10,449	46,657	(50,548)	(7,045)	(24,095)	1,069,316

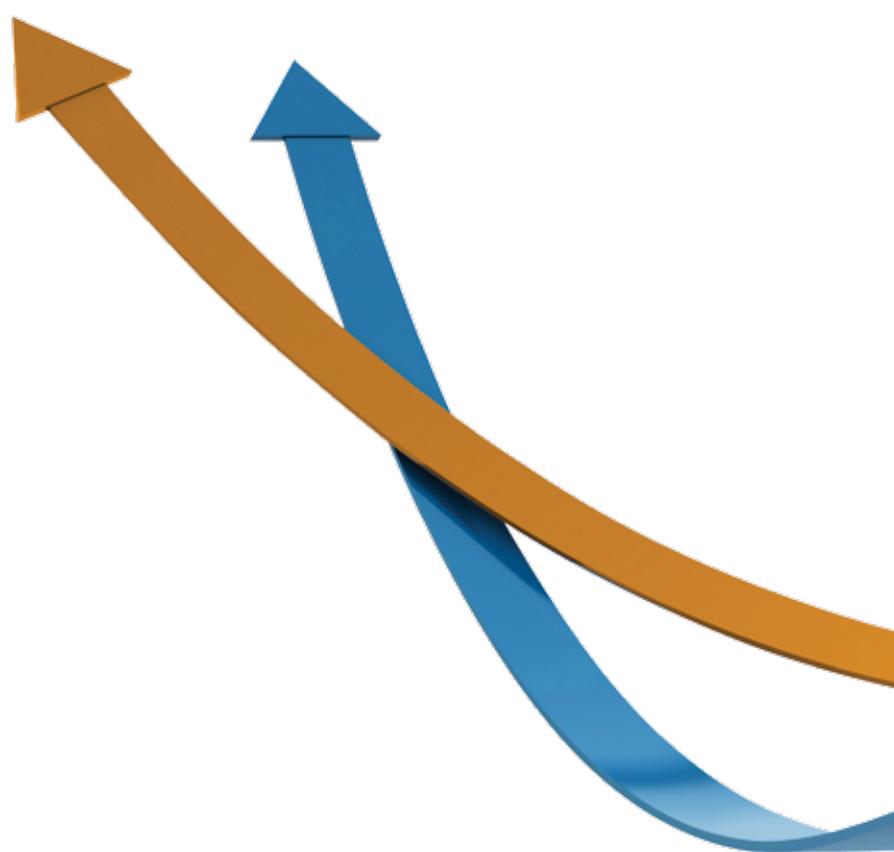
Investment	Movements during the year						At 31 December 2011
	At 1 January 2011	Investment (withdrawals)	Revaluation	Gross income (loss)	Group's fee as an agent	At 31 December 2011	
Enhanced Deposit Certificates	434,773	(434,773)	-	-	-	-	-
Qatar Equity	-	117,173	-	(49)	(170)	-	116,954
Discretionary Portfolio Management	154,332	15,230	(10,021)	6,369	(2,340)	-	163,570
Asian Finance Bank	105,560	-	-	-	-	-	105,560
Solidarity Group Holding B.S.C	4,441	-	-	-	-	-	4,441
Marsa Al Seef	135,590	-	-	-	-	-	135,590
	834,696	(302,370)	(10,021)	6,320	(2,510)	-	526,115

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated Statement of Sources and Uses of Charity Fund

For the year ended 31 December 2012

	QR '000s	
	2012	2011
Source of charity fund		
Earnings prohibited by Sharia'a	1,000	1,500
Use of charity fund		
Researches, donations and other uses	(1,000)	(1,500)
Undistributed charity funds at 31 December	-	-



Notes to the Consolidated Financial Statements

At 31 December 2012

1. REPORTING ENTITY

Qatar Islamic Bank S.A.Q ("QIB" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 8 July 1982 as Qatari shareholding company under Emiri Decree no. 45 of 1982. The commercial registration number of the Bank is 8338. The address of the Bank's registered office is Doha, state of Qatar, P.O. Box 559. The consolidated financial statements of the Bank for the year ended 31 December 2012 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Bank is primarily

involved in corporate, retail and investment banking, and has 31 branches in Qatar. The Parent Company of the Group is Qatar Islamic Bank (S.A.Q). The Bank's shares are listed for trading on the Qatar Exchange.

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

The principal subsidiaries of the Group are as follows:

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2012	2011
QIB Sudan (i)	Sudan	Islamic banking	100%	-
QIB Sukuk Ltd (ii)	Cayman Islands	Sukuk issuance	-	-
AQR Real Estate Development and Investment ("AQR") - (iii)	Qatar	Property investments	49%	49%
QIB (UK)	United Kingdom	Investment banking	70%	70%
QIB Sukuk Funding Limited	Qatar	Financing company	100%	100%
QInvest LLC - (iv)	Qatar	Investment banking	46.96%	46.67%
Verdi Luxembourg SARL	Luxembourg	Investment in real estates	46.96%	46.67%
Q West - (v)	France	Equity investments	46.96%	46.67%
Q Invest Saudi Arabia - (v)	Saudi Arabia	Investment holding company	46.96%	46.67%
Q Business Services - (v)	Cayman Islands	Investment holding company	46.96%	46.67%
Q Liquidity Limited - (v)	Cayman Islands	Placements	46.96%	46.67%
Q Saudi Alpha - (v)	Cayman Islands	Investment holding company	46.96%	46.67%
Q Saudi Beta - (v)	Cayman Islands	Investment holding company	46.96%	46.67%
Q Saudi Gamma - (v)	Cayman Islands	Investment holding company	46.96%	46.67%
QInvest Holding Mauritius - (v)	Mauritius	Investment holding company	46.96%	46.67%
QInvest Luxembourg SARL - (v)	Luxembourg	Investments	46.96%	46.67%
QInvest Partners LLC - (v)	Qatar (QFC)	Investment holding company	46.96%	46.67%

Notes to the Consolidated Financial Statements

At 31 December 2012

1. REPORTING ENTITY (CONTINUED)

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2012	2011
QWMB Investment WLL – (v)	Bahrain	Investment holding company	46.73%	46.44%
Q Equity – (v)	Cayman Islands	Equity investments	46.96%	46.67%
Q Green – (v)	Cayman Islands	Investment holding company	46.96%	46.67%
Q Exhibit – (v)	Mauritius	Investment holding company	46.96%	46.67%
Q Learn – (v)	Mauritius	Investment holding company	46.96%	46.67%
Fleet Street Financing 1 Limited – (v)	Cayman Islands	Investment holding company	46.96%	46.67%
QI St Edmund’s Terrace Limited – (v)	Cayman Islands	Investment holding company	46.96%	46.67%
St. Edmund’s Terrace GP Limited – (v)	Cayman Islands	Investment holding company	46.96%	–
SET Investment Management Limited – (v)	Cayman Islands	Investment holding company	46.96%	–

Notes:

- i) QIB Sudan was incorporated in Sudan as a branch of QIB. The branch did not commence any operations as of 31 December 2012. The registration certificated was issued by the Central Bank of Sudan on 7 January 2013.
- ii) QIB Sukuk Ltd, was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk issuance for the benefit of QIB.
- iii) The Bank has the power to cast majority of the votes in the Board of Directors meetings of AQR by virtue of representing highest number of members in the Board.
- iv) As per the Articles of Association of QInvest, the Bank has the power to appoint 8 members of the Board of Directors out of 8 members.
- v) The Group has the power to control these entities, indirectly through QInvest LLC, as these entities are fully owned by QInvest LLC and accordingly these entities have been considered as subsidiaries of the Group.

Notes to the Consolidated Financial Statements

At 31 December 2012

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the applicable provisions of Qatar Central Bank ("QCB") regulations and the applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment securities classified as "Investments at fair value through equity", "Investments at fair value through income statement", "derivative financial instruments" and investment properties held for rental or capital appreciation that have been measured at fair value.

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Basis of consolidation

i) Business combinations

Accounting for business combinations only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business Combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in the consolidated statement of income.

The consideration transferred does not include amounts related to the settlement of pre-

existing relationships. Such amounts are generally recognised in consolidated statement of income.

Costs related to the acquisition, other than those associated with the issue of debt-type or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in consolidated statement of income.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by: (a) accounting for financial assets and liabilities at their fair value at the acquisition date; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

ii) Subsidiaries

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

iii) Special purpose entities

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

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

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where

the Group's voluntary actions, such as financing amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

iv) Loss of control

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

v) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in the consolidated statement of financial position in shareholders' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated statement of income as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

When the Group fully or partially disposes the subsidiary entity, the difference between the carrying amount of the investment in that entity as at disposal date, and the disposal proceeds, is recognised in the consolidated statement of income. Furthermore, the corresponding goodwill is derecognised proportionately from the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

v) Non-controlling interests (continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in equity are reclassified to consolidated statement of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to the consolidated statement of income where appropriate.

vi) Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

vii) Associates

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

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate). The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income; its share of post-acquisition movements in reserve is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the consolidated statement of income.

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of these consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the consolidated statement of income.

The Group's share of the results of associates is based on financial statements available up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform to the accounting policies of the Group.

The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

viii) Joint ventures

Joint ventures are entities where the Group has a contractual arrangement with one or more parties to undertake activities typically, through entities that are subject to joint control.

The Group recognises interests in a jointly controlled entity using the equity method of accounting. The accounting policy given in Note 3(a) (vii) therefore applies for investments in joint ventures as well.

The Group's share of the results of joint ventures is based on financial statements available up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform with the accounting policies of the Group. Intragroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intragroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

ix) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

b) Foreign currency

i) Foreign currency transactions and balances

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

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

ii) Foreign operations

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity

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

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

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Foreign currency (continued)

ii) Foreign operations (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the spot closing rate.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in owners' equity, and presented in the foreign exchange translation reserve in owners' equity.

c) Investment securities

Investment securities comprise investments in debt-type and equity-type financial instruments.

i) Classification

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Debt-type instruments

Investments in debt-type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through statement of income.

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the income statement.

Debt-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement. At inception, a debt-type investment managed on a contractual yield basis, can only be designated at fair value

through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

Equity-type instruments

Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through income statement include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

ii) Recognition and derecognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment securities (continued)

iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated statement of income.

Subsequent measurement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated statement of income in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated statement of income.

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

iv) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

d) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musharaka, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financing assets (continued)

Murabaha and Musawama

Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Based on QCB instructions, The Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not enters into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Mudaraba

Mudaraba financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Musharaka

Musharaka financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisna'a

Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

Wakala

Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment of the Muwakkil funds in a Shari'a compliant transaction. The Wakeel uses the funds based on the nature of the contract and offer an anticipated return to the Muwakkil. Wakala contracts are stated at amortised cost.

e) Other financial assets and liabilities

i) Recognition and initial measurement

The Group initially recognises due from banks, financing assets, customers' current accounts, due to banks, Sukuk financing and certain other assets and other liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

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

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Other financial assets and liabilities (continued)

ii) De-recognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated statement of income.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the

portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated statement of income.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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

iii) Offsetting

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Impairment of financial assets

The Group assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty/investee, restructuring of financing facility or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparty or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

Financial assets carried at amortised cost (including investment in debt-type instruments classified as amortised cost).

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised

in consolidated statement of income and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

g) Cash and cash equivalents

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

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

h) Investment properties

Investment property held for rental or capital appreciation is measured at fair value with the resulting unrealised gains being recognised in the statement of changes in equity under fair value reserve. Any unrealised losses resulting from re-measurement at fair value is recognized in the consolidated statement of financial position under fair value reserve to the extent of available balance. In case such losses exceed the available balance, the unrealized losses is recognized in the consolidated statement of income under unrealized re-measurement gains or losses on investment property. In case there are unrealized losses that have been recognized in the consolidated statement of income in a previous financial year, the unrealized gains related to the current financial year is recognized to the extent of crediting back such previous losses in the consolidated statement of income. Any excess of such gains over such prior-year losses is added to the fair value reserve.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Risk Management Instruments

Risk management instruments

The Group enters into certain Islamic derivative financial instruments to manage the exposure to foreign exchange rate risks, including unilateral promise to buy/sell currencies. These transactions are translated at prevailing spot exchange rates.

j) Fixed assets

i) Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses.

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of related equipment.

When parts of an item of fixed asset have different useful lives, they are accounted for as separate items (major components) of fixed assets.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/ other expenses in the consolidated statement of income.

ii) Subsequent costs

The cost of replacing a component of fixed asset is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The

costs of the day-to-day servicing of fixed assets are recognised in consolidated statement of income as incurred.

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

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

	Years
Buildings	20
IT equipments	3-5
Fixtures and fittings	5-7
Motor vehicles	5

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

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite

lives is recognised in the consolidated statement of income in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

A summary of the useful lives and amortisation methods of Group's intangible assets other than goodwill are as follows:

Useful lives	Software	Trade names and licenses	Brand name
	Finite (3-5 years)	Finite (10 years)	Finite (50 years)
Amortization method used	Amortized on a straight line basis over the periods of availability.	Amortized on a straight line basis over the periods of availability.	Amortized on a straight line basis over the periods of availability.
Internally generated or acquired	Acquired	Acquired	Acquired

l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Impairment of non-financial assets (continued)

Impairment losses are recognised in consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

m) Customer current accounts

Balances in current accounts are recognised when received by the Group. The transactions are measured as the amount received by the Bank at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

n) Equity of unrestricted investment account holders

Equity of unrestricted investment account holders are funds held by the Group, which it can invest at its own discretion. The unrestricted investment account holders authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Bank charges a management fee (Mudarib fees) to unrestricted investment account holders. Of the total income from unrestricted investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit

sharing limits as per the terms and conditions of the unrestricted investment accounts.

o) Distribution of profit between equity of unrestricted investment account holders and shareholders

The Bank complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between unrestricted investment account holders and shareholders.
- The share of profit of unrestricted investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba fee.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the unrestricted investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the yearend are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of unrestricted investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

p) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Sukuk financing

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears fixed semi-annual profit and mature after 5 years from issuance date. Profits are recognised periodically till maturity. Sukuks are recognised at amortised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing".

r) Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly and the restructuring plan will cause losses to the Group. Future operating losses are not provided for.

s) Employee benefits

i) Defined contribution plans

The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff costs in the consolidated statement of income. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

ii) Employees' end of service benefits

The Group provides a provision for all end of service benefits payable to employees in accordance with the Group's policies, calculated on the basis of individual employee's salary and period of service at the reporting date.

iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected

to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iv) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service conditions at the vesting date. The fair value of the share awards has been determined using a Monte Carlo simulation model to take into account the market-based performance condition. This is an appropriate model to value a share award where vesting is dependent on the achievement of a share price target.

Measurement inputs include share price at grant date, exercise price of the share award, expected volatility of share price, expected life (in years) of the share award, expected dividend yield, and the risk-free profit rate. Service conditions attached to the transactions are not taken into account in determining fair value.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Share capital and reserves

- i) Share issue costs
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.
- ii) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders' of the Bank.

u) Revenue recognition

Murabaha and Musawama

Profit from Murabaha and Musawama transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated statement of income.

Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated statement of income on declaration by the Mudarib.

In case Mudaraba capital is lost or damaged prior to the inception of work without misconduct or negligence on the part of Mudarib, then such losses are deducted from Mudaraba capital and are treated as loss to the Group. In case of termination or liquidation, unpaid portion by Mudarib is recognized as receivable due from Mudarib.

Musharaka

Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Ijara

Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated statement of income.

Istisna'a

Revenue and the associated profit margin are recognised in the Group's consolidated statement of income according to the percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala

Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Income from investment banking services

Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income

Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

Dividend income

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

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the consolidated statement of income except to the extent that it relates to items recognised directly in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

w) Earnings per share

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

x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Chief Executive Officer (being the chief operating decision maker) of the Bank to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

y) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

z) Repossessed collateral

Repossessioned collaterals against settlement of financing assets are stated within the consolidated statement of financial position under "Other assets" at their acquisition value net of allowance for impairment, if any.

Unrealised losses due to the reduction in the fair value of such assets in relation to the acquisition cost as at reporting date are included in the consolidated statement of income. In the case of an increase in the fair value of such properties in the future, unrealised gain is recognised in the consolidated statement of income to the extent of unrealised losses previously recognised.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable purposes as defined by the Sharia Supervisory Board.

bb) Assets held for sale

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Assets (or disposal groups) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The Group has classified the assets of its subsidiary 'Verdi SA', a limited liability company incorporated under the laws of Luxembourg, as held for sale. All the assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements. If the criteria for held for sale is no longer met, the Group shall cease to classify the asset (or disposal group) as held for sale and shall measure the assets at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group) not been classified as held for sale and its recoverable amount at the date of subsequent decision not to sell. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

cc) Wakala payables

The Group accepts deposits from customers under wakala arrangement under which return payable to customers is agreed in the wakala agreement. There is no restriction on the Group for the use of funds received under wakala agreements. Wakala payables are carried at cost plus accrued profit.

dd) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "commission and fees income".

ee) Contingent liabilities

Contingent liabilities include guarantees, letter of credit, the Group's obligations with respect to unilateral promise to buy/sell currencies and others. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements, unless they are remote.

ff) Comparatives

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

gg) Parent bank financial information

Statement of financial position and statement of income of the parent Bank as disclosed in Note 44 and Note 45 respectively are prepared following the same accounting policies as mentioned above except for investment in subsidiaries and associates which are carried at cost.

Notes to the Consolidated Financial Statements

At 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

hh) New standards and interpretations

During 2012, AAOIFI issued new Financial Accounting Standard (FAS 26) "Investment in real estate", which is effective as of 1 January 2013.

The Group is considering the implications of the above standard, the impact on the Group and it expects no effect on the Group's financial position, performance or its disclosures.

IASB Standards and Interpretations issued but not adopted

The following IASB standards have been issued but are not yet mandatory, and have not been early adopted by the Group:

Standard	Content	Effective date
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group, in case there is no relevant standard issued by AAOIFI.

4. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

Financial instruments

Financial instruments comprises of all financial assets and liabilities of the Group. Financial assets include cash and balances with central banks, due from banks, investment securities, financing assets, derivative financial assets and certain other assets. Financial liabilities include customers' current accounts and due to banks, Sukuk financing and certain other liabilities. Financial instruments also include equity of unrestricted investment account holders and contingent liabilities and commitments included in off balance sheet items.

Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risk
- Other risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital.

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Notes to the Consolidated Financial Statements

At 31 December 2012

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Introduction and overview (continued)

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has established various specialized committees that report directly to it and perform functions on its behalf to support efficient management practice which mainly include Board Executive Committee, Audit and Risk Committee, Policies and Procedures Committee, Compensation and Benefits Committee and Zakat Committee.

The Board Executive Committee is represented by Board Members with the CEO participation, and senior executives of the Bank who bear the responsibility of information under discussion. The Executive Committee serves as a tool to coordinate the business. It has, as its prime tasks and responsibilities, the provision of ongoing information to the Board on business developments, regular review of business segments, consultation with and furnishing advice to the Board on strategic decisions and preparation of credit decisions, within its delegated authorities. The Board Executive Committee works to develop the Group's business plan to be presented to the Board.

The primary objective of Policies and Procedures Committee is to study, prepare and develop strategies, objectives, policies, systems, plans, budgets and work procedures manuals. The Committee ensures that the Group policies and practices are conducted in accordance with the established and approved business operating standards. The Committee reviews the operating efficiency of the respective functions, and measures the alignment of functional procedures with corporate objectives and business processes. The Committee is also responsible to monitor the Group quarterly performance against strategy, business plan and budgets. This includes review and consolidation of business development, product alignment and resources distribution across Group. The Committee highlights deviations of policies and procedures

from laid down standards to the management for necessary corrective action from time to time and reviews compliance of the same. The Committee is also responsible to develop Group's corporate social responsibility strategy in light of Group's brand values.

Compensation & Benefits Committee consists of Board Members, General Manager ("GM") Financial Group and GM Human Capital. It's main responsibility is to select & evaluate applicants for senior executive posts, and provides recommendations thereof to the Board of Directors. In addition, it determines senior staff rewards and privileges, and distributes the same as per performance appraisals. Besides, the Committee looks into recommendations of promotions and salary increments to verify their alignment to the approved budget.

Zakat Committee is responsible to promote interdependence and integration among members of the Muslim community by channeling contributions of Zakat. The Committee identifies key players in the field of humanitarian aid, general development and other channels that can be used to distribute Zakat proceeds. The Committee is responsible to develop good relationships with charitable, humanitarian aid groups and institutions that provide assistance in general development in order to evaluate recipients who would receive Zakat proceeds.

Audit and Risk Committee's objective is to assist the Board to fulfill its corporate governance and oversight responsibilities related to the Group, This includes financial reporting, system of internal control, management of material business risks, the internal and external audit functions and the process of monitoring compliance with laws and regulations and the Group's code of business conduct. The Committee role is to report to the Board and provide appropriate advice and recommendations on matters relevant to the Audit and Risk Committee charter in order to facilitate decision making to the Board.

Notes to the Consolidated Financial Statements

At 31 December 2012

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Introduction and overview (continued)

Risk management framework (continued)

The Audit and Risk Committee is assisted in these functions by the Internal Audit and Compliance Departments.

In addition to the above mentioned committees, the management has also established a number of multi-functional internal committees such as Risk Committee, Management Committee, Assets and Liabilities Committee (ALCO), Credit Committee, and Investment Committee, which are responsible for developing and monitoring Group's risk management policies in their specified areas.

A separate Risk Management Group, reporting to the Chief Executive Officer and the Audit and Risk Committee, assists in carrying out the oversight responsibility of the Board.

The Group's Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, on an ongoing basis, to reflect changes in market conditions, products and services offered.

b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset will fail to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's financing assets, due from banks, investment securities and certain other assets.

The Group's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval and renewal of financing assets;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Renewals and reviews of financing assets are subject to the same review process;
- Diversification of financing and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends

The Credit Committee is responsible for sanctioning high value credits and for the formulation of credit policies and processes in line with growth, risk management and strategic objectives.

In addition, the Group manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

Regular audits of business units and Group credit processes are undertaken by Internal Audit and Compliance Divisions.

Notes to the Consolidated Financial Statements

At 31 December 2012

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

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

i) Maximum exposure to credit risk before collateral held or other credit enhancements

	2012	2011
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Balances with central banks	3,317,138	1,641,681
Due from banks	8,757,963	7,368,705
Financing assets	43,137,334	29,595,870
Investment securities	11,356,432	12,103,147
Other assets	844,455	1,094,664
	67,413,322	51,804,067
Other credit risk exposures		
Guarantees	5,611,126	3,358,006
Unutilised financing facilities	4,741,872	3,718,572
Letters of credit	1,470,011	460,398
Acceptances	420,321	159,717
	12,243,330	7,696,693

The above tables represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a financing commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

At 31 December 2012

QR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii) Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit enhancements attached), as categorised by geographical region and based on the country of domicile of its counterparties.

2012

Assets recorded on the consolidated statement of financial position:

	Qatar	Other GCC	Other Middle East	Others	Total
Balances with central banks	3,171,538	-	-	145,600	3,317,138
Due from banks	4,905,518	2,938,409	-	914,036	8,757,963
Financing assets	40,380,926	819,796	-	1,936,612	43,137,334
Investment securities	10,530,959	535,644	109,289	180,540	11,356,432
Other assets	772,338	55,473	2,164	14,480	844,455
	59,761,279	4,349,322	111,453	3,191,268	67,413,322

2011

Assets recorded on the consolidated statement of financial position:

	Qatar	Other GCC	Other Middle East	Others	Total
Balances with central banks	1,641,681	-	-	-	1,641,681
Due from banks	4,670,894	1,447,149	-	1,250,662	7,368,705
Financing assets	28,233,238	219,086	-	1,143,546	29,595,870
Investment securities	10,824,334	378,716	91,000	809,097	12,103,147
Other assets	908,939	144,197	-	41,528	1,094,664
	46,279,086	2,189,148	91,000	3,244,833	51,804,067

Off balance sheet items

2012

	Qatar	Other GCC	Other Middle East	Others	Total
Guarantees	4,902,890	122,904	28,774	556,558	5,611,126
Unutilised financing facilities	4,741,872	-	-	-	4,741,872
Letters of credit	1,155,577	19,829	43,157	251,448	1,470,011
Acceptances	276,038	-	-	144,283	420,321
	11,076,377	142,733	71,931	952,289	12,243,330

Notes to the Consolidated Financial Statements

At 31 December 2012

QR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

- ii) Concentration of risks of financial assets with credit risk exposure (continued)
Geographical sectors (continued)

Off balance sheet items

2011

	Qatar	Other GCC	Other Middle East	Others	Total
Guarantees	2,710,606	121,341	29,621	496,438	3,358,006
Unutilised financing facilities	3,718,572	-	-	-	3,718,572
Letters of credit	401,618	2,010	-	56,770	460,398
Acceptances	159,717	-	-	-	159,717
	6,990,513	123,351	29,621	553,208	7,696,693

Industry sectors

The following table breaks down the Group's credit exposure of financing assets at carrying amounts before taking into account collateral held or other credit enhancements, as categorised by the industry sectors of the Group's counterparties:

	Gross exposure 2012	Gross exposure 2011
Government and related entities	7,716,952	5,796,681
Financial institutions	2,205,630	1,874,604
Industry	1,681,163	579,241
Commercial	7,321,232	4,601,699
Services	2,105,477	783,450
Contracting	3,595,978	2,807,765
Real estate	13,954,500	10,488,102
Personal	8,022,699	6,180,866
Others	2,068,983	747,270
Total financing assets	48,672,614	33,859,678
Less: Deferred profit	5,042,434	3,901,183
Provisions	460,095	310,745
Suspended Profit	32,751	51,880
Net financing assets	43,137,334	29,595,870

Notes to the Consolidated Financial Statements

At 31 December 2012

QR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Credit quality

	Financing assets		Due from banks		Investment securities	
	2012	2011	2012	2011	2012	2011
Neither past due nor impaired:						
Gross amount	43,490,039	29,578,409	8,762,326	7,372,617	-	-
Deferred profit	(5,042,434)	(3,901,183)	(4,363)	(3,912)	-	-
Carrying amount	38,447,605	25,677,226	8,757,963	7,368,705	-	-
Past due but not impaired:						
Carrying amount	4,380,140	3,908,837	-	-	-	-
Impaired						
Substandard (overdue > 3 months)	207,916	38,241	-	-	-	-
Doubtful (overdue > 6 months)	171,423	34,106	-	-	-	-
Loss (overdue > 9 months)	423,096	300,085	-	-	-	-
	802,435	372,432	-	-	-	-
Impairment allowance	(460,095)	(310,745)	-	-	-	-
Suspended profit	(32,751)	(51,880)	-	-	-	-
	(492,846)	(362,625)	-	-	-	-
Carrying amount - net	309,589	9,807	-	-	-	-
Investment securities						
At fair value through income statement	-	-	-	-	138,421	321,463
At amortised cost	-	-	-	-	11,218,011	11,781,684
	-	-	-	-	11,356,432	12,103,147
Total carrying amount	43,137,334	29,595,870	8,757,963	7,368,705	11,356,432	12,103,147

Impaired financing assets and investment in debt-type securities

Individually impaired financing assets and investment in debt-type securities (other than those carried at fair value through income statement) for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and profit due according to the contractual terms of the financing/investment security agreements.

Investments in debt-type securities carried at fair value through income statement are not assessed for impairment.

Notes to the Consolidated Financial Statements

At 31 December 2012

QR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Credit quality (continued)

Financing assets past due but not impaired

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

	2012	2011
Upto 30 days	2,466,945	1,912,393
30 to 60 days	667,179	770,053
60 – 90 days	267,259	485,183
More than 90 days	978,757	741,208
Gross	4,380,140	3,908,837

Renegotiated financing assets

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated financing assets as at 31 December 2012 amounted to QR 2,699,425 (2011: QR 1,966,038). These mainly represent Ijarah and Istisna' financing that have been restructured upon completion of underlying assets and based on the expected future cash flows.

iv) Collateral

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

The Group has collateral in the form of blocked deposits, pledge of shares, mortgage interests over properties, and guarantees or legal mortgage against the past dues financing assets.

The aggregate collateral is QR 1,106 million (2011: QR 748 million) for past due up to 30 days, QR 393 million (2011: QR 1,155 million) for past due from 30 to 60 days, QR 331 million (2011: QR 571 million) for past due from 60 and 90 days, and QR 968 million (2011: QR 653 million) for past due more than 91 days.

Repossessed collateral

During 2011, the Group obtained assets by taking possession of collateral held as security amounted to QR 250 million. No such transaction during the current year.

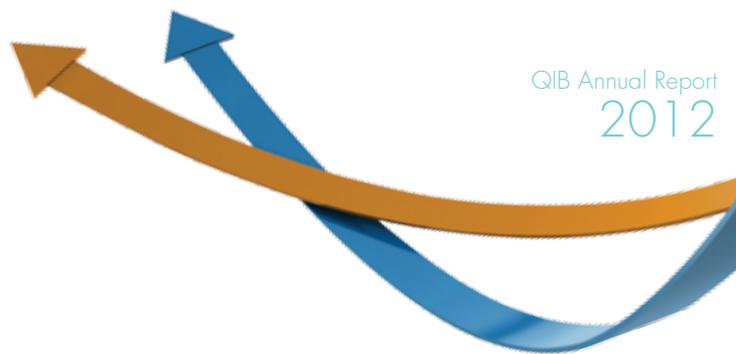
Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the

outstanding indebtedness. Repossessed property is classified in the consolidated statement of financial position within other assets. The Group generally does not use the non-cash collateral for its own operations.

Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status.



Notes to the Consolidated Financial Statements

At 31 December 2012

QR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

i) Management of liquidity risk

The Group maintains a portfolio of high quality liquid assets, largely made up of QCB Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB. The Market Risk Department monitors the liquidity risk of the Bank on a daily

basis through a Liquidity Management dashboard which captures many liquidity parameters both under normal and stressed market conditions. The dashboard includes threshold points which will help proactively identify any liquidity constraints, the remedial actions that will be taken under each situation along with the responsible persons. All liquidity policies and procedures are subject to review and approval by ALCO.

ii) Exposure to liquidity risk

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

Notes to the Consolidated Financial Statements

At 31 December 2012

QR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

iii) Maturity analysis

Maturity analysis of Group's assets, liabilities and equity of unrestricted investment account holders are prepared on the basis of their contractual maturity. For assets, liabilities and equity of unrestricted investment account holders where there is no contractually agreed maturity date, the maturity analysis is done based on the statistical maturity.

	Carrying amount	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
2012						
Balances with central banks	3,317,138	1,527,695	790,720	590,491	408,232	-
Due from banks	8,757,963	6,966,379	1,559,605	147,485	84,494	-
Financing assets	43,137,334	4,330,516	7,168,116	6,186,166	17,253,722	8,198,814
Investment securities	11,356,432	622,617	-	283,420	10,009,354	441,041
Assets of a subsidiary held for sale	293,638	15,718	-	277,920	-	-
Other assets	844,455	42,223	25,334	776,898	-	-
Total assets	67,706,960	13,505,148	9,543,775	8,262,380	27,755,802	8,639,855
Due to banks	10,371,518	4,495,151	1,170,264	2,623,067	2,083,036	-
Customers' current accounts	9,081,880	9,081,880	-	-	-	-
Sukuk financing	5,415,628	-	-	-	5,415,628	-
Liabilities of a subsidiary held for sale	205,182	-	-	205,182	-	-
Other liabilities	1,001,367	116,020	124,018	268,983	492,346	-
Total liabilities	26,075,575	13,693,051	1,294,282	3,097,232	7,991,010	-
Equity of unrestricted investment account holders	34,065,482	5,003,513	11,405,259	10,439,455	7,217,255	-
Total	60,141,057	18,696,564	12,699,541	13,536,687	15,208,265	-
Difference	7,565,903	(5,191,416)	(3,155,766)	(5,274,307)	12,547,537	8,639,855

Notes to the Consolidated Financial Statements

At 31 December 2012

QR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

iii) Maturity analysis (continued)

	Carrying amount	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
2011						
Balances with central banks	1,641,681	657,120	383,860	567,894	32,807	-
Due from banks	7,368,705	4,054,340	2,594,138	390,347	329,880	-
Financing assets	29,595,870	1,314,329	2,966,902	6,972,852	12,419,242	5,922,545
Investment securities	12,103,147	1,092,171	91,855	65,460	9,301,000	1,552,661
Assets of a subsidiary held for sale	324,505	11,135	-	313,370	-	-
Other assets	1,094,664	81,536	47,491	101,931	759,678	104,028
Total assets	52,128,572	7,210,631	6,084,246	8,411,854	22,842,607	7,579,234
Due to banks	13,342,262	3,839,265	2,897,129	1,823,312	4,782,556	-
Customers' current accounts	9,198,682	9,198,682	-	-	-	-
Sukuk financing	2,716,691	-	-	-	2,716,691	-
Liabilities of a subsidiary held for sale	195,282	-	-	195,282	-	-
Other liabilities	1,317,708	111,684	175,064	444,905	586,055	-
Total liabilities	26,770,625	13,149,631	3,072,193	2,463,499	8,085,302	-
Equity of unrestricted investment account holders	18,653,837	3,631,325	5,856,972	8,664,967	500,573	-
Total	45,424,462	16,780,956	8,929,165	11,128,466	8,585,875	-
Difference	6,704,110	(9,570,325)	(2,844,919)	(2,716,612)	14,256,732	7,579,234

d) Market risks

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

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by the Group's Market Risk Department on a daily basis. Regular reports are submitted to the ALCO and heads of each business unit.

Non-trading portfolios primarily arise from the profit rate management of the Group's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's debt-type and equity-type investments.

Notes to the Consolidated Financial Statements

At 31 December 2012

QR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

i) Management of market risks

Overall authority for market risk is vested in ALCO. Group Market Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification and management of market risk in a prudent way to ensure safeguarding interests of all shareholders. The Group views market risk management as a core competency and its purpose is not to neutralise market risks, but rather maximize risk/return tradeoffs within clearly defined limits. The existence of market risk requires the measurement of the magnitude of the exposure. This measure is an essential precursor to the management of the risk that takes the form of either reducing the exposure through hedging or maintaining sufficient capital to protect the Group from the risk of operational capacity impairment.

ii) Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed relationships between different markets

and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations in which there is severe general market illiquidity.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

The Group uses VaR limits for total market risk and specific foreign exchange, profit rate, equity, credit spread and other price risks. The overall structure of VaR limits is subject to review and approval by ALCO. VaR limits are allocated to trading portfolios. VaR is measured at least daily and more regularly for more actively traded portfolios. Daily reports of utilisation of VaR limits are submitted to Group Market Risk and regular summaries are submitted to ALCO.

Notes to the Consolidated Financial Statements

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

ii) Exposure to market risks – trading portfolios (continued)

A summary of the VaR position of the Group's trading portfolios at 31 December and during the year is as follows:

	At 31 December	Average	Maximum	Minimum
2012				
Equity price risk	11,366	9,498	12,646	4,539
2011				
Equity price risk	4,650	2,522	5,562	588

ii) Exposure to market risks– trading portfolios

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity, on individual trading portfolios and the Group's overall position.

iii) Exposure to profit rate risk – non-trading portfolios

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

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

	Carrying amount	Repricing in:				Non-profit sensitive	Effective profit rate
		Less than 3 months	3-12 months	1-5 years	More than 5 years		
2012							
Cash and balances with central banks	3,643,735	1,571,277	–	–	–	2,072,458	–
Due from banks	8,757,963	8,525,976	147,485	84,494	–	8	1.82%
Financing assets	43,137,334	17,392,914	10,765,189	11,970,467	3,008,764	–	5.76%
Investment securities	11,218,011	186,908	90,018	7,311,367	1,575,817	2,053,901	5.59%
	66,757,043	27,677,075	11,002,692	19,366,328	4,584,581	4,126,367	–
Due to banks	10,371,518	5,649,273	2,505,828	2,216,417	–	–	1.34%
Sukuk financing	5,415,628	–	–	5,415,628	–	–	3.55%
	15,787,146	5,649,273	2,505,828	7,632,045	–	–	–
Equity of unrestricted investment account holders	34,065,482	25,667,071	7,574,258	824,153	–	–	1.7%
	49,852,628	31,316,344	10,080,086	8,456,198	–	–	–
Profit rate sensitivity gap	16,904,415	(3,639,269)	922,606	10,910,130	4,584,581	4,126,367	–
Cumulative profit rate sensitivity gap	–	16,904,415	20,543,684	19,621,078	8,710,948	4,126,367	–

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

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

	Carrying amount	Repricing in:				Non-profit sensitive	Effective profit rate
		Less than 3 months	3-12 months	1-5 years	More than 5 years		
2011							
Cash and balances with central banks	1,832,513	609,958	-	-	-	1,222,555	-
Due from banks	7,368,705	6,648,478	390,347	329,880	-	-	1.29%
Financing assets	29,595,870	4,281,231	6,972,852	14,571,723	3,770,064	-	6.80%
Investment securities	11,781,684	520,852	36,464	9,177,928	1,420,159	626,281	5.06%
	50,578,772	12,060,519	7,399,663	24,079,531	5,190,223	1,848,836	-
Due to banks	13,342,262	6,736,394	1,823,312	4,782,556	-	-	1.56%
Financing liabilities	2,716,691	-	-	2,716,691	-	-	3.9%
	16,058,953	6,736,394	1,823,312	7,499,247	-	-	-
Equity of unrestricted investment account holders	18,653,837	9,488,297	8,664,967	500,573	-	-	2.11%
	34,712,790	16,224,691	10,488,279	7,999,820	-	-	-
Profit rate sensitivity gap	15,865,982	(4,164,172)	(3,088,616)	16,079,711	5,190,223	1,848,836	-
Cumulative profit rate sensitivity gap	-	15,865,982	20,030,154	23,118,770	7,039,059	1,848,836	-

Sensitivity analysis

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

Sensitivity of net profit	100 bp parallel increase	100 bp parallel decrease
2012		
At 31 December	(4.11 million)	4.11 million
2011		
At 31 December	(40.18 million)	40.18 million

Overall non-trading profit rate risk positions are managed by Group Treasury, which uses financial investments, advances to banks, deposits from banks and risk management instruments to manage the overall position arising from the Group's non-trading activities. The use of risk management instruments to manage profit rate risk.

Notes to the Consolidated Financial Statements

At 31 December 2012

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

iv) Exposure to other market risks – non-trading portfolios

Foreign currency transactions

The result of structural foreign exchange positions on the Group's net investments in foreign subsidiaries and branches is recognised in equity. The Group's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Group and its subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk-weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered. In addition to monitoring VaR in respect of foreign currency, the Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the respective functional currency of Group entities, and with regard to the translation of foreign operations into the presentation currency of the Group.

Functional currency of Group entities

	2012	2011
Net foreign currency exposure:		
Pounds Sterling	26,282	2,895
USD	(3,580,015)	(366,080)
Euro	(133,167)	(140,887)
Other currencies	203,303	(436,235)

The exchange rate of QR against US Dollar has been pegged and the Group's exposure to currency risk is limited to that extent. The Group uses Shari'a compliant forward contracts to mitigate the other currency risks.

The table below indicates the effect of a reasonably possible movement of the currency rate against the QR on the net profit for the year, with all other variables held constant:

	Increase/(decrease)	
5% change in currency exchange rate	2012	2011
Pound Sterling	1,314	145
USD	(179,001)	(18,305)
Euro	(6,658)	(4,044)
Other currencies	10,165	(21,812)

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At 31 December 2012

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

Equity price risk

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

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

Market Indices	Change in equity price %	Effect on equity		Effect on profit and loss	
		2012	2011	2012	2011
Qatar Exchange	+/- 10%	36,154	-	14,089	37,991
Bahrain Stock Exchange	+/- 10%	3,268	2,299	-	-
Damascus securities exchange	+/- 10%	5,799	12,250	-	-
Tadawul - Saudi	+/- 10%	80,268	12,114	-	-
Dubai Stock Exchange	+/- 10%	-	5,440	-	-
Hong Kong	+/- 10%	-	246	-	-
US	+/- 10%	-	26,475	-	-
France	+/- 10%	212,421	20,411	-	-

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

e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

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At 31 December 2012

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Capital management

Regulatory capital

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on owners' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio of the Group is calculated in accordance with the Basel II Committee guidelines as adopted by the QCB.

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

	2012	2011
Tier 1 capital	9,281,110	7,636,272
Tier 2 capital	443,016	-
Total regulatory capital	9,724,126	7,636,272

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

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

Risk weighted assets and carrying amounts

	Basel II risk weighted average	
	2012	2011
Risk weighted assets for credit risk	52,399,793	33,387,615
Risk weighted assets for market risk	7,030,074	4,382,268
Risk weighted assets for operational risk	3,671,808	3,328,105
Total Risk weighted assets	63,101,675	41,097,988
Regulatory capital	9,724,126	7,636,272
Risk weighted assets as a percentage of regulatory capital (capital ratio)	15.41%	18.58%

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

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5. USE OF ESTIMATES AND JUDGMENTS

a) Key sources of estimation uncertainty

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

i) Allowance for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

ii) Determining fair values

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

Fair value is determined for each investment individually in accordance with the general valuation policies as set out below;

- For quoted investments, the fair value is determined by reference to quoted market bid prices at close of business on the reporting date.

- For unquoted investments, the fair value is determined by reference to recent significant buy or sells transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation method.

- For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.

- Investments which cannot be measured to fair value using any of the above techniques are carried at cost less impairment.

b) Critical accounting judgements in applying the Group's accounting policies

i) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Notes to the Consolidated Financial Statements

At 31 December 2012

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5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

i) Valuation of financial instruments (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

ii) Financial asset classification

The table below analyses investment securities measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Fair value	Level 1	Level 2	Level 3
2012				
Investment at fair value through equity	1,230,827	359,031	137,632	734,164
Investment at fair value through income statement	906,920	197,043	-	709,877
	2,137,747	556,074	137,632	1,444,041
2011				
Investment at fair value through equity	1,896,775	51,931	137,012	1,707,832
Investment at fair value through income statement	1,131,729	165,913	-	965,816
	3,028,504	217,844	137,012	2,673,648

During the current year and due to changes in market conditions for certain investment securities, quoted prices in active markets were no longer available for certain securities. However, there was sufficient information available to measure fair values of those securities using other valuation techniques. Hence, those securities, with a carrying amount of QR 43 million net of related impairment allowances as at 31 December 2012, were transferred from Level 1 to Level 3 of the fair value hierarchy.

Other than the above transfer between level 1 and level 3 and the effect of impairment and disposals, there no other movements in level 3 comparing to 2011.

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5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

- iii) Useful lives of fixed assets
The Group's management determines the estimated useful life of fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.
- iv) Useful life of intangible assets
The Group's management determines the estimated useful life of its intangible assets for calculating amortisation. This estimate is determined after considering the expected economic benefits to be received from the use of intangible assets.
- v) Estimation of net realisable value for inventory and projects under development
Inventory and projects under development is stated at the lower of cost and net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the statement of financial position date and is determined by the Group having taken suitable external advice and in the light of recent market transactions.
- vi) Impairment of fair value through equity investments
The Group determines that fair value through equity investments are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each fair value through equity investment separately. In making a judgment of impairment for fair value through equity investments, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows or whether it becomes probable that the investee will enter bankruptcy or other financial reorganization.
- vii) Classification of assets held for sale
The Group classifies non-current assets or a disposal group as 'held for sale' if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. In addition, the sale is expected to be completed within one year from the date of classification. The expected time of completion of sale and management's plan to sell is based on management assumptions in relation to the condition of the asset and its current performance and requires judgment. There is no certainty on the execution and completion of the sale transaction and any changes in the plan to sell may cause the classification of the disposal group to be changed and consequently the basis of measurement, presentation and disclosure in the consolidated financial statements.
Management remains committed to sell the Verdi SA 'subsidiary held for sale' as at 31 December 2012, despite more than one year already having elapsed since the initial declaration of management's intention to sell these assets was made. Management is of the view that factors outside their control have delayed the sale of these assets.
- viii) Valuation of investment properties
The Group's subsidiary 'Verdi SA' owns investment properties located in France. The assets of this subsidiary, predominantly comprising of investment properties, have been classified as "held for sale" and are carried at the fair value less costs to sell in the consolidated financial statements of the Group. In determining the fair value of these investment properties, management has obtained an 'external valuation' as at 31 December 2012.

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5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

- ix) Valuation of investments designated at fair value through income statement

The fair value of unquoted investments designated at fair value through statement of income is determined by management using various valuation techniques. Valuation techniques employed include using a market multiples approach, a discounted cash flow analysis and a comparable transaction approach amongst others. These techniques require management to make certain assumptions and estimates about expected future cash flows, revenues, profits and expected market conditions. Management ensures that in all cases these assumptions are reasonable and realistic.

The chosen valuation techniques make maximum use of market inputs as well as on entity-specific inputs. They incorporate all factors that market participants would consider in setting a price and are

consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation techniques and test them for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

- x) Going concern

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

6. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Chief Executive Officer reviews internal management reports on monthly basis. The following summary describes the operations in each of the Group's reportable segments.

Wholesale banking	Includes services offered to institutional investors, corporate, other banks, and investment vehicles such as mutual funds or pensions.
Personal banking	Includes services that are offered to individual customers through local branches of the bank which includes checking and savings accounts, credit cards, personal lines of credit, mortgages, and so forth.
Group function	Treasury, Investment, finance and other central functions.
Local & international subsidiaries	Local and international subsidiaries include the Groups local and international subsidiaries all of which are consolidated in the group financial statements.

Information regarding the results, assets and liabilities of each reportable segment is included below.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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At 31 December 2012

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6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

2012	Wholesale banking	Personal banking	Group function	Local & international subsidiaries	Total
External revenue:					
Total income from financing and investing activities	1,457,353	591,642	602,235	15,253	2,666,483
Net fee and commission income	151,316	59,554	37,490	168,804	417,164
Foreign exchange gain (loss)	-	-	33,832	(7,728)	26,104
Share of results of associates	-	-	(11,274)	(4,656)	(15,930)
Other income	-	-	10,867	382	11,249
Inter segment revenue	(398,003)	294,271	103,732	-	-
Loss from subsidiary held for sale	-	-	-	(42,137)	(42,137)
Total segment income after discontinued operations	1,210,666	945,467	776,882	129,918	3,062,933
Staff costs, other expenses and depreciation and amortization	(174,797)	(345,501)	(103,997)	(218,181)	(842,476)
Sukuk holders share of profit	-	-	(120,625)	(9,157)	(129,782)
Return to unrestricted investment account holders	(105,952)	(290,025)	(35,259)	(29,857)	(461,093)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(244,146)	(58,152)	(302,298)
Net impairment losses on financing assets	(126,709)	(31,754)	-	(29,793)	(188,256)
Other impairment losses	-	-	-	(11,379)	(11,379)
Reportable segment net profit before tax	803,208	278,187	272,855	(226,601)	1,127,649
Reportable segment assets	33,439,400	9,580,039	27,327,864	2,844,759	73,192,062
Reportable segment liabilities	14,113,069	25,604,117	18,921,171	1,502,700	60,141,057

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6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

2011	Wholesale banking	Personal banking	Group function	Local & international subsidiaries	Total
External revenue:					
Total income from financing and investing activities	1,284,762	495,426	524,445	140,722	2,445,355
Net fee and commission income	175,651	40,795	11,721	71,836	300,003
Foreign exchange gain (loss)	-	-	30,645	(55,910)	(25,265)
Share of results of associates	-	-	7,371	(45,912)	(38,541)
Inter segment revenue	(363,440)	251,849	111,591	-	-
Loss from subsidiary held for sale	-	-	-	(1,919)	(1,919)
Total segment income after discontinued operations	1,096,973	788,070	685,773	108,817	2,679,633
Staff costs, other expenses and depreciation and amortization	(205,595)	(278,105)	(40,521)	(226,834)	(751,055)
Sukuk holders share of profit	-	-	(105,854)	-	(105,854)
Return to unrestricted investment account holders	(85,823)	(324,581)	-	789	(409,615)
Other material non-cash items:					
Net impairment loss on investment securities	-	-	(7,433)	(174,530)	(181,963)
Net impairment loss on financing assets	25,690	(38,691)	-	-	(13,001)
Reportable segment net profit before tax	831,245	146,693	531,965	(291,758)	1,218,145
Reportable segment assets	23,316,630	6,890,317	25,291,184	2,776,755	58,274,886
Reportable segment liabilities	6,791,734	21,091,429	16,240,502	1,300,796	45,424,462

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7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Fair value through income statement	Amortised cost	Total carrying amount	Fair value
2012				
Cash and balances with central banks	–	3,643,735	3,643,735	3,643,735
Due from banks	–	8,757,963	8,757,963	8,757,963
Financing assets	–	43,137,334	43,137,334	43,137,334
Investment securities:				
- Measured at fair value	138,421	–	138,421	138,421
- Measured at amortised cost	–	11,218,011	11,218,011	11,121,956
Other assets	–	844,455	844,455	844,455
	138,421	67,601,498	67,739,919	67,643,864
Due to banks	–	10,371,518	10,371,518	10,371,518
Customers' current accounts	–	9,081,880	9,081,880	9,081,880
Sukuk financing	–	5,415,628	5,415,628	5,415,628
Other liabilities	–	1,001,367	1,001,367	1,001,367
	–	25,870,393	25,870,393	25,870,393

	Fair value through income statement	Amortised cost	Total carrying amount	Fair value
2011				
Cash and balances with central banks	–	1,832,513	1,832,513	1,832,513
Due from banks	–	7,368,705	7,368,705	7,368,705
Financing assets	–	29,595,870	29,595,870	29,595,870
Investment securities:				
- Measured at fair value	321,463	–	321,463	321,463
- Measured at amortised cost	–	11,781,684	11,781,684	11,590,220
Other assets	–	1,094,664	1,094,664	1,094,664
	321,463	51,673,436	51,994,899	51,803,435
Due to banks	–	13,342,262	13,342,262	13,342,262
Customers' current accounts	–	9,198,682	9,198,682	9,198,682
Sukuk financing	–	2,716,691	2,716,691	2,716,691
Other liabilities	–	1,317,708	1,317,708	1,317,708
	–	26,575,343	26,575,343	26,575,343

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8. BUSINESS COMBINATION Subsidiaries step acquisition

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration
2011				
QInvest	Banking	March 2011	46.67	1,610,634

On 1 March 2011, QIB acquired additional 11.67% of the voting shares of QInvest LLC and obtained control over the financial and operating activities of QInvest LLC with 46.67% of voting shares. QInvest LLC was licensed by the Qatar Financial Centre Authority in April 2007 and is authorised by the Qatar Financial Centre Regulatory Authority. The business lines of QInvest LLC include investment banking, investment management, brokerage and wealth management; with dedicated origination and placement teams.

The fair value of identifiable assets acquired and liabilities assumed of QInvest LLC as at the date of acquisition were:

	Fair values at the acquisition date	Carrying amounts immediately prior to acquisition
Assets		
Cash and bank balances	231,188	231,188
Placements with financial institutions	444,289	444,289
Investment securities	1,563,335	1,563,335
Assets of a subsidiary held for sale	358,958	358,958
Investments in associates	446,915	446,915
Other assets	207,046	207,046
	3,251,731	3,251,731
Liabilities		
Liabilities of a subsidiary held for sale	(220,084)	(220,084)
Due to Banks	(18,014)	(18,014)
Other liabilities	(25,465)	(25,465)
	(263,563)	(263,563)
Net assets	2,988,168	2,988,168
Non-controlling interest (53.33%)	(1,593,590)	(1,593,590)
Total net assets acquired	1,394,578	1,394,578
Goodwill arising from acquisition	216,056	
Cost of business combination	1,610,634	
Consideration		
Cash consideration	656,110	
Fair value of QIB's equity interest in QInvest LLC held before the business combination	954,524	
	1,610,634	

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8. BUSINESS COMBINATION (CONTINUED)

Goodwill arising on step acquisition

Fair value of consideration	1,610,634
Plus: non-controlling interests (53.33% in QInvest)	1,593,590
Less: fair value of identifiable net assets acquired	(2,988,168)
Goodwill arising on acquisition	216,056

Non-controlling interests

The non-controlling interests (53.33% ownership interest) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to QR 1,593,590.

During the year, in compliance with the provisions of International Financial Reporting Standard 3 "Business Combinations", the Group has carried out a one time "Purchase Price Allocation" (PPA) exercise for the value paid for the acquisition of shares of QInvest LLC. PPA identifies the value paid for the tangible assets, intangible assets and the goodwill arising on the acquisition. The intangibles identified on acquisition of shares in Q-Invest LLC were not material and accordingly were not considered.

9. CASH AND BALANCES WITH CENTRAL BANKS

	2012	2011
Cash	326,597	190,832
Cash reserve with QCB (i)	1,926,859	1,222,555
Other balances with QCB	1,244,679	419,126
Balances with other central banks	145,600	-
	3,643,735	1,832,513

(i) Cash reserve with QCB is not available for use in the Group's day to day operations.

10. DUE FROM BANKS

	2012	2011
Commodity Murabaha receivable	7,717,522	5,673,902
Wakala placements	780,989	104,118
Mudaraba placements	229,936	850,000
Current accounts	33,879	744,597
Deferred profit	(4,363)	(3,912)
	8,757,963	7,368,705

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11. FINANCING ASSETS

a) By type

	2012	2011
Murabaha	26,983,362	16,508,138
Musawama	9,935,679	7,039,612
Ijarah Muntahia Bittamleek	8,736,642	5,671,791
Istisna'a	2,432,551	3,481,987
Mudaraba	304,423	915,950
Others	279,957	242,200
Total financing assets	48,672,614	33,859,678
Less: Deferred profit	5,042,434	3,901,183
Specific impairment of financing assets	460,095	310,745
Suspended profit	32,751	51,880
Net financing assets	43,137,334	29,595,870

The total non-performing financing assets including past dues but not impaired at 31 December 2012 amounted to QR 5,183 million, representing 10.65% of the gross financing assets (2011: 4,281 million, representing 12.64%).

Impairment distribution by nature of the customer is as follow:

	2012	2011
Corporate	125,437	172,309
Retail and others	334,658	138,436
	460,095	310,745

b) Movement in impairment of financing assets is as follows:

	2012	2011
Balance at 1 January	310,745	297,809
Provisions provided during the year	269,485	67,918
Recoveries during the year	(81,229)	(54,917)
Written off during the year	(38,906)	(65)
Balance at 31 December	460,095	310,745

c) Movement in the impairment of financing assets – sector wise:

	Corporates	SMEs	Retail	Real Estate Mortgages	Total
Balance at 1 January 2012	77,841	5,794	114,521	112,589	310,745
Provisions provided during the year	71,385	4,784	59,209	134,107	269,485
Recoveries during the year	(2,340)	(1,900)	(27,455)	(49,534)	(81,229)
Written off	(21,449)	-	-	(17,457)	(38,906)
Balance at 31 December 2012	125,437	8,678	146,275	179,705	460,095
Balance at 1 January 2011	69,756	5,329	75,830	146,894	297,809
Provisions provided during the year	10,000	1,145	49,225	7,548	67,918
Recoveries during the year	(1,915)	(689)	(10,460)	(41,853)	(54,917)
Written off	-	-	(65)	-	(65)
Balance at 31 December 2011	77,841	5,785	114,530	112,589	310,745

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11. FINANCING ASSETS (CONTINUED)

d) By sector

2012	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
Government and related entities	7,217,665	584	346,651	152,029	-	23	7,716,952
Non-banking financial institutions	2,118,084	58,829	28,701	-	-	16	2,205,630
Industry	943,937	721,042	-	5,334	-	10,850	1,681,163
Commercial	6,077,636	343,698	271,018	550,721	19,384	58,775	7,321,232
Services	995,760	948,152	114,556	11,757	26,768	8,484	2,105,477
Contracting	2,906,911	182,257	200,684	37,902	258,271	9,953	3,595,978
Real estate	4,472,626	21,979	7,698,520	1,674,389	-	86,986	13,954,500
Personal	812,834	7,110,636	-	-	-	99,229	8,022,699
Others	1,437,909	548,502	76,512	419	-	5,641	2,068,983
Total financing assets	26,983,362	9,935,679	8,736,642	2,432,551	304,423	279,957	48,672,614
Less: Deferred profit							5,042,434
Suspended profit							32,751
Provision for impairment of financing assets							460,095
Net financing assets							43,137,334

Note: Details of financing assets related to Sukuk backed assets issued during 2010 and 2012 are disclosed under Note 21.

2011	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
Government and related entities	4,977,030	-	389,366	430,285	-	-	5,796,681
Non-banking financial institutions	1,163,175	58,404	-	-	653,000	25	1,874,604
Industry	130,144	446,116	-	-	-	2,981	579,241
Commercial	3,770,849	242,960	147,170	354,965	22,872	62,883	4,601,699
Services	198,357	483,378	61,202	5,688	33,249	1,576	783,450
Contracting	2,400,157	128,607	10,033	52,396	206,829	9,743	2,807,765
Real estate	2,768,631	49,100	4,989,428	2,637,555	-	43,388	10,488,102
Personal	925,201	5,137,742	-	-	-	117,923	6,180,866
Others	174,594	493,305	74,592	1,098	-	3,681	747,270
Total financing assets	16,508,138	7,039,612	5,671,791	3,481,987	915,950	242,200	33,859,678
Less: Deferred profit							3,901,183
Suspended profit							51,880
Provision for impairment of financing assets							310,745
Net financing assets							29,595,870

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12. INVESTMENT SECURITIES

	2012			2011		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
• equity-type investments	137,957	630,542	768,499	165,913	644,353	810,266
• debt-type investments (i)						
– Fixed rate	59,086	79,335	138,421	–	321,463	321,463
	197,043	709,877	906,920	165,913	965,816	1,131,729
Debt-type investments classified at amortised cost (i)						
– State of Qatar Sukuk	–	10,250,000	10,250,000	–	10,250,000	10,250,000
– Fixed rate	355,428	204,039	559,467	214,916	642,790	857,706
– Floating rate	343,392	65,152	408,544	450,791	223,187	673,978
	698,820	10,519,191	11,218,011	665,707	11,115,977	11,781,684
Equity-type investments classified as fair value through equity	359,031	871,796	1,230,827	51,931	1,844,844	1,896,775
	1,254,894	12,100,864	13,355,758	883,551	13,926,637	14,810,188

Notes:

- i) The fair value of the investments carried at amortised costs as at 31 December 2012 amounted to QR 11,121,956 (2011: QR 11,590,220).
- ii) The fair value hierarchy and the transfers between categories of fair value hierarchy are disclosed in Note 5 (b).

The movement in impairment of debt-type securities carried at amortised cost and equity-type securities (i) carried at fair value through equity is as follows:

	2012	2011
Balance at 1 January	310,882	168,725
Charge during the year	302,298	181,963
Adjustments (reversals) during the year	24,242	(39,806)
Balance at 31 December	637,422	310,882

Note:

- i) In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired.

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13. INVESTMENT IN ASSOCIATES

	2012	2011
Balance at 1 January	884,917	1,631,259
Foreign currency translation and other movements	4,653	10,659
Investments acquired during the year	10,671	533,797
Share of results	(15,930)	(38,541)
Cash dividend	(9,000)	(108,930)
Associates sold or transferred	-	(1,143,327)
Balance at 31 December	875,311	884,917

Name of the Company	Country of Incorporation	Company's Activities	Ownership %	
			2012	2011
Al Jazeera Finance Company (Q.P.S.C)	Qatar	Financing	30.00%	30.00%
Durat Al Doha Company W.L.L	Qatar	Real Estate	49.00%	49.00%
Al Daman Islamic Insurance	Qatar	Insurance	25.00%	25.00%
Retaj Marketing and Project Management	Qatar	Real Estate	20.00%	20.00%
Panmure Gordon & Co. PLC	United Kingdom	Brokerage	43.70%	45.55%
Arab Finance House	Lebanon	Banking	37.00%	37.00%
Asian Finance Bank	Malaysia	Banking	41.67%	41.67%

The financial position, revenue and results of associates based on its financial statements, as at and for the year ended 31 December 2012 and 2011 are as follows:

31 December 2012	Al Jazeera	Durat Al Doha	Al Daman	Retaj	Panmure Gordon	Arab Finance House	Asian Finance Bank	MIP/MIP-II
Total assets	1,485,502	1,965,756	414,809	397,779	312,125	549,850	3,345,537	-
Total liabilities	682,626	1,587,494	177,449	278,591	105,298	420,380	2,783,436	-
Total revenue	97,690	80	61,608	180,373	13,932	30,179	69,028	-
Net profit (loss)	59,720	(10,354)	18,971	(34,095)	(2,572)	36,697	(29,978)	-
Share of profit (loss)	17,916	(8,200)	4,743	(4,892)	237	(13,241)	(13,145)	652

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13. INVESTMENT IN ASSOCIATES (CONTINUED)

31 December 2011	Al Jazeera	Durat Al Doha	Al Daman	Retaj	Panmure Gordon	Arab Finance House	Asian Finance Bank	QInvest	MIP/MIP-II
Total assets	548,023	823,300	81,652	25,262	521,503	475,400	1,190,787	-	-
Total liabilities	316,057	625,084	30,318	-	194,678	414,518	967,209	-	-
Total revenue	114,068	352	22,814	-	229,345	29,468	64,359	-	-
Net profit (loss)	34,312	140	5,703	-	(61,921)	10,902	26,876	-	-
Share of profit (loss)	14,827	(669)	1,232	(6,576)	(45,751)	(10,971)	10,069	(6,613)	5,911

Notes:

- Panmure Gordon & Co. PLC is listed on the Alternative Investment Market (AIM) in the UK. The closing share price of Panmure Gordon was QR 0.059 as at 31 December 2012 (31 December 2011: QR 0.056) having fair value of QR 58 million. (31 December 2011: QR 44 million). The other associate companies are not listed in any stock market.
- On 2 October 2011, the Group received the final distribution from liquidators of MIP/MIP-II of its stake in the company for QR 11 million. MIP/MIP-II was involved in real estate investment activities. The amount of the Group's share in the net assets of MIP/MIP-II at the date of disposal was QR 5million. Hence the gain on liquidation of MIP/MIP-II was QR 6 million. The Group had acquired its 25% stake in MIP/MIP-II for 182 million in October 2009. During the current year the Group received an amount of QR 652 as final settlement.

14. INVESTMENT PROPERTIES

	2012	2011
Balance at 1 January	693,060	1,029,535
Disposals	-	(204,337)
Reclassification	-	(120,000)
Changes in fair value	81,172	-
Impairment	-	(12,138)
Balance at 31 December	774,232	693,060

Note: The investment properties are held either to earn rental income or for capital appreciation.

15. ASSETS OF A SUBSIDIARY AND LIABILITIES DIRECTLY ASSOCIATED WITH SUCH ASSETS CLASSIFIED AS HELD FOR SALE

	2012	2011
Assets		
Cash and cash equivalents	15,718	11,135
Investment property	277,920	293,550
Other assets	-	19,820
Total assets	293,638	324,505
Liabilities		
Murabaha financing	192,557	192,338
Other liabilities	12,625	2,944
Total liabilities	205,182	195,282
Loss for the year	(42,137)	(1,919)

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16. FIXED ASSETS

	Land and Buildings	IT Equipments	Fixtures and Fittings	Motor Vehicles	Total
Cost					
Balance at 1 January 2012	262,611	103,329	178,002	5,328	549,270
Additions	41,127	14,332	7,346	678	63,483
Disposals	-	(4,476)	(2,890)	(31)	(7,397)
Balance at 31 December 2012	303,738	113,185	182,458	5,975	605,356
Balance at 1 January 2011	262,331	141,571	143,369	3,585	550,856
Acquisition of subsidiary	-	14,606	25,987	1,371	41,964
Additions	280	44,097	10,806	372	55,555
Disposals	-	(3,593)	(2,160)	-	(5,753)
Transfers	-	(93,352)	-	-	(93,352)
Balance at 31 December 2011	262,611	103,329	178,002	5,328	549,270
Accumulated depreciation					
Balance at 1 January 2012	44,169	59,345	79,726	3,915	187,155
Depreciation charged during the year	5,670	17,848	23,756	833	48,107
Disposals	-	(4,444)	(2,801)	(27)	(7,272)
Balance at 31 December 2012	49,839	72,749	100,681	4,721	227,990
Balance at 1 January 2011	38,499	84,254	54,895	2,648	180,296
Acquisition of subsidiary	-	10,799	3,586	714	15,099
Depreciation charged during the year	5,670	21,062	22,950	553	50,235
Disposals	-	(3,497)	(1,705)	-	(5,202)
Transfers	-	(53,273)	-	-	(53,273)
Balance at 31 December 2011	44,169	59,345	79,726	3,915	187,155
Carrying amounts					
Balance at 1 January 2011	223,832	57,317	88,474	937	370,560
Balance at 31 December 2011	218,442	43,984	98,276	1,413	362,115
Balance at 31 December 2012	253,899	40,436	81,777	1,254	377,366

17. INTANGIBLE ASSETS

	Goodwill	Trade marks	Software	Total
Balance at 1 January 2012	216,056	1,056	39,024	256,136
Additions	-	-	6,172	6,172
Amortisation during the year	-	(156)	(12,333)	(12,489)
Balance at 31 December 2012	216,056	900	32,863	249,819
Balance at 1 January 2011	-	-	-	-
Acquisition	216,056	-	-	216,056
Transfers	-	1,056	39,024	40,080
Balance at 31 December 2011	216,056	1,056	39,024	256,136

Note: Goodwill computation: Details on goodwill arising on acquisition are disclosed in Note 8 Business combinations.

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17. INTANGIBLE ASSETS (CONTINUED)

Goodwill acquired through the step acquisition of QInvest L.L.C has been allocated to one CGU, which is the investment banking. An impairment testing of the goodwill was undertaken by management as at 31 December 2012. The recoverable amount of the investment in QInvest was determined using the sum of parts method. The sum of parts method requires valuing the different investments of the business separately and adding the values of the different investments of the business together, in the following manner:

- Fair value of the fee generating businesses was determined using the discounted cash flow method (DCF).
- Fair value of the following investment securities:
 - Fair value through profit and loss was valued using the discounted future cash flows (“DCF”)/market method.
 - Sukuk investment was valued using the market method.
 - Fair value through equity investments (“FVTE”) was valued using the DCF/market method.
 - Net assets of subsidiaries held for sale was determined using the market method.
 - Investment in associate was valued using the DCF method.
 - The acquisition of EFG-Hermes Holding value was determined based on recent acquisition price.
 - EFG-Asset Management seed capital was determined based on recent acquisition price.

Key assumptions used in the valuation

- QInvest plans to grow its investments securities portfolio by CAGR of 14.1% in the coming 6 years.
- QInvest plans to earn income from churning of its FVTE listed equity portfolio during the forecast period.
- QInvest plans to fund its financial position growth through borrowings and partly through customer deposits.
- QInvest is planning substantial cost reduction in staff cost and general and administrative expense during FY12 and FY13.

Discount rate

The discount rate used in the valuation under the DCF method was determined using the weighted average cost of capital (WACC). The WACC is calculated by weighing the required returns on profit-bearing debt and common equity capital in proportion to their estimated percentages in an expected industry capital structure. The cost of equity was estimated using the capital assets pricing model (CAPM).

18. OTHER ASSETS

	2012	2011
Accrued profit	652,476	939,945
Work in progress (i)	351,405	349,542
Sundry debtors	124,648	121,623
Reposessed collateral (ii)	120,000	120,000
Deferred tax assets	96,556	91,052
Real estate investments of a subsidiary company	81,630	99,470
Prepayments and advances	52,319	42,398
Others (iii)	247,872	382,847
	1,726,906	2,146,877

Notes:

- (i) Work in progress represents real estate projects under construction, branches and ATM locations under development and others.
- (ii) This represents the value of the property acquired in settlement of financing assets during 2011 which is stated at its acquisition value. The estimated market values of this property as at 31 December 2012 amounted to QR 127 million (2011: QR 120 million).
- (iii) Others includes balances due from Bank of Credit and Commerce International amounted to QR 25,556 as at 31 December 2012 which was fully provided for in the previous years (2011: QR 36,422).

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19. DUE TO BANKS

	2012	2011
Wakala payable	10,173,983	13,278,634
Commodity Murabaha payable	158,754	-
Current accounts	43,144	63,628
Deferred cost	(4,363)	-
	10,371,518	13,342,262

20. CUSTOMERS' CURRENT ACCOUNTS

	2012	2011
Current accounts by sector:		
- Government	291,585	195,173
- Non-Banking Financial Institutions	228,509	948,220
- Corporate	1,608,871	2,456,627
- Individuals	6,952,915	5,598,662
	9,081,880	9,198,682

21. SUKUK FINANCING

During 2010, through a Sharia'a compliant Sukuk Financing arrangement, and after getting the Sharia'a Board approval, the Bank raised a medium term, maturing on 7 October 2015, finance amounting to QR 2,713 million net-off the related issuance cost of QR 17 million to be amortized over its period of maturity (5 years). The Sukuks are listed in London Stock Exchange.

The Sukuks bear a fixed profit rate of 3.856% payable to the investors on a semi-annual basis.

Additionally, during 2012, and as part of a Sharia' approved programme to issue QR 5,460 million Sukuks through a special purpose entity ("QIB Sukuk Ltd"), QR 2,730 million Sukuks were issued on behalf of the Bank with total issuance cost of QR 10 million. The Sukuk were issued at an annual fixed profit rate of 2.5% paid semi-annually with a tenor of 5 years maturing on October 2017. The Sukuks are listed in the Irish Stock Exchange. The Sukuks were issued on a capacity of assets' backed Sukuk.

The terms of the two above sukuk's arrangement include transfer of certain identified assets including original leased and musharakat assets, Sharia'a compliant authorised investments and any replaced assets of the Group to QIB Sukuk Funding Limited and QIB Sukuk Ltd, both are subsidiaries of the Group.

The Group controls the assets which will continue to be serviced by the Bank. Upon maturity of the Sukuks, the Bank has undertaken to repurchase the assets at the same issuance price.

The details of financing assets backing the Sukuk as at 31 December are as follows:

		2011
At 31 December		
Murabaha	2,801,043	1,368,123
Ijarah	3,686,082	2,340,095
Total financing assets related to the Sukuk	6,487,125	3,708,218

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22. OTHER LIABILITIES

	Notes	2012	2011
Accrued expenses		109,857	186,758
Manager cheques		98,896	222,943
Customers advances		98,537	246,386
Employees' end of service benefits	(i)	90,906	84,551
Naps and visa settlements		90,210	122,160
Cash margins		75,096	87,562
Accrued profit distribution to Sukuk holders		40,504	25,148
Contribution to Social and Sports fund		31,036	34,131
Dividend payable		26,492	22,933
Clearing cheques		1,922	2,632
Customers' participation in funds		1,252	2,070
Pension fund		589	19
Other provisions	(ii)	-	12,450
Others		336,070	267,965
		1,001,367	1,317,708

Notes:

(i) Movement in employees' end of service benefits is as follows:

	2012	2011
Balance at 1 January	84,551	73,188
Charge for the year	22,266	26,070
Payments made during the year	(15,911)	(14,707)
Balance at 31 December	90,906	84,551

(ii) Other provision represented a provision made last year for a legal case which was written off against the receivable balance during the year.

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23. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2012	2011
Unrestricted investment account holders balance before share of profit	33,904,309	18,535,152
Add: Profits for unrestricted investment account holders for the year (a)	461,093	409,615
Less: Profit paid during the year	(332,882)	(264,396)
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	34,032,520	18,680,371
By type:	2012	2011
Term accounts	21,672,200	10,469,043
Saving accounts	7,273,697	5,574,621
Call accounts	5,086,623	2,636,707
Total (b)	34,032,520	18,680,371
By sector:		
Retail	17,693,537	15,127,166
Corporate	6,330,036	1,554,684
Non-banking financial institution	5,023,094	198,303
Government	4,981,611	1,706,798
Banks	4,242	93,420
Total (b)	34,032,520	18,680,371
	2012	2011
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	34,032,520	18,680,371
Share in fair value reserve	32,962	(26,534)
Total unrestricted investment account holders balance	34,065,482	18,653,837
	2012	2011
Share of unrestricted investment account holders' of the profit for the year	888,767	831,200
Less: Mudarib share	(433,221)	(421,585)
Shareholders' contribution	5,547	-
Total profit distributed to investment account holders for the year (a)	461,093	409,615

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24. EQUITY

a) Share capital

	2012	2011
At 1 January	2,362,932	2,166,022
Value of new shares issued (Issued to QIA)	-	196,910
At 31 December	2,362,932	2,362,932

At 31 December 2012 the authorised and issued share capital comprised 236 million ordinary shares (2011: 236 million), having a par value of QR 10 per share.

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

In the extraordinary general meeting held on 23 December 2008, the shareholders approved to issue additional share capital to Qatar Investment Authority ("QIA"), which represents 20% of the total issued capital as of that date at price of QR 97.10 per share. On 17 January 2011, the Group received QR 1,912 million representing the value of the remaining 10% share of the contribution of the Qatar Investment Authority for 19,691,100 ordinary shares by a special issuance in accordance with the decision of the shareholders in the General Assembly and the extraordinary meeting held on 23 December 2008. Shares allotment of the amount above has been transferred as QR 197 million to capital and the remaining QR 1,715 million to legal reserve.

b) Legal reserve

In accordance with QCB Law No. 33 of 2006 as amended, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 5 of 2002 and after QCB approval. During the year ended 31 December 2011, the appropriation made to legal reserve amounted to QR 1,715 million representing share premium received on issuance of new shares in accordance with the requirements of Qatar Commercial Companies Law No.5 of 2002. No appropriation was made in the current year as the legal reserve equal more than 100% of the paid up share capital.

c) Risk reserve

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. The total amount of the transfer made to the risk reserve was QR 334.7 million (2011: Nil).

d) General reserve

In accordance with the Articles of Association of the Bank, the General Assembly may transfer a portion of the net profits to the general reserve which could be based on the General Assembly Resolution as per recommendation from Board of Directors and after the approval from Qatar Central Bank.

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24. EQUITY (CONTINUED)

e) Fair value reserves

2012	Net movement during the year
Opening balance	(30,514)
Investments carried as fair value through equity:	
Movement in fair value through fair value reserve	94,913
Less: Share of equity of unrestricted investment account holders	(21,029)
Revaluation of investment properties:	
Movement in investment property fair value	81,172
Less: Share of equity to unrestricted investment account holders	(38,468)
	86,074
<hr/>	
2011	Net movement during the year
Opening balance	(6,424)
Investments carried as fair value through equity:	
Movement in fair value through fair value reserve	2,444
Less: Share of equity of unrestricted investment account holders	(26,534)
	(30,514)

f) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on risk management instruments that hedge the Group's net investment in foreign operations.

g) Other reserves

Other reserves represent the Group's share in undistributed profit from investments in associates after deducting the received dividends as per QCB regulations. In addition, QR 159,585 has been transferred during 2012 from retained earnings to other reserves representing profit earned during 2012 on financing facility provided to an associate Company as instructed by QCB.

h) Proposed cash dividends

The Board of Directors has proposed a cash dividend of 37.5% of paid up share capital amounting to QR 886 million - QR 3.75 per share (2011: 45% of paid up capital amounting to QR 1,063 million - QR 4.5 per share) which is subject to approval at the Annual General Meeting of the shareholders of the Bank.

25. NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interests in QInvest LLC, QIB (UK) and AQR Real Estate Development and Investment Company.

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26. NET INCOME FROM FINANCING ACTIVITIES

	2012	2011
Murabaha	992,135	627,003
Musawama	532,739	454,209
Ijarah	319,779	344,209
Istisna'a	185,250	293,134
Mudaraba	47,536	53,683
Others	3,921	3,228
	2,081,360	1,775,466

27. NET INCOME FROM INVESTING ACTIVITIES

	2012	2011
Income from investment in debt-type instruments	622,041	568,312
Net gain on sale of equity-type investments	36,713	57,285
Net cost of inter-bank placements with/from Islamic banks	(26,266)	(73,745)
Net gain on sale of debt-type investments	22,938	13,393
Net gain on sale of properties held for trading	8,469	5,265
Fair value loss on investment securities carried as fair value through income statement	(172,967)	(8,699)
Income from investment properties	57,040	68,670
Dividend income	37,155	39,408
	585,123	669,889

28. NET FEE AND COMMISSION INCOME

	2012	2011
Management fees	105,987	150,016
Letters of credit and guarantees	87,780	43,611
Banking services fees	106,984	55,071
Advisory fees	160,483	60,804
Others	11,299	13,632
	472,533	323,134
Fee and commission expense	(55,369)	(23,131)
Net fee and commission income	417,164	300,003

29. NET FOREIGN EXCHANGE GAIN (LOSS)

	2012	2011
Dealing in foreign currencies	11,350	9,723
Revaluation of assets and liabilities	14,754	(34,988)
	26,104	(25,265)

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30. STAFF COSTS

	2012	2011
Salaries and other benefits	458,459	380,622
Staff pension fund costs	9,563	3,478
Staff indemnity costs	16,295	26,070
	484,317	410,170

31. OTHER EXPENSES

	2012	2011
Legal and professional fees	48,117	35,946
Rent	41,774	36,872
Service expenses	36,927	16,505
Board of Directors' remuneration	35,234	31,954
IT expenses	32,893	29,016
Advertising and marketing expenses	27,991	33,383
Communication and utilities	25,454	13,458
Subscription fees	4,388	3,117
Repairs and maintenance	4,133	3,322
Insurance costs	1,493	1,891
Other expenses	39,159	85,186
	297,563	290,650

32. TAX EXPENSE

	2012	2011
Current tax expense		
Current year	5,817	2,282
	5,817	2,282
Deferred tax expense		
Origination and reversal of temporary differences	(5,663)	-
Reduction in tax rate	1,404	-
Recognition of previously unrecognised tax losses	400	-
	(3,859)	-
Total tax expense	1,958	2,282

33. CONTINGENT LIABILITIES AND COMMITMENTS

	2012	2011
a) Contingent liabilities		
Unused financing facilities	4,741,872	3,718,572
Acceptances	420,321	159,717
Guarantees	5,611,126	3,358,006
Letters of credit	1,470,011	460,398
	12,243,330	7,696,693

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33. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

	2012	2011
b) Commitments		
Investment commitment (i)	1,128,400	-
Other risk management instruments	10,779,839	6,692,082
Total	11,908,239	6,692,082

Unused financing facilities

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

Acceptances, Guarantees and Letters of Credit

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

Note:

(i) On 6 May 2012, QInvest entered into a definitive agreement with EFG Hermes Holding S.A.E ("EFG Hermes") involving EFG Hermes' Brokerage, Research, Assets Management, Investment Banking and Infrastructure Fund Business. Pursuant to the agreement, EFG Hermes and QInvest will enter into a joint venture at the level of EFG Hermes Qatar L.L.C, to be 60% owned by QInvest and 40% owned by EFG Hermes. EFG Hermes will also have the right to sell its entire 40% shareholding in the JV Company to QInvest at any time during the period between 12 to 36 months from signing off the transaction at a price of EGP 1 billion. QInvest will have the right to acquire from EFG Hermes its entire 40% shareholding at any time during the period between 12 to 36 months from signing of the transaction at the higher of QR 601 million or fair market value at the time of the exercise subject to a cap. At closing of the joint venture transaction, QInvest will also acquire 60% of the seed capital of the asset management business at market value from EFG Hermes.

On 16 September 2012, the Extraordinary General Assembly meeting of EFG Hermes approved the transaction.

QInvest and EFG Hermes are in the process of getting the final regulatory approvals and the transaction is expected to be completed in the first quarter of 2013.

Subsequent to the year-end 2012, QInvest paid QR 30 million to acquire 60% of the share capital of EFG Hermes Qatar LLC by way of a share subscription. Pursuant to the agreement between EFG Hermes and QInvest, the remaining amount of QR 880 million will be paid by QInvest to EFG Hermes Qatar LLC at completion; this amount will be used by EFG Hermes Qatar LLC to acquire the identified target companies from EFG Hermes. In addition to the above, QInvest will acquire 60% of the asset management seed capital from EFG Hermes on the date of final closing. The consideration for the seed capital will be the prevailing market value on the business day prior to the date of final closing, which is estimated to be QR 218 million.

Lease commitments

Operating lease rentals are payable as follows:

	2012	2011
Less than one year	20,813	17,859
Between one and five years	66,002	31,309
More than five years	12,067	13,228
	98,882	62,396

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34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

Geographical sector

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

2012	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances						
with central banks	3,498,132	–	3	–	145,600	3,643,735
Due from banks	4,905,518	2,938,409	508,332	14,582	391,122	8,757,963
Financing assets	40,380,926	819,796	1,159,295	72,800	704,517	43,137,334
Investment securities	10,852,682	1,120,417	590,643	265,832	526,184	13,355,758
Investment in associates	506,417	–	98,788	–	270,106	875,311
Investment properties	415,469	–	358,763	–	–	774,232
Assets of a subsidiary						
held for sale	–	–	293,638	–	–	293,638
Fixed assets	372,023	2,599	2,744	–	–	377,366
Intangible assets	248,619	826	374	–	–	249,819
Other assets	1,422,382	77,844	209,497	3,673	13,510	1,726,906
Total assets	62,602,168	4,959,891	3,222,077	356,887	2,051,039	73,192,062
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	4,917,778	2,937,648	421,600	–	2,094,492	10,371,518
Customers' current accounts	9,004,879	44,780	24,987	131	7,103	9,081,880
Sukuk financing	5,415,628	–	–	–	–	5,415,628
Liabilities of a subsidiary						
held for sale	–	–	205,182	–	–	205,182
Other liabilities	996,298	1,217	540	–	3,312	1,001,367
Total liabilities	20,334,583	2,983,645	652,309	131	2,104,907	26,075,575
Equity of unrestricted investment account holders	31,194,194	2,276,517	463,292	114,912	16,567	34,065,482
Total liabilities and equity of unrestricted investment account holders	51,528,777	5,260,162	1,115,601	115,043	2,121,474	60,141,057

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34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)**Geographical sector (continued)**

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

2011	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances						
with central banks	1,832,513	-	-	-	-	1,832,513
Due from banks	4,670,894	1,447,149	922,276	222,892	105,494	7,368,705
Financing assets	28,233,238	219,086	1,134,027	-	9,519	29,595,870
Investment securities	12,044,394	924,570	835,992	264,744	740,488	14,810,188
Investment in associates	506,777	-	93,679	-	284,461	884,917
Investment properties	334,298	-	358,762	-	-	693,060
Assets of a subsidiary						
held for sale	-	-	324,505	-	-	324,505
Fixed assets	358,463	-	3,652	-	-	362,115
Intangible assets	256,136	-	-	-	-	256,136
Other assets	1,972,532	-	159,436	-	14,909	2,146,877
Total assets	50,209,245	2,590,805	3,832,329	487,636	1,154,871	58,274,886
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	5,125,453	5,396,904	821,668	-	1,998,237	13,342,262
Customers' current accounts	9,198,085	-	597	-	-	9,198,682
Sukuk financing	2,716,691	-	-	-	-	2,716,691
Liabilities of a subsidiary						
held for sale	-	-	195,282	-	-	195,282
Other liabilities	1,296,950	-	17,940	2,621	197	1,317,708
Total liabilities	18,337,179	5,396,904	1,035,487	2,621	1,998,434	26,770,625
Equity of unrestricted investment account holders	18,653,837	-	-	-	-	18,653,837
Total liabilities and equity of unrestricted investment account holders	36,991,016	5,396,904	1,035,487	2,621	1,998,434	45,424,462

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35. MATURITY PROFILE

2012	Up to 3 months	3 to 6 months	6 months – 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with central banks	1,716,876	–	–	–	1,926,859	3,643,735
Due from banks	8,525,984	112,587	34,898	84,494	–	8,757,963
Financing assets	11,498,632	3,156,661	3,029,505	11,583,486	13,869,050	43,137,334
Investment securities	580,775	104,228	23,200	9,021,840	3,625,715	13,355,758
Investment in associates	–	–	–	–	875,311	875,311
Investment properties	–	–	–	–	774,232	774,232
Assets of a subsidiary held for sale	–	–	293,638	–	–	293,638
Fixed assets	–	–	–	–	377,366	377,366
Intangible assets	–	–	–	–	249,819	249,819
Other assets	343,223	23,020	203,765	562,811	594,087	1,726,906
Total assets	22,665,490	3,396,496	3,585,006	21,252,631	22,292,439	73,192,062
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	5,467,911	551,090	2,071,879	2,083,036	197,602	10,371,518
Customers' current accounts	9,081,880	–	–	–	–	9,081,880
Sukuk financing	–	–	–	2,696,026	2,719,602	5,415,628
Liabilities of a subsidiary held for sale	–	–	205,182	–	–	205,182
Other liabilities	209,003	109,803	190,215	244,007	248,339	1,001,367
Total liabilities	14,758,794	660,893	2,467,276	5,023,069	3,165,543	26,075,575
Equity of unrestricted investment account holders	16,476,138	3,195,067	7,138,199	7,059,798	196,280	34,065,482
Total liabilities and equity of unrestricted investment account holders	31,234,932	3,855,960	9,605,475	12,082,867	3,361,823	60,141,057
Maturity gap	(8,569,442)	(459,464)	(6,020,469)	9,169,764	18,930,616	13,051,005

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35. MATURITY PROFILE (CONTINUED)

2011	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with central banks	609,958	-	-	-	1,222,555	1,832,513
Due from banks	6,648,478	154,363	235,984	329,880	-	7,368,705
Financing assets	4,281,231	4,688,706	2,284,146	7,959,181	10,382,606	29,595,870
Investment securities	1,184,026	43,680	21,780	9,021,840	4,538,862	14,810,188
Investment in Associates	-	-	-	-	884,917	884,917
Investment properties	-	-	-	-	693,060	693,060
Assets of a subsidiary held for sale	-	-	324,505	-	-	324,505
Fixed assets	-	-	-	-	362,115	362,115
Intangible assets	-	-	-	-	256,136	256,136
Other assets	129,027	33,977	67,954	655,045	1,260,874	2,146,877
Total assets	12,852,720	4,920,726	2,934,369	17,965,946	19,601,125	58,274,886
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	6,736,394	907,281	916,031	4,782,556	-	13,342,262
Customer's current accounts	9,198,682	-	-	-	-	9,198,682
Sukuk financing	-	-	-	-	2,716,691	2,716,691
Liabilities of a subsidiary held for sale	-	-	195,282	-	-	195,282
Other liabilities	286,748	148,302	296,603	586,055	-	1,317,708
Total liabilities	16,221,824	1,055,583	1,407,916	5,368,611	2,716,691	26,770,625
Equity of unrestricted investment account holders	9,488,297	2,049,811	6,615,156	500,573	-	18,653,837
Total liabilities and equity of unrestricted investment account holders	25,710,121	3,105,394	8,023,072	5,869,184	2,716,691	45,424,462
Maturity gap	(12,857,401)	1,815,332	(5,088,703)	12,096,762	16,884,434	12,850,424

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36. BASIC AND DILUTED EARNINGS PER SHARE

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

	2012	2011
Profit for the year attributable to the shareholders of the Bank	1,241,445	1,365,149
Weighted average number of outstanding shares	236,293	232,409
Earnings per share (QR)	5.25	5.87

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

	2012	2011
Weighted average number of shares at 1 January	236,293	215,145
Effect of shares issued to QIA	–	17,264
Weighted average number of shares at 31 December	236,293	232,409

37. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	2012	2011
Cash and balances with central banks (excluding restricted QCB reserve account)	1,716,876	609,958
Due from banks	8,525,984	7,203,060
	10,242,860	7,813,018

38. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant shareholders and entities over which the Group and the shareholders' exercise significant influence, directors and executive management of the Group.

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

	2012			2011		
	Associate companies	Board of Directors	Others	Associate Companies	Board of Directors	Others
Assets:						
Financing assets	2,570,555	325,550	–	2,221,692	209,714	–
Other assets	38,914	–	212,093	105,039	–	145,909
Equity of unrestricted investment account holders	7,791	128,540	39,767	172,460	152,402	172,289
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	–	184,242	1,035,256	829,562	26,495	647,137
Consolidated statement of income items:						
Fee and commission	–	4,587	3,144	41,234	6,966	3,822
Profit paid on deposits	–	9,640	–	1,508	23,373	–
Others	–	–	6,538	–	–	10,017

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38. RELATED PARTIES (CONTINUED)

Key management personnel compensation for the year comprised:

	2012	2011
Short-term employee benefits	56,688	41,239
Share-based payment transactions	-	38,873
	56,688	80,112

39. ZAKAH

Zakah is directly borne by the shareholders. The Group does not collect or pay Zakah on behalf of its shareholders in accordance with the Articles of Association.

40. SHARI'A SUPERVISORY BOARD

The Shari'a Supervisory Board of the Group consists of 3 scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

41. SOCIAL AND SPORTS FUNDS APPROPRIATION

The Group discharges its social responsibilities through donations to charitable causes and organizations when profits are reported. The Group have created provisions during the year of 2012 by QR 31 million which represents 2.5% of net profit as per law no.13 for year 2008 and explanatory notes issued for 2010 (2011: 34 million).

42. SUBSEQUENT EVENTS

Subsequent to 31 December 2012, the Group paid QR 2.27 million to acquire 60% of the share capital of EFG Hermes Qatar LLC by way of a share subscription as disclosed in Note 33 to the consolidated financial statements.

43. COMPARATIVE FIGURES

The comparative figures presented for 2011 have been reclassified where necessary to preserve consistency with the 2012 figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative year.

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44. STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

As at 31 December	2012	2011
ASSETS		
Cash and balances with central banks	3,498,131	1,832,456
Due from banks	7,399,497	6,480,994
Financing assets	42,551,512	29,557,804
Investment securities	13,934,942	14,529,901
Investment in associates	686,830	693,541
Investment properties	774,232	693,060
Fixed assets	351,255	329,949
Intangible assets	30,248	35,509
Other assets	1,120,656	1,344,917
TOTAL ASSETS	70,347,303	55,498,131
LIABILITIES		
Due to banks	9,983,864	12,299,759
Customers' current accounts	9,060,008	9,198,085
Sukuk financing	5,439,294	2,716,691
Other liabilities	903,214	1,239,943
TOTAL LIABILITIES	25,386,380	25,454,478
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	33,251,978	18,669,186
SHAREHOLDERS' EQUITY		
Share capital	2,362,932	2,362,932
Legal reserve	6,353,459	6,353,459
Risk reserve	763,213	428,500
General reserve	79,485	664,121
Fair value reserve	42,284	(26,646)
Foreign currency translation reserve	–	(5,656)
Other reserves	289,080	–
Proposed cash dividends	886,100	1,063,319
Retained earnings	932,392	534,437
TOTAL SHAREHOLDERS' EQUITY	11,708,945	11,374,466
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY	70,347,303	55,498,130

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45. STATEMENT OF INCOME OF THE PARENT BANK

For the year ended 31 December	2012	2011
Net income from financing activities	2,048,995	1,780,200
Net income from investing activities	601,917	509,690
Total net income from financing and investing activities	2,650,912	2,289,890
Fee and commission income	303,817	251,299
Fee and commission expense	(55,457)	(23,131)
Net fee and commission income	248,360	228,168
Net foreign exchange gain	33,832	30,645
Share of results of associates	(10,955)	7,371
Other income	10,866	-
Total income	2,933,015	2,556,074
Staff costs	(342,797)	(275,866)
Depreciation and amortization	(51,748)	(42,738)
Sukuk holder's share of profit	(120,625)	(105,854)
Other expenses	(229,751)	(205,617)
Total expenses	(744,921)	(630,075)
Net impairment loss on investment securities	(244,146)	(7,432)
Net impairment loss on financing assets	(158,463)	(13,001)
Profit for the year before return to unrestricted investment account holders	1,785,485	1,905,566
Return to unrestricted investment account holders before the Bank's share as Mudarib	(858,910)	(831,989)
Bank's share as Mudarib	427,674	421,585
Less: net return to unrestricted investment account holders	(431,236)	(410,404)
Profit for the year before tax	1,354,249	1,495,162
Profit for the year	1,354,249	1,495,162

30 years of
leadership

Head Office and Branches

Head Office

(Grand Hamad Street)
Tel. 44409409
Fax 44412700 (General Fax)

Ladies Branch

Tel. 44595790
Fax 44888655

Corporate Finance & Private Banking Branch

Tel. 44409409
Fax 44350293

New Doha Branch

Tel. 44267666
Fax 44837982

Al Fanar Branch

Tel. 44249222
Fax 44312953

Mesaieed Branch

Tel. 44771810
Fax 44770872

Salwa Road Branch

Tel. 44484000
Fax 44680123

Al Mansoura Branch

Tel. 44435752
Fax 44376281

Al Gharafa Branch

Tel. 44349333
Fax 44866056

Barwa Branch

Tel. 44630380
Fax 44631219

Supreme Council for Health (opening soon)

Tel. 44872981
Fax 44659290

Al Muntazah Branch

Tel. 44370847
Fax 44371284

Al Sadd Branch

Tel. 44289666
Fax 44478947

Al Shahania Branch

Tel. 44718664
Fax 44719044

Al Khor Branch

Tel. 44721666
Fax 44721888

General Authority of Minors Branch

Tel. 44341147
Fax 44320902

Al Rayyan Branch

Tel. 44597777
Fax 44811612

Al Ghuwairiya Branch

Tel. 44728318
Fax 44728755

Airport Branch

Tel. 44349222
Fax 44676532

City Center Branch

Tel. 44930758
Fax 44834032

Al Wakra Branch

Tel. 44640771
Fax 44644197

Mesaimer Branch

Tel. 44603694
Fax 44604028

Yarmouk Branch

Tel. 44883168
Fax 44883170

Khartiyat Branch

Tel. 44482666
Fax 44790228

Aljazeera Channel Branch

Tel. 44882607
Fax 44862240

Muaither Branch

Tel. 44489888
Fax 44458900

Ras Laffan Branch

Tel. 44748756
Fax 44748755

Dukhan Branch

Tel. 44482777
Fax 44712129

Industrial Area Branch

Tel. 44065777
Fax 44165997

Suhaim Bin Hamad Street Branch

Tel. 44421220
Fax 44131880

Nasriya Branch

Tel. 44179835
Fax 44179838

The Group Branch

Tel. 44626613
Fax 44626609

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