



المصرف

إلتزام بالريادة
Committed to leadership

2009

Annual Report



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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



Vision, Mission, Values, Strategy



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

Strategy

- To enhance our impeccable reputation in the Islamic financing services industry and maintain a pioneering presence in the local, regional and international markets.
- To satisfy the aspirations of our clients by offering innovative Islamic banking solutions.

- To continue to develop our operations in a manner that yields maximum returns for our partners, investors and shareholders.
- To encourage the professional development of our employees, and develop a very efficient and productive workforce.
- To utilise the latest technical know-how in order to upgrade the scope and efficiency of our operations and services.
- To enhance the geographical reach of our products and services by ensuring that our product base satisfies the needs and aspirations of all demographic and economic customer profiles.
- To achieve new strategic alliances and accomplish both horizontal and vertical expansion of our activities.



Board of Directors



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



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



**Mr. Abdullatif Bin Abdulla
Al Mahmmod**
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 and Shari'a Executive Committee

Shari'a Supervisory Board

His Eminence Dr. Youssef Al Qaradawi
Chairman, Shari'a Supervisory Board

**His Eminence
Sheikh Abdul Qader Al Ammari**
Member

His Eminence Dr. Ali Al Mohammadi
Member

His Eminence Sheikh Walid Ben Hadi
Head of Executive Committee

Shari'a Executive Committee

His Eminence Sheikh Walid Ben Hadi
Head of Executive Committee

Prof. Abdul Sattar Abou Ghodda
Member

His Eminence Sheikh Nizam Mohd. Yacoubi
Member





Senior Management



Salah Jaidah
Chief Executive Officer (CEO)



Murtada Khidir
General Manager
Finance Group



Jean-Marc Riegel
General Manager
Investment Banking & Development Group



Syed Maqbul Qader
Group Chief Risk Officer



Choudhry Mohammed Wasi
General Manager
Strategy & Marketing Group



Salah Al-Hail
General Manager
Real Estate Group



Akhter Jamal
General Manager
Operations & Technology Group



Ahmad Meshari
General Manager
Domestic Business Group



Chairman's Message



In 2009, Qatar realised a phenomenal economic growth of over 11%, which is among the highest growth rates internationally, and is expected to record an even better growth rate of up to 14% in 2010.

In the Name of Allah, the Merciful, the Compassionate

Dear shareholders,
On behalf of the Board of Directors of Qatar Islamic Bank, I take immense pleasure in presenting to you the Annual Report for the fiscal year 2009, which will provide you with a brief insight into our most important financial highlights and achievements for the year.

In spite of the global financial crisis and its impact on most of the international economies, Qatar successfully withstood the challenges of the crisis, thanks to its prudent and rational policies. The Country realised a phenomenal economic growth of over 11% in 2009, which is among the highest growth rates internationally, and is expected to record a growth rate of up to 14% in 2010. The State's decision to focus on the energy industry as well as on infrastructure

projects and services in the health care, education and social services sectors, ensured the stability and soundness of the financial and banking sector during the crisis. The Government's decision to participate in the capital of national banks and acquire some of their investment portfolios strengthened the confidence of the banking sector and significantly contributed towards a positive performance.

Year 2009 was a landmark year in the Bank's progress and development. The Domestic Financing Portfolio witnessed a 33% increase and reached an impressive QR 24.4 billion. The Domestic Investment Sector succeeded in attracting a considerable number of customers belonging to all categories, including large organisations operating in the fields of energy, maritime shipping, and investments. New strategies were adopted in order to realise qualitative

project financing and enhance the Bank's domestic corporate financing capabilities across all economic sectors.

QIB successfully catered to the requirements of high net worth customers, by developing a wide variety of Shari'a-compliant financing solutions for renowned national organisations such as Qatari Diar, Barwa, Al Hayyi-ul-Mali, Qatar Shipping, QAPCO and others.

During the year the Bank adopted a new Organisation Chart in order to ensure that it is well equipped to respond to the emerging business challenges. All positions within the Bank have now been provided with appropriate job descriptions. A wide range of remarkable human resources initiatives were also undertaken during the year. These included the automation and upgrading of the performance appraisal management systems. On



the other hand, our Qatari employees were provided with advanced training opportunities, both locally and abroad. We have also embarked on a special programme, in association with the Ministry of Labour, to develop a pool of skilled Qatari nationals through specialised and intensive training courses.

During the year the Bank's IT infrastructure was upgraded in order to keep pace with the expansion in our business activities. Our data network has also been upgraded in order to ensure the highest levels of banking security in our branch-to-branch links as well as in our e-banking services. We have expanded the scope of our call centre services, have upgraded our credit card offerings with new products and have enhanced our Private Banking Services for elite customers.

Qualitative development has been achieved by transforming our branches into autonomous units in terms of both performance and results. At present, our branch network covers 26 different locations in Qatar. This is expected to reach 35 during 2012. Pronounced emphasis has been placed on the quality of services at our branches. This has resulted in an increase in deposits and financing activities.

Year 2010 represents the third year of the Bank's five-year strategic plan. The first two years saw us achieve considerable progress in our journey towards realising our vision of becoming the leading Islamic bank, internationally.

The key constituents of our strategic plan are:

- maximise the value offered to our shareholders and investors;
- consolidate the Bank's distinctive position in the domestic market and, enhance and maximise the value of our existing international partnerships;
- upgrade, both quantitatively and qualitatively, the services offered to high net worth customers through the optimal utilisation of our technological resources in order to ensure that they recognise QIB as their bank of choice at all times;
- develop an integrated portfolio of innovative banking and investment products and solutions; and
- enhance the capabilities of our team in order to enable them to maximise profitability, realise sustained management and development, and embrace a culture of change.

In spite of the global financial crisis, QIB successfully maintained its momentum of growth and posted yet another year of outstanding results.

Our assets increased to QR 39.3 billion, a 17.3% growth over 2008, net operating income amounted to QR 2.4 billion and we realised a net profit of QR 1.322 billion, after Shareholders' Equity. Phase two of Qatar Investment Authority's 5% share in our capital was honoured during 2009.

In the light of these results, the Board of Directors has decided to submit a recommendation to the esteemed General Assembly to distribute a cash dividend of 60% or QR six per share to the shareholders.

In conclusion, on behalf of the Board of Directors, I would like to express our deepest gratitude and appreciation to H.H. Sheikh Hamad Bin Khalifa Al-Thani, Emir of the State of Qatar, H.H. Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani, the Heir Apparent, and to the Government of Qatar, for their unwavering support to the Country's banking sector.

Our sincerest appreciation and gratitude are also extended to all the officials in the Country's banking sector for their rational directives and continuous support; to all our customers, investors and shareholders for their continued patronage; to the Bank's Shari'a Supervisory Board for their invaluable guidance and to our management and employees for their commitment and dedication to our success.

May Allah, guide us to do the best, both in words and deeds.

**Jassim Bin Hamad
Bin Jassim Bin Jabr Al Thani**
Chairman



Statement of the Shari'a Supervisory Board

for the Bank's operations during 2009

Praise be to Allah

Prayers and Peace be Upon
Our Master Muhammad,
Messenger of Divine Mercy and
Upon His Companions and Followers.

The Shari'a Supervisory Board of QIB has reviewed the contracts that were referred to it, replied to the Management's enquiries and, has taken part in finding proper solutions to the difficulties that arose while executing the contracts.

Through its Executive Committee and Shari'a Audit Department, the Shari'a Supervisory Board has directly supervised the Bank's activities and are satisfied that its resolutions have been righteously executed.

In general, the transactions referred to the Shari'a Supervisory Board were found to be in conformity with the standards adopted by it and, all errors that were committed upon implementation were adjusted.

The Shari'a Supervisory Board has also reviewed the Bank's financial statements and Profit & Loss Account for the financial year 2009, and believes that they are Shari'a-compliant.

However, the Shari'a Supervisory Board confirms that the responsibility for applying the Shari'a norms and controls lies mainly on the Bank's Management, as the Shari'a Supervisory Board's liability is confined to giving relevant jurisdictions (Fatwas) and reviewing the transactions referred to it, whether they were addressed to it directly or through

Dr. Youssef Al Qaradawi
Chairman, Shari'a Supervisory Board

Sheikh Walid Ben Hadi
Head of Executive Committee

Prof. Dr. Abdul Sattar Abou Ghodda
Member - Executive Committee

the Shari'a Audit Department as implied by the authorities vested in the Shari'a Audit Department.

In conclusion, the Shari'a Supervisory Board expresses its gratitude to the Bank's executives and prays to Allah, the Almighty, to grant them His guidance to serve the Islamic economy, to place His blessings on the shareholders' and customers' wealth, and to inspire us all to be sincere in our words and deeds.

"Praise be to Allah"

Sheikh Nizam Yacoubi
Member - Executive Committee

Sheikh Abdul Qader Al Ammari
Member

Dr. Ali Al Mohammadi
Member



Statement of the CEO



Islamic banking in Qatar, led by Qatar Islamic Bank, has achieved significant progress in the past years. Despite the downturn of the global economy, the Bank was able to realise positive growth in its Shareholders' Equity, Assets, Deposits and Financing Activities during 2009.

Praise be to Allah,
the Merciful, the Compassionate

Global Economy

Year 2009 was one of the toughest years the global economy had ever seen since the Great Recession of 1929, due to the global financial crisis that was created by the property mortgage crisis in the US and some European countries, which in turn led to the bankruptcy of leading financial establishments despite the intervention of central banks to rescue them. The crisis finally led to a 0.8% recession in the global economic growth at fall 2009, from 2.5% in 2008.

The global economy has started to exhibit encouraging signs of recovery, thanks to the wide range of remedial measures that were adopted during 2009. The International Monetary Fund (IMF) estimates a 3.9% and 4.3% growth in 2010 and 2011 respectively, mostly from the Eastern and developing countries.

IMF has confirmed that the recovery from the global financial crisis is happening at a faster pace than expected. All the regional economies have successfully surpassed the critical phase of the crisis. IMF's report states that GCC economies are expected to achieve a 3.2% growth in 2010 and a 4.1% growth in 2011. The report also expects oil prices to remain stable at a limit over US\$ 75/barrel during the current year. It predicts that GCC economies will benefit from the recovery of the European economies and that 'reserves' would recover from 11% of the GDP in 2009 to 14.5% in 2011, thus ensuring adequate support for domestic demand and paving the way for the restructuring of international reserves in these countries.

Subsequently, expenditures on infrastructure and social development will be a major catalyst for the growth of the GCC economies. GCC governments

have to now start adopting strategies to withdraw the phenomenal state subsidies they had offered to improve liquidity and, in turn, relieve these economies from the impacts of the crisis.

Domestic Economic Environment

All the financial and economic reports issued by renowned financial and economic research centres and credit rating agencies confirm the outstanding performance of the Qatari economy during 2009. The Country is estimated to have recorded a 11% growth, the best among all international economies. Qatar is also expected to record around 14% growth in 2010, notably due to increasing LNG exports, thus bypassing India and China, who are expected to realise 9.3% and 7.9% growth respectively in 2010. Qatar's GDP is expected to witness an 18% growth whereas its inflation is expected to decrease by 2 to 5%.

The economy of Qatar derives its strength from the 'National Vision' according to which, by 2030, the Country will become an advanced country capable of achieving sustained growth and ensuring a wealthy life for its people, generation after generation. The 'Vision' also outlines the goals the Country must strive to achieve in the long-term; represents the general framework of a comprehensive national strategy; and lays the foundation for implementing the related plans.

The 'National Vision' envisages that the Country's future growth depends on a four-fold development strategy that comprises human, social and economic development. As part of the economic development strategy, the 'Vision' aims to establish a diversified and competitive national economy that is capable of responding to the present and future needs of the citizens, ensuring them a high living standard and catering for environmental (eco) development.

The 'Vision' stresses on the optimum utilisation of the Country's resources by employing sustained and intensive efforts to promote the gas industry and, establish Qatar as an advanced source of clean energy for both Qatar and the world.

Qatar's declared 'Vision' aims to establish a diversified economy based on hydrocarbons, in which the private sector will play an increasing role and will maintain its competitiveness by:

- expanding the industries and services that enjoy the competitive edge that is derived from the hydrocarbon industries;
- devising and developing economic activities that will establish Qatar as an expert in these sectors and will develop the technical and human resources required for these activities; and
- acquiring a science-driven economy that is heavily dependant on research, development and innovation and will establish itself as a distinct leader. The 'Vision' aims to establish a strong academic foundation that will in turn upgrade the economy and develop the society. In addition, the

'Vision' aims to establish an advanced infrastructure and database, as well as government bodies that will offer the services required by the society in a transparent manner, who will in turn be rewarded with the confidence of their beneficiaries.

In December 2008, Qatar, with an annual per capita of QR 72,300, achieved the highest per capita percentage of GDP among the Arab countries. Qatar is according the utmost importance to human resources development as it considers it to be a fundamental factor for achieving economic and social progress. Pronounced emphasis has been placed on upgrading the educational and scientific research system. Since 2007, the Government has been allocating 2.8% of its total expenditure for scientific research and education. In 2008 Qatar earmarked around QR 20 billion for this purpose.

Qatari Banks

During 2009, the Qatari banking sector maintained its growth trend, with assets increasing to QR 398.5 billion from QR 345.1 billion in 2008 (15% growth), deposits increasing to QR 251.3 billion (18% growth over 2008) and financing increasing to QR 238 billion (10% growth over 2008).

Local liquidity increased by 17% and credit to local economic sectors increased by 14%. With a view towards shielding the banking sector from the impacts of the global financial crisis, the State of Qatar, through Qatar Investment Authority, acquired a 10 to 20% stake in the 'Priority Shares' of the national banks. Qatari banks are also adopting prudent strategies. Moreover, expansion of their activities is now undertaken under the umbrella of Qatar Central Bank, which exercises stringent supervisory and monitoring control, in order to ensure a conducive environment for the growth of the banking sector.

Islamic Banking – Global View

The global financial crisis of 2009 had a limited effect on Islamic banking, which confidently moved forward throughout the year and towards a more promising 2010. In fact, the crisis proved the credibility of Islamic banking. This led to many economic experts in Western

countries repeatedly calling for the implementation of Islamic banking practices.

A report prepared by S&P expects the Islamic financial sector to maintain its positive growth during 2010 as well. It states that even though the global economy is making a modest recovery and the challenges of the global financial sector remain unresolved, the Islamic banking sector is in good health with the leading Islamic banks recording a 28.6% growth. In 2009 the aggregate growth of the 500 largest Islamic banks in the world amounted to US\$ 822 billion compared to US\$ 639 billion in 2008.

Similarly, the Sukuk (Islamic bonds) sector has expanded remarkably in spite of the challenges it continues to face. In 2009 US\$ 23.3 billion worth of Sukuk was issued compared to US\$ 14.9 billion worth of Sukuk issued in 2008. Presently, the Sukuk market is worth over US\$ 100 billion. If we include banks and other Islamic financing tools in this sector, the Sukuk market will exceed US\$ 1 trillion.

Islamic Banking in Qatar

Islamic banking in Qatar, led by Qatar Islamic Bank, has achieved significant progress in the past years. Today, Islamic banks have a 20% share (QR 79.9 billion, December 2009) in the assets of Qatari banks. QIB is the frontrunner among the Qatari Islamic banks, with a 50% share in the aggregate assets of the Islamic banking industry. It holds around 10% share in the assets of the Qatari banking industry, a 65.13% share in the local investments of all Islamic banks, around 48% share in equity, a 48.7% share in profit and around 44.8% share in financing.

QIB has always played a pioneering role in the national economy with a three-way project financing plan for both public and private sectors, in addition to providing adequate financing to contractors implementing projects, establishments manufacturing construction materials and suppliers of equipment and machinery. The Bank has been very active in both public and private sector project financing. With a 20% growth in its financing portfolio, it was at the forefront of all the national banks in funding real estate and

infrastructure projects. It has also played a major role in developing the private sector by constantly expanding the scope of its activities and widening its reach to every corner of the Country through a well-distributed branch network.

QIB Results in 2009

During 2009, Qatar Islamic Bank recorded a balanced performance. In spite of the adverse impacts of the global financial crisis on both the regional and global economies, the banking and investment sectors realised encouraging results. Remarkable progress was achieved during this period by undertaking expansion activities, upgrading IT systems, enhancing product offerings and formulating future growth strategies.

One of the key highlights of the year was the decision to appoint 'Qatar Investment Authority (QIA)' as a shareholder of the Bank by offering QIA a 10% stake in the 'Priority Shares' in two phases - 5% in January 2009 and 5% in December 2009. This has facilitated the Bank's plans to consolidate its financial position and implement its expansion projects and strategic plans. As part of this arrangement, the Bank has received QR 1,912 million in two instalments.

Financial Highlights – 2009

Despite the downturn of the global economy, the Bank realised positive growth in its Shareholders' Equity, Assets, Deposits and Financing Activities, during 2009.

- Assets increased to QR 39.3 billion from QR 33.5 billion in 2008 (Growth: 17%).
- Customer Deposits & Absolute Investment Deposits increased to QR 20.3 billion from QR 16.6 billion in 2008 (Growth: 23%).
- Financing Portfolio increased to QR 22.7 billion from QR 18.9 billion in 2008 (Growth: approx. 20%).
- Financing Income increased to QR 1.826 billion from QR 1.328 billion in 2008 (Growth: 37.5%).
- Operating Income increased to QR 2.395 billion from QR 1.948 billion in 2008 (Growth: 23%).
- Customer Dividend increased to QR 510.3 billion from QR 388.6 billion in 2008 (Growth: 31.3%).
- Net Profit reached QR 1.322 billion compared to QR 1.642 billion in 2008.
- Total Shareholders' Equity increased to QR 9 billion compared to QR 7.1 billion in 2008. Return on Equity (ROE) was 26.8%.
- Return on Average Equity (ROAE) in 2009 was 20.4% compared to 27.9% in 2008.
- Earnings per Share was QR 6.44 compared to QR 8.49 in 2008.
- Capital Adequacy: 17.33% (QCB average: 10%).

Domestic Business Performance

The Domestic Business Group, one of the Bank's most important groups, constitutes the pivot of its retail and corporate banking, financing and investment services. Despite the adverse economic circumstances that existed in both the local and international markets, the Group succeeded in realising satisfactory results.

I. Corporate Financing Services

The Corporate Financing Department realised a 5% year-on-year growth in 2009, with its financing portfolio increasing to QR 15.1 billion compared to QR 14.4 billion in 2008. The Corporate Branch recorded a 17% growth in deposits, from QR 4.8 billion in 2008 to QR 5.6 billion in 2009.

In spite of the challenges faced by the real estate sector on account of the ongoing global financial crisis, the Corporate Financing Department played a leading role in facilitating the progress of the real estate sector of the national economy. The Group also expanded the scope of its activities to other economic sectors like contracting, manufacturing, trading and services, and succeeded in attracting several leading organisations to its clientele.

The Corporate Financing Department's plan for 2010 aims to participate in the national economic growth by enhancing

its financing offerings to projects of specific magnitude as well as by extending financing opportunities to domestic companies in accordance with the credit norms adopted by the Bank and prescribed by Qatar Central Bank. This will, in turn, positively contribute to the shareholders' equity.

Key Financing Transactions in 2009

- A syndicated QR 4 billion worth of financing for Qatari Diar.
- A US\$ 200 million financing for QAPCO.
- A QR 206 million financing for Salam Bounian's 'Jumanah Tower'.

II. Domestic Branches Department

This Department has now become the Bank's principal outlet for offering banking, financing and investment services to customers, especially after transforming the branches into independent full-fledged profit-making centres.

Subsequent to the adoption of the new Organisation Chart in early 2009, the Domestic Branches Department has been segregated into four departments as part of a strategy to establish an efficient management system that will ensure top class customer service at all branches.

Despite the impediments caused by the global financial crisis, the Domestic Branches Department realised a 22% growth in Profit, a 27% increase in Financing Operations, a 27% growth in Deposits, and a 15% increase in Customer Accounts.

During 2009, QIB continued to expand and upgrade its branch network by opening two new branches – one in Dukhan and another one in Industrial Area – thereby bringing its total number of branches to 26. The Bank expects to expand its branch network to 35 branches by 2012.

The Bank also continued to offer sophisticated e-banking services through all its branches and expanded its product portfolio by introducing new Shari'a-compliant financing products covering the fields of education, liabilities, wedding, health care, travel and tourism.

During the year QIB launched the first ever Shari'a-compliant deposit product called 'Al Sakhaa' (Generosity), which provided customers with an opportunity to earn monthly profits.

E-Banking

During 2009, QIB adopted an aggressive strategy to promote its e-banking services. In this regard, the Bank has:

- expanded its 24x7 ATM network to more than 100 units;
- enhanced the reach of its Shari'a-compliant credit cards, thereby recording a 27% growth in Visa Platinum, a 23% growth in Visa Gold, a 29% growth in Visa Electron (ATM cards), and a 8% growth in Visa Classic;
- launched the 'Jana' card – a Shari'a-compliant credit card that is available in Platinum, Gold and Classic categories and facilitates monthly repayments;
- introduced co-branded card services; and
- upgraded its phone banking, call centre and SMS banking services.

Private Banking

The Private Banking Department (PBD) is the Bank's main point of contact with VIP customers. PBD presently manages funds worth over QR 3.2 billion.

In 2009, a record 45% growth in deposits was achieved by the Department. Commendable growth has also been realised in the number of customers participating in the investment products (real estate, portfolios & funds, commodities, and other banking activities).

In 2010 PBD plans to open the first full-fledged customer service centre for high net worth customers.

International Investments

Despite operating within an environment pressed with global financial and economic turbulences, Qatar Islamic Bank continued to expand the horizons of its international investments. During the year the Bank undertook the following main investments:

- established a Qatar-based company – Damaan Islamic Insurance Company (Beema) – with a capital of QR 200 million. QIB holds a 25% stake in Beema;
- increased the Bank's stake in QInvest by acquiring the 10% stake of Gulf Finance House, thereby bringing the Bank's share to 35%; and
- signed an MoU with Generali Worldwide Insurance Company Ltd., one of the largest insurance companies in the world, and Damaan Islamic Insurance Company (Beema) to explore the possibility of establishing a joint venture for promoting Islamic insurance (Takaful) services in the regional and international markets.

The 'QIB – Group Finance Houses' in various international markets (Arab Finance House in Lebanon, Asian Finance Bank in Malaysia and European Finance House in UK) recorded excellent performances during 2009. The Bank is keenly looking forward towards penetrating new markets through acquisitions or by establishing finance houses.

Human Resources

In 2009, the Human Resources Department embarked upon several key projects. The transformation of human resources into 'human capital', with the strategic objective of investing in people and inspiring them to consider QIB as their employer of choice, was one of the key initiatives undertaken during the year.

The Bank continued to place pronounced emphasis on Qatarization, which was well reflected in the fact that 28% of the new recruits in 2009 were Qatari nationals. The skills and competence of our Qatari employees are continuously enhanced through various on-the-job as well as external training programmes. QIB signed an MoU with the Ministry of Labour to sponsor the academic career of ten Qatari students at Qatar University and the College of the North Atlantic-Qatar.

As part of the HR Department's strategy to improve our overall business practices and to become the benchmark for best

practices in the Industry, the organisation chart was successfully restructured during 2009. One of the key initiatives was the development of appropriate job descriptions for all positions across the Bank.

During the year, the Training Department organised 128 training courses that offered 1,065 training opportunities, 35% of which were for Qatari nationals. These courses, which were held both locally and abroad, were conducted in close association with professional regional and international institutes and training centres and ensured that the Bank was kept abreast with the latest developments in the banking industry.

Information Technology

A host of functional achievements were realised by the IT Department during 2009. Among the key milestones achieved were:

- Implementation of the Oracle HRMS system which has resulted in the application of the best practices in salaries, personnel affairs, e-tutorials and performance management.
- Phoenix Upgrade: This crucial project covered the upgrade of the core banking unit included modifications and enhancements to Mosaic along with a full module implementation of the 'limits' that did not exist at QIB. The upgrade also covered a new profit calculation module that will be live and running in the second quarter of 2010.
- Reconciliation: For the first time the Bank was able to reconcile its bank accounts electronically. The Corona System was deployed successfully and the Finance Department was relieved of its tedious daily reconciliation function.
- Treasury Project Preparation: This critical project is being implemented by the Bank in order to cater to the needs of Treasury, Assets Liability Management, Basel II Implementation and to strengthen the anti-money laundering systems and processes.
- Disaster Recovery (DR) Site: The DR Site was upgraded with additional equipment in order to make it more robust and resilient.

International Banking

QIB has a consolidated international correspondent banking network, that covers key international, regional and trans-continent economic centres. The Bank's International Banking Department supervises its foreign accounts in order to ensure that customer accounts are properly maintained and international trade operations are properly handled. The facility of opening banking accounts in Qatari Riyals has also been extended to a large number of correspondent banks all over the world.

Rating & Awards

The Bank's balanced performance in 2009 resulted in an A rating by Fitch and Capital Intelligence. QIB was selected by Euromoney as the 'Best Project Financier in 2009', the 'Best Islamic Property Financier' and the 'Best Fast Developing Islamic Bank'.

ICG selected QIB as the 'Best Financing Bank', and Credit Agricole-Chevreux selected the Bank as one of the best three investment options in the GCC during 2009.

The 'Straight Through Processing Payments' award was granted to QIB by a number of international banks including the Commerzbank of Frankfurt and J.P. Morgan of New York.

QIB and Qatar Charity jointly won the award for Technological Innovation at the International Annual Symposium

for Islamic Finance, for the innovative application and use of credit cards, where POS cards were issued for around 1,200 needy families who are entitled to monthly financial assistance from the Family & Women Care and Social Promotion Programme in Qatar.

Social Responsibility

During 2009, Qatar Islamic Bank played an effective role in the socio-economic progress of Qatar by participating in numerous charity activities and social causes. The Bank extended assistance worth around QR 6 million to various educational and other charity organisations during the year.

During 2009, the QIB Zakat Committee, extended financial assistance worth QR 4.5 million to a wide range of beneficiaries, bringing the total financial assistance extended over the last five years to QR 22 million.

Conclusion

The strategy of QIB aims to maximise the value offered to our shareholders and investors; consolidate the Bank's distinctive position in the domestic market; and enhance and maximise the value of our existing international partnerships.

It also aims to upgrade, both quantitatively and qualitatively, the services offered to high net worth customers in order to ensure that they recognise QIB as their bank of choice.

The strategy intends to develop an integrated portfolio of innovative banking and investment products and solutions and, enhance the skills and competence of our team in order to achieve the highest levels of productivity, efficiency and effectiveness.

The application of accountability while pursuing pre-determined targets; the implementation of performance-based incentives; the standardisation of practices, internal by-laws and operations; as well as the need to embrace a culture of change also form an integral part of the Bank's present strategy.

Finally, amidst the prevailing harsh global financial conditions, the Bank diligently adopts stringent operational mechanisms and actively pursues a policy of internal progress and development in order to ensure that it is in a favourable position to take advantage of the expected recovery of the global economy and thereby contribute to the establishment of Islamic banking as the most preferred banking channel in the local, regional and international markets.

Salah Jaidah

Chief Executive Officer (CEO)



Domestic Business Group

The Corporate Financing Services Department aims to achieve both vertical and horizontal growth by increasing the Bank's share in Deposits as well as its Shareholders' Equity through a qualitative financing scheme.

Corporate Financing Services

The Corporate Financing Services Department aims to enhance the Bank's financing portfolio and maximise the realised profit by offering innovative Shari'a-compliant financing solutions that fulfil the requirements of present and prospective customers.

The Department extends its services through professional departments and experienced account officers. It offers a wide range of financing solutions for trade, industrial, contracting and real estate projects, among a host of others.

In 2009, the sector realized a 5% growth in its financing activities, which amounted to QR 15.1 billion, compared to QR 14.4 billion recorded in 2008.

The Corporate Financing Services Department primarily caters to the requirements of the following sectors: government and semi-government;

construction and commercial & residential real estate; transport & communications (ships, airlines etc.); health care; sports; water & electricity; trade financing etc.

Following the adverse impact of the global financial crisis on the real estate sector, increased focus was placed on other economic sectors like contracting, manufacturing, trade and services. The Corporate Financing Services Department attracted several leading organisations in these sectors like First Investor, Al Habtour Contracting, Contra Co. Ltd., CCC-CDC, Al Fardan Group, Al Salam Stores, Saleh Hamad Al Mana Co., National Leasing Co., Al Tadamon Automobile Co., Nasser Bin Khalid Co. and others.

In 2010 the Corporate Financing Services Department aims to achieve both horizontal and vertical growth as well as enhance the Bank's share in deposit

accounts and increase its shareholders' equity by extending financing opportunities in accordance with the credit norms adopted by the Bank and prescribed by Qatar Central Bank.

Domestic Branches Department

This Department has now become the Bank's principal outlet for offering banking, financing and investment services to customers, especially after transforming the branches into independent full-fledged profit-making centres.

Over the past years, it has realised remarkable growth. During 2009, QIB opened two new branches – one in Dukhan and another one in Industrial Area – thereby bringing its total number of branches to 26. The Bank expects to expand its branch network to 35 branches by 2012. The branch network's administrative and technological infrastructure was further upgraded



during the year, and its banking environment was re-designed in order to accommodate the projected expansion in customer accounts. Presently, the branches handle the banking requirements of more than 142,000 accounts.

Despite the pressing challenges of the global financial crisis, the Domestic Branches Department realised a 22% growth in its profit, a 27% increase in financing operations, a 27% growth in deposits and a 15% increase in customer accounts.

New and innovative Shari'a-compliant products and services were also offered to the Bank's varied clientele.

Retail Financing Products

- Education (Taa'leem) - for financing education in schools, institutes and universities.
- MyLeave (Ijazati) - for financing leave expenses incl. air tickets, hotels & trips.
- Marriage (Zawadij) - for financing wedding expenses and to honour agreements with hotels, celebration halls and wedding organisers.
- MyHealth (Sehhati) - for financing treatment expenses in hospitals & medical centres.

Credit Cards

- Jana card - a Shari'a-compliant credit card that is available in Platinum, Gold and Classic categories and facilitates monthly repayments.

Deposits

'Al Sakhaa' Deposit

This is the first-ever Shari'a-compliant deposit product that offers monthly profit to its customers.

Insurance Services

An array of insurance services, like the Takaful (Solidarity) financing product and the all-risks insurance product for cars, is offered to customers at preferential prices.

The Domestic Branches Department is always keen to offer banking services at competitive rates in order to consolidate the Bank's market share, enhance its competitiveness and further assist the Bank in facing the challenges of the global financial crisis.

Credit Cards Department

During 2009, QIB recorded the following achievements in e-cards and customer service:

- selected a new system for the Call Centre/IVR;
- relocated & expanded our ATM network to increase availability and profitability;
- diverted customers from branches to alternative channels for cost reduction;
- launched the new 'Jana' card;
- completed the EMV re-carding project;
- launched the ATM i-electronic journal;
- upgraded the SMS system; and
- launched the co-branded cards service.

2010 Targets

The Credit Cards Department aims to achieving the following targets during 2010:

- launch a full-fledged Call Centre/IVR;
- launch an e-banking service for corporate customers;

- relocate the Call Centre to a new location;
- offer new e-services to customers;
- increase the Bank's revenues by offering income-generating services through alternative channels (utility payments, Vodafone, Qtel, air tickets);
- channel certifications by third parties;
- launch the Quality Assurance Unit; and
- launch the outbound call activity.

Private Banking Department (PBD)

PBD is QIB's point of contact with VIPs and high net worth individuals. Distinctive services are offered to this significant category of customers in an environment of absolute privacy and highly personalised attention. PBD presently manages funds worth over QR 3.2 billion.

In 2009, a record 45% growth was achieved in deposits. PBD also offered a wide range of investment opportunities, from property to investment portfolios & funds, commodities and others, to its clientele.

Services presently extended by the Private Banking Department include accounts management, investment opportunities, consultancy services, and mobile banking service for the collection of deposits, money transfers and important documents and to follow-up on customers' credit card movements.

In 2010, PBD plans to open its first full-fledged centre for its high net worth customers. The new centre will offer top-class banking services in a highly sophisticated environment.



Operations and Technology Group

The fundamental role of the Operations and Technology Group is to assume a leadership position in ensuring that the strategic objectives of the Bank are implemented in a manner that aligns with the Bank's business plan.

The Operations and Technology Group consists of the Information Technology (IT), Centralised Operations, Human Resources and Administration departments. Its primary function is to manage the Bank's human capital, delivery systems, security, administration and centralised operations. The fundamental role of the Group is to assume a leadership position in ensuring that the strategic objectives of the Bank are implemented in a manner that aligns with the Bank's business plan. The essential nature of this Group necessitates adherence to exemplary standards of professionalism and a strict observation of the governance dictates of the Bank.

Human Resources

The Human Resources Department embarked upon several key projects and initiatives during 2009. One of the key highlights was the transformation of Human Resources to Human Capital

Function, with the strategic goal of investing in people and becoming the employer of choice.

2009 was a tough year for the entire banking industry due to the global economic downturn. Nonetheless, while being sensitive to the environment, the Bank did not compromise on its strategically agreed direction and continued to fill up key positions by inducting seventy four new employees in 2009.

During the year the Bank placed more emphasis on its Qatarization drive, and hence it was able to achieve over 27% Qatarization in 2009. The retention and development of Qatari nationals have been further enhanced through various on-the-job and external training programmes. As part of the new HR strategic plan on Qatarization, the Bank also signed an MoU with the Ministry of Labour to sponsor ten Qatari students.

The sponsorship programme was successfully launched in September.

During the year the Training Department organised 128 training courses that offered 1,065 training opportunities, 35% of which were provided to Qatari nationals. These courses, which were held both locally and abroad, were conducted in close association with professional regional and international institutes and training centres and ensured that the Bank was kept abreast with the latest developments in the banking industry.

As part of the HR Department's strategic objective to improve the overall business practices and to become a benchmark in the industry, a restructuring exercise was undertaken for the Bank with the assistance of a renowned consultancy firm which belongs to the 'League of Big 4'.



Several key initiatives were undertaken by the HR Department during 2009. These included the updating/completion of job descriptions across the Bank, and the initiation of efforts to implement a revised compensation & benefits structure, a performance management system and a reward management system. The HR Department participated in various career fairs, including the Qatar National Career Fair, with a view towards developing a database of high calibre Qatari nationals. The Department also participated in the regional compensation and benefits surveys conducted by Hewitt and Hay Group.

During 2009, the HR Department achieved a key milestone by implementing the Oracle HRMS. This has resulted in enhanced HR services and improved employee satisfaction. The new performance management and reward management systems are expected to increase awareness of the 'Pay for Performance' culture, and enhance employee satisfaction as well as the overall performance and competitiveness of the Bank.

Key Activities of the IT Department Business Functionalities Delivered during 2009

- **HR System:** In order to embark on the best practice in the industry and to bring about a revolutionary change in the internal service culture and the way HR services are perceived and provided, the Oracle HRMS system Phase II is being implemented. The key features of the HRMS are: Payroll & Personnel, Self Service, E-Learning, and Performance Management.
- **Phoenix Upgrade:** This crucial project includes modifications and enhancements of Mosaic along with a full module implementation of the 'limits' that did not exist at QIB. The upgrade also covered a new Profit Calculation module that became live and running in the second quarter.
- **Reconciliation:** For the first time ever, the Bank was able to reconcile its bank accounts electronically, as the Corona system was deployed successfully. Hence, the Finance Department was relieved of its tedious daily reconciliation function.

- **Treasury Project Preparation:** This is one of the critical projects being implemented by the Bank to cater to the needs of Treasury, Asset Liability Management and Basel II Implementation and to strengthen the anti-money laundering systems and processes.

IT Housekeeping Related Activities

- **IT Service Area:** We have implemented the helpdesk system of Computer Associates. This system allows tracking and generates the statistics of calls. All calls are logged onto their respective categories and are tracked down till they are resolved. This has improved the IT services offered to its users and has expanded the capabilities for identifying the root cause of service issues faced.
- **QIB PC Migration:** A new protected, unified and up-to-date image was formed and deployed all over QIB. This effort has made the branches more secure through the use of the latest antivirus system.
- **Uplifting of the Data Network:** As part of the network enhancements that have been planned, the branch network at Ras Laffan, Salwa, Muaitheer, Al Khor, Al Sadd, Rayyan, Dafna and Al Muntaza branches were replaced in order to enhance their reliability, redundancy and performance. The Al Fanar office building and its branch network was also fully upgraded.
- **Moving of Equipment from the Old Data Centre to the New Data Centre:** During the year most of the application-related equipment were moved from the old Data Centre and work is still in progress to move the rest.
- **McAfee End-Point Security Solution:** This security solution was implemented across QIB to further strengthen the security of the Bank's systems against viruses and related.
- **Disaster Recovery (DR) Site:** The DR Site was upgraded with additional equipment in order to make it more robust and resilient.

Internet Banking

QIB has finally launched its long awaited Internet banking services for its customers. It offers features like fund transfers, statement requests, cheque books etc.

Operations Department Related Activities

- **Processes Improvement:** In order to enhance the Straight Through Processing (STP), the Operations Department is working on some key projects like remittances, electronic cheque clearing for post dated cheques, centralisation of financing etc. This will enhance capacity, and will ensure accuracy and a faster turnaround time for delivering services to the customer.
- **Awards Won by QIB from International Banks for Straight Through Processing Payments:** Qatar Islamic Bank was voted as the 'best straight through processing payments' by Commerzbank, Frankfurt and JP Morgan, New York.

Key Initiatives by the Administration Department

- All the required efforts were put forward to successfully inaugurate the Dukhan Branch on 11 May, 2009.
- Installation of the necessary equipment at the Industrial Area Branch and the refurbishing of the Airport, Salwa Road and Al Yarmouk branches were successfully completed.
- C Ring Road premises was finally completed in October and the planned department was transferred smoothly without any business disruption.
- **Head Office Building Security System:** Physical security at the head Office building has been tightened by installing an access control system that controls visitors' access to the floors. This will monitor customers' and employees' inward and outward movements through the magnetic ID card system that is installed on the floors and elevators.
- **ATM Site:** Work is in progress for the construction of enclosures for 8 new ATMs.
- **Upgrading Procurement, Asset Control & Storage Systems:** Efforts have been initiated for upgrading the Bank's internal procurement and asset control systems.



Finance Group

The Finance Group is geared towards the successful implementation of the latest sophisticated financial models and systems, adoption of international accounting practices and proactive asset and liability management.

Prudent financial management, proactive liquidity monitoring and persistent compliance with regulatory controls represent the main drivers of QIB's growth and increase in shareholders' value.

The Finance Group is geared towards the successful implementation of the latest sophisticated financial models and systems, adoption of international accounting practices and proactive asset and liability management. The Group aims to achieve sustained growth in the Bank's financial position and profitability and provide high levels of support and direction that the business demands in order to deliver its targets.

The Finance Group has undergone a major re-organisation. Key changes were undertaken in management positions and a new team has been appointed to manage the Department.

A new strategy was put into effect clearly underlining the importance of proper financial control and planning with an emphasis on providing proactive business support through enhanced management information, insightful performance review and detailed analyses.

The Group's team of professionals continues to exhibit an unwavering commitment towards establishing the best financial management systems, policies, procedures and practices. The Group continues its efforts to automate the processing environment within the framework of 'straight through processing', thereby minimising manual intervention. The successful implementation of the new reconciliation system and the introduction of a new automated treasury operations set-up will also support the Finance Group in its reporting system and the Control Department will now have enough resources to resolve its day-to-day business. During the year the Group upgraded its financial systems in order to increase productivity. In co-ordination with the IT Department, it is planning to implement more enabling systems including MIS, Treasury, Budget and Fund Transfer Pricing (FTP) and other Decision Support Systems.

The Group was quite instrumental in ensuring that renowned agencies like Fitch and Capital Intelligence affirmed the Bank's ratings during 2009, in spite of the global financial crisis.

The Group plans to improve the financial reporting and internal control environment, while at the same time providing high levels of proactive business support to meet and exceed the targets for 2010 and beyond, in addition to establishing and managing 'integrated finance systems' to cope with the Bank's expansion plans and diverse business lines.

The Group has played an equally important role in the preparation of AAIOfI standards (FAS).

The Finance Group is committed to play a proactive role in ensuring that the Bank realises its vision of becoming the 'leading Islamic bank in the world'.

The Group continues to partner with various organisations in its endeavour to build a world-class entity. The demand on the finance function is promptly met by the Group's team of professionals, who are backed by state-of-the-art technology and the best international practices. The Finance Group is determined to establish the most desirable model for a successful business, which will facilitate the realisation of the strategic objectives and will ensure sustained business growth through budget monitoring, forecasting, process improvements and timely reporting.



Investment Banking & Development Group

The Group's strategic vision is to maintain the Bank's leadership position in financing activities and Islamic banking worldwide. It has proven its efficiency by being at the forefront of a number of macro project financing.

The Investment Banking & Development Group is a direct outcome of the Bank's restructuring process. Its strategic vision is to maintain the Bank's leadership position in financing activities and Islamic banking worldwide. In a short span of time, the Group has proven its efficiency by being at the forefront of a number of macro project financing and by utilising foreign and local investments in vital sectors.

The Investment Banking & Development Group comprises the following important departments:

Corporate Investments

This department's key role is to expand QIB's network and operations in existing and new territories through new licenses or by acquiring strategic financial institutions. Extensive studies on the markets, businesses and institutions have to be undertaken before any investment decision is made.

The Department's scope of work includes monitoring the Bank's portfolio of equities and the performance of

each equity investment. This involves equity valuation, spin-off, and equity exit mechanism via private & public placements.

The Department is also involved in cross-selling across the network and in creating value among entities in which QIB holds strategic stakes. This involves the initiation of deals, synergies and joint business approaches vis-à-vis international clients.

Structuring and Product Development

This Department is responsible for initiating, structuring, financing, and syndicating Shari'a-compliant financing deals, which are backed by assets and securities (real estate, aircraft, shipping, raw materials etc.), and complex and structured Shari'a-compliant facilities for large private and public sector companies. The Department also provides financial advisory services to the Bank's clients. Part of the financing operations are structured through 'Sukuk' (Islamic bonds), and involves investment agencies, security agencies,

and specific account mechanisms. The financing is ensured through capital markets or through syndicated facilities. The Department has arranged financing facilities for premier Qatari companies such as Qatar Airways and Qatar Electricity & Water Co.

Treasury

The Treasury Dealing Room is a profit centre which generates profits from FX margins (spreads) and arbitrage on FX – spot, forwards and swap business, utilising tools such as Wa'ad (unilateral promise FX forwards) and Muwa'ama (structured forwards) contracts. A full profit-centre status will be achieved once the transfer pricing model and software are introduced. A corporate, Profit (Market) Rate Swap (PRS), and a proprietary desk are being established to supplement these activities and to elevate the treasury to a new level of strategic importance.

The Department also manages the local share portfolio and runs a matched book on inter-bank money market operations,



trade finance, syndications, and other structured products, through Islamic financial tools such as Murabaha, Wakala, Mudaraba, Ijarah, and Musawama. It also employs asset diversification and Shari'a-compliant derivative products in hedging the foreign exchange exposures of monetary assets in accordance with ALCO directives. The Treasury has assumed more risk management responsibilities as the Risk Treasury Managers and are poised to have a greater impact on the Bank's balance sheet.

One of the key functions of the Department is to manage the working capital in accordance with the regulated ratios and to introduce tools that will enable the Bank to take advantage of its capital's cost-efficiency by shifting some of its working capital burden to the inter-bank market. The Department is also involved in the finance chain of local and international organisations by acquiring commodities in the international market for on-sell to corporate customers. It is also engaged in mutual treasury dealings with the Treasury Departments of its affiliate banks in Bahrain, Lebanon, London, Qatar, Syria and Malaysia and, plays a major role in the expansion of inter-bank relationships. A new dealing room with state-of-the-art infrastructure is being developed to expand the scope of the dealing room's activities.

Capital Markets

The exceptional growth and opportunities in the Islamic capital markets, especially in Islamic bonds (Sukuk), inspired QIB to establish the Capital Markets Department to cater to the needs and demands of medium to long-term individual and corporate investors. The Capital Markets Department plays a vital role in ensuring that the Bank's clients are provided with a strong in-depth knowledge and understanding of this young and expanding market, by offering access to major local & international investments.

The Capital Markets Department also manages the medium to long-term liquidity positions of the Bank and provides asset management services to both individual and corporate investors.

QIB's success in the global Sukuk market has been further strengthened with the

successful listing and placement of Salam Bounian Sukuk in February 2008, where the Bank participated as the Joint Lead Manager and Investment Agent.

In 2007, mandated positions were achieved with major roles such as Joint Lead Manager in the issuance of URC Sukuk, and a Senior Co-Lead Manager in Qatar Alaqaria Sukuk.

QIB's objective is to become a leader and market maker in primary issuances of Sukuk as well as secondary market trading activities. This has enabled the Bank to invest in opportunities that offer high returns to both our clients and shareholders.

International Banking and Financial Institutions

The main task of this department is to enhance and expand business relations by identifying business opportunities in international markets. Cash management is secured through the Bank's accounts with correspondent banks, inland and around the globe. The Department also manages trade finance and international trade activities, including selling correspondent banking services to banks and financial institutions, thereby ensuring the steady flow of the Bank's business through agency arrangements and proper management of political risks.

Client Development Team (Coverage)

The recently established 'Client Development Unit' is a service delivery platform within the Investment Banking & Development Group (QIB Capital). The establishment of this business unit is a part of QIB's clear growth strategy and an extension of QIB's successful wholesale banking activities.

This customer-focused business model and infrastructure seeks to obtain leverage from the synergies created by combining corporate banking, finance and investment banking functions and expects to develop in-depth relationships with large key and strategic corporate and institutional clients. To this end, the Coverage (Client Development) Team has a clear mission and is responsible for building relationships with three main client groups:

- To serve the needs of large corporate clients, identified as key and strategic to QIB in a single interactive window (service delivery platform). Typically, these clients are characterised as having corporate banking and substantial and ongoing investment needs spread across various sectors of the economy.
- To execute and enhance the Bank's international coverage strategy in collaboration with QIB's network of international subsidiaries in sectors and markets that QIB knows well.
- To provide comprehensive financial and investment solutions to selected institutional clients as well as High Net Worth Individuals (HNWI) with substantial investment needs.

Even though the Client Development Team is still in its infancy, its team of dedicated professionals have posted significant achievements and have made solid inroads in terms of customer acquisitions and penetration of large corporate markets in various industries including shipping and transport, real estate, energy, trading, manufacturing and government/semi government sectors. Total financing originated by the Coverage Team since its inception in April 2009 amounted to approx. QR 6.3 billion with a fee income of approx. QR 21 million. The highlight of the year was QIB becoming the first local Qatari bank to be appointed as the Sole Mandated Lead Arranger and Book Runner for a high profile financing deal worth QR 4 billion for Qatari Diar, one of the Country's largest real estate developers.

This notable achievement by the Group is attributed to the clear focus, vision and unequivocal dedication to the provision of holistic financial and investment solutions that meet and exceed client expectations.

The Investment Banking and Development Group employs qualified and experienced professionals who have been previously associated with regional and international establishments which have strong financial ratings.



Risk Group

Risk management continues to be a high priority at Qatar Islamic Bank. The Board is regularly appraised of regulatory developments and maintains a vigilant watch on the evolution of the Bank's policies, practices and systems.

Although the worst of the financial crisis appears to be behind us, risk management continues to be a high priority at Qatar Islamic Bank. The Board is regularly appraised of the regulatory developments and maintains a vigilant watch on the evolution of the Bank's policies, practices and systems in order to ensure that its risk profile is consistent with its financial objectives. On this count, we wish to underscore the Bank's prudent risk management and strong capital position.

Risk Management Framework

To achieve its risk management objectives, the Bank has developed a risk management framework that comprises of the following elements:

- **Risk Management Culture**

The Bank and its management routinely promote a risk management culture based on internal communications. It advocates a balanced model where business

development initiatives are accompanied by a constant concern for sound risk management.

- **Governance Structure**

The Bank's governance structure sets out the roles and responsibilities of all levels of the organisation. The Group Chief Risk Officer now reports directly to the Chairman of the Audit and Risk Committee, which includes members of the Board of Directors. This amendment to the hierarchy of the Risk Group is fundamental to QIB's mitigation of risk, and is in line with the best practices of the industry.

- **Board of Directors**

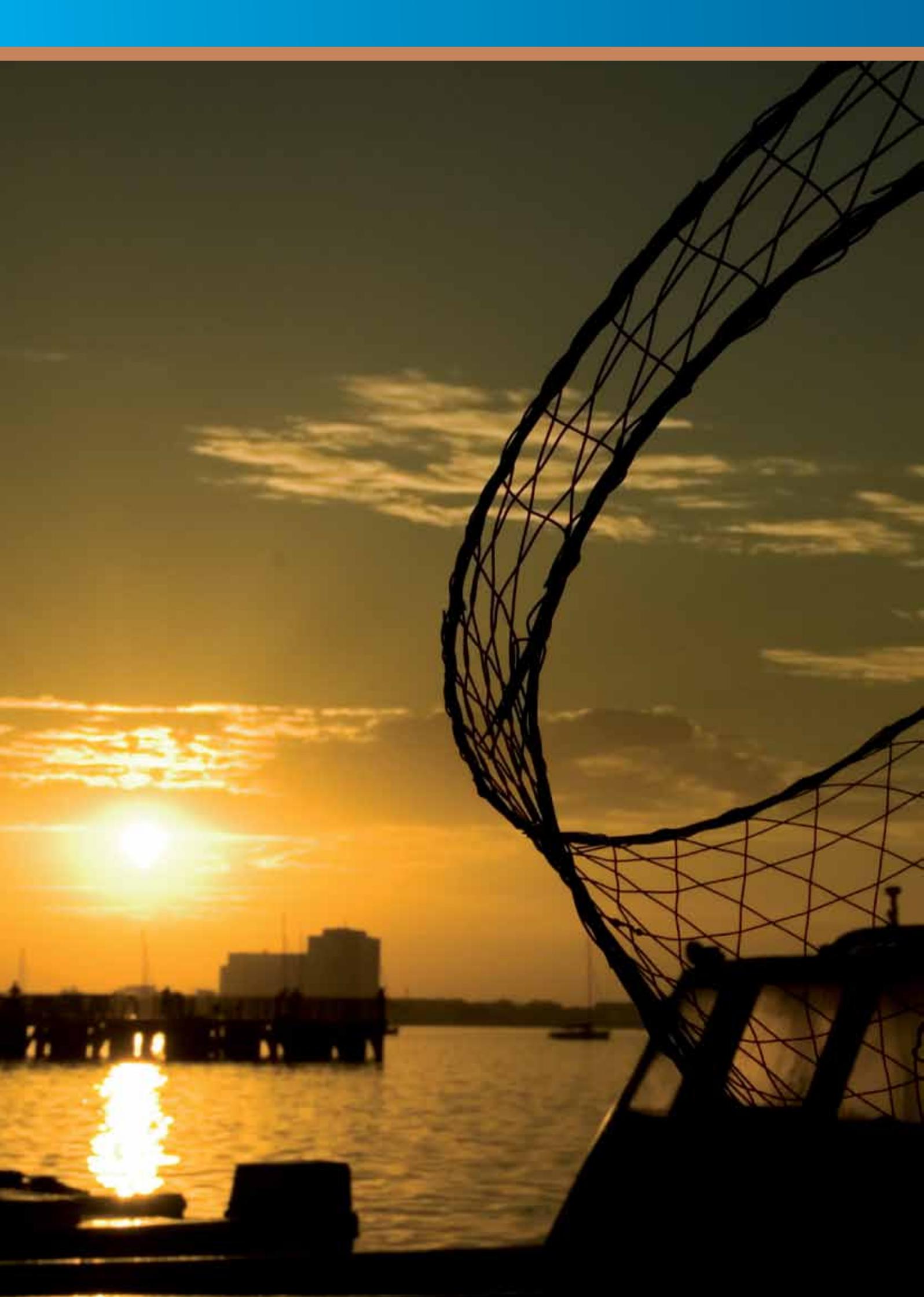
The Board of Directors undertakes a supervisory role and carries out its risk management mandate primarily through its committees, including the Audit and Risk Management Committee, Policies and Development Committee, Human Resources Committee and the Shari'a Executive Committee.

- **The Audit and Risk Management Committee of the Board (ARMC)**

The ARMC's responsibility is to approve risk management policies and set risk tolerance limits. In addition to ensuring that the appropriate resources, policies and procedures are in place to properly and effectively manage risk on an ongoing basis, it examines and approves all significant aspects of risk assessment systems.

- **The Bank's Management Committee (BMC)**

The Senior Management team, led by the Chief Executive Officer, promotes a bank-wide risk management culture, and is responsible for our strategy and its execution by establishing the 'tone at the top'. The BMC's risk oversight is executed primarily through the mandate of the Management Risk Committee.



- **Management Risk Committee (MRC)**

MRC is responsible for ensuring that our overall risk profile is consistent with the strategic objectives and that there is an ongoing, appropriate and effective risk management process to identify, measure and manage our risks on an aggregate basis.

The Risk Group

The Risk Group is primarily responsible for the promotion of a risk culture. This group proposes risk management policies and implements tools and models for identifying, measuring and monitoring risks. In addition to maintaining our enterprise-wide programme, the Risk Group initiates and applies various independent risk review and approval procedures, sets risk limits that reflect the risk tolerance established by the ARMC, and informs the Management and the Board of significant risks assumed by or faced by the Bank.

Asset and Liability Committee (ALCO):

ALCO reviews, recommends and approves the board policy frameworks and regular compliance reports related to capital management, liquidity and funding, and structural rate risk management.

Investment Committee (IC): IC provides oversight of our investment portfolio outside the capital markets, and approves the investment policies and framework.

The Business Units: The Business Units manage risks related to their operations within established limits and in accordance with risk management policies by identifying, analysing and understanding the risks to which they are exposed and implementing risk mitigation mechanisms.

Risk Management Policies

Risk management policies, along with the related guidelines and procedures, are the essential elements of the risk management framework. They describe how business units must manage risk and the approval process for risk decisions and, in particular, set the risk limits to be adhered to. These policies cover all the main risks defined in the Bank's risk management approach and are reviewed on a regular basis – in most

cases, annually – to ensure that they are still relevant given the changes in the markets and the business plans of the Bank's many business units. Other policies, standards and procedures complement the risk management policies and cover more specific aspects of management, such as business continuity. Additionally, the Policy and Procedures Manuals of the Bank are being extensively reviewed and updated. This covers the policies and procedures in all the important areas of the Bank, including Operations, IT, Administration, Corporate Banking, Retail Banking, Treasury, QIB Capital etc.

Risk Management: A Priority

QIB strives to achieve the highest levels of risk management in numerous ways. Particular emphasis has been placed on expanding the role of the Risk Group throughout the Bank. The Risk Group now outlines the lending criteria for all forms of direct and indirect exposures. This is done in co-ordination with the business side, for both domestic and international markets. Furthermore, these criteria are periodically reviewed, and wherever necessary are amended, so that QIB's policies reflect the market conditions. Every credit granting decision is undertaken by the authorities within the Risk Group, who are independent of the business units and are at a reporting level commensurate with the size of the proposed credit transaction and the associated risks. In addition, the Risk Group is now fully involved in reviewing and assessing all bank limits, country limits, and structured products at different levels. These practices are aimed to recognise and minimise risks throughout the Bank.

Every part of the Bank's portfolio is reviewed by the Risk Group, from credit, operational and market risk perspectives. This ensures that all risks are closely monitored and are within approved guidelines. Furthermore, after reviewing individual exposures, the Risk Group provides feedback to the Business Group Heads, so that timely action is taken when necessary. The portfolio is also reviewed by the product segment, so that risks associated with every product line is managed and remain within the approved criteria.

Finally, our enterprise-wide risk management approach is supported by a comprehensive set of risk controls. The Credit Administration Department is one of those controls. This department has embarked on a massive data cleansing exercise, evaluation of collaterals, implementation of better limit controls, and report enhancements.

Disclosure: An important enhancement to the way all risks are handled is the introduction of a comprehensive Risk Report which is submitted to the Board of Directors on a regular basis. The report covers all the risks that the Bank is exposed to, and hence widens the understanding of QIB's risk exposure at the highest level.

Basel II: To ensure that the Risk Group and its members are up to date with the international standards of risk, QIB has fully committed itself to automate the implementation of the Basel II Accord by 2011. The Basel II Accord is designed to set an international standard for risk management and the amount of capital banks need to set aside to protect themselves from financial and operational risks. The automation of the implementation of the Basel II Accord will be a very big step in the development of QIB's risk standards.

Training: Parallel to undertaking important risk minimisation practices, the Risk Group has also focused on developing and training its employees. A large number of Risk Group Officers and staff members have undergone numerous training programmes throughout the year. QIB firmly believes that the continuous upgrading of the skills of its human resources is the key to the success of the Bank. The Market Risk Department has been greatly enhanced by adding highly qualified professionals and the Remedial Accounts Management within the Risk Group has been further enhanced, so that past due accounts are closely monitored and settled quickly.

Clearly, the progress of the Bank and the Risk Group is strongly correlated with the progress of the individuals that make up the Bank.



Strategy & Marketing Group

The Strategy & Marketing Group aims to contribute to the creation of greater value for the shareholders' funds and, to the maximisation of customer satisfaction through project management, quality assurance and corporate governance.

The Strategy & Marketing Group was established with the prime objective of managing special projects where extensive strategy, planning, co-ordination of efforts, and interrelated synergies are required. The Group handles the responsibility of Project Management, Quality Assurance, and Corporate Governance and Policies & Procedures.

The Vision of the Strategy & Marketing Group is to contribute to the combined efforts of the Board of Directors and the Management to effectively enhance operational efficiency, maintain economies-of-scale, and achieve the overall corporate vision of QIB.

The Mission of the Strategy & Marketing Group is a part of the broader perspective of QIB's mission, which aims to contribute to the creation of

greater value for the shareholders' funds and, to the maximisation of customer satisfaction through project management, quality assurance and corporate governance.

Activities of the Strategy & Marketing Group

Subsequent to its establishment, the Strategy & Marketing Group developed its short-term and long-term targets. The first major task performed was the successful partial sale of QIB's stake in its subsidiary to certain strategic partners, which earned the Bank a substantial profit during 2007, and the transformation of the subsidiary into a regulated finance company. In addition, the Group also successfully managed a number of IPO projects where QIB acted as the 'co-receiving bank'. The Strategy & Marketing Group, as a part of its routine activity, co-ordinates

all the efforts aimed at developing, updating, and effectively implementing its corporate governance and policies & procedures. The Strategy & Marketing Group also assists the Management in developing harmony and synergy by restructuring the organisation of the Groups & Departments. The restructuring that was undertaken during the year resulted in the establishment of a full fledged e-banking and Customer Services Department, with a mission to deliver state-of-the-art technology, including highly proficient Internet banking and e-channel services, to QIB customers.

The restructuring also paved the way for the formation of the Credit Support Department with a mission to streamline the credit appraisal and approval process. Currently, the Group is actively participating in the overall IT assessment of QIB; the Business Continuity Process;



the development and formation of highly viable shopping malls in the GCC; the establishment of joint ventures for developing commercial centres; the development of Islamic brokerage services; the establishment of the Financial Services and Credit Bureau; and the launch of the first-ever 'Stored Value Cards' in the GCC region.

Marketing and Corporate Communications

This department develops, upgrades and executes the Bank's marketing and communications strategy. It comprises of four units: marketing, public relations, media and corporate communications.

Marketing: This unit is entrusted with various responsibilities - from undertaking marketing campaigns to handling the requirements of retail banking, organising sponsored conferences & meetings and managing the production of print materials, gift items and advertising campaigns.

Public Relations: Public Relations plays an active role in sponsoring major Islamic, economic, sports, social, educational and environmental events that are held in Qatar. It is also involved in donations to charity organisations. Recently, it launched a new system of co-operation with the embassies of countries where QIB has branches.

Media: This unit handles various aspects of media coverage including media campaigns, press releases, press conferences, media monitoring of local and international markets, interviews etc.

Corporate Communications: Corporate Communications is entrusted with the task of implementing the Bank's communications strategy and is responsible for creating a solid impression of the Bank in local and international communities, by employing sound publicity tools and by sponsoring social activities.





Real Estate Group

The Real Estate Group manages projects that are owned by the Bank as well as those for which the Bank has offered financing and management contracts. It undertakes the control, performance appraisal, and supervision of these projects.

The Real Estate Group is considered to be one of the main groups of the Bank. Since its inception in the early 1990s, it has been offering a distinguished array of services to customers involved in construction projects and real estate investments. The Bank has been playing a vital role in the development and progress of the construction sector in the State of Qatar by facilitating the implementation of a wide range of key projects by providing them with Shari'a-compliant financing instruments such as Istisnaa, Ijarah 'lease-to-own' and 'diminishing partnership', besides others.

The Real Estate Group provides sound technical and engineering advice to the Bank's clients. It also provides the concerned departments with all the necessary technical and engineering studies, project assessments and reviews of economic feasibility studies in order to facilitate the conclusion of the financing and implementation contracts with

the Bank's clients. It also supervises the construction and equipment infrastructure of new branches.

The Group manages projects that are owned by the Bank as well as those for which the Bank has offered financing and management contracts. It undertakes the control, performance appraisal, and supervision of these projects. The Real Estate Group partakes in all stages of a project from initial planning, design, tendering, and contracting to performance, completion, maintenance, and delivery. It has effectively made QIB the leader of turnkey projects in Qatar.

The value of the projects managed by the Group, both inside and outside Qatar, is estimated to be in the region of billions of Qatari Riyals. During 2009, the Group implemented real estate projects (including delivered, under construction and targeted ones) worth around QR 8 billion in Qatar. The most important

of these are five tower projects in The Pearl-Qatar, Alwosil Tower, Owaina Tower, Al Faisal Tower, Sheikh Abdullah Bin Khaled Tower, Silhouette Tower, Intercontinental Hotel, Alsamiriya Twin Towers, Al-Ramis Tower, Alasiri Tower, Jumana Tower, Bentley Showroom, Alrayyan Hotel Tower, Lavender Village, Palm City, and a Residential & Offices Compound for Awqaf Authority. Presently, it is involved in the design stage of a wide range of mega malls. The Group also implemented towers for the Ministry of Education and Higher Education, Qatar Olympic Committee and Courts of Justice and has played an active role in many significant real estate projects like Al Sulaiti Tower and Mall Complex.

The achievements of the Real Estate Group are a true reflection of the construction and real estate projects in Qatar, and reiterates its position as the ultimate authority of Islamic real estate financing, both inside and outside Qatar.



Domestic Investments



Al Jazeera Finance

Established in 1989, Al Jazeera Finance (previously Al Jazeera Islamic Co.) is jointly owned by QIB (30%) and other institutions such as Qatar Insurance Company (QIC) and QNB.

As one of QIB's main arms in the local market, it spares no effort in satisfying the needs of its customers. Its transactions are monitored by QIB's Shari'a Supervisory Board, and it utilises Islamic financial tools such as Mudaraba, Musharaka, Musawama, Murabaha, Istisnaa, Ijarah and others.

The Company deals with most of the local suppliers (like car dealers; furniture, home appliances, jewellery, electrical and electronic showrooms; etc.) and covers a wide range of activities.

By purchasing goods on a cash basis, it actively participates in the capital of these suppliers.



Aqar Real Estate

Realising the importance of the real estate sector as one of the main driving forces of the economy, QIB established Aqar Real Estate Development and Investment Company in year 2000 as a joint venture. QIB holds 49% shares in the Company while the Endowment Department and the General Authority for Minors Affairs hold 34% and 17% shares respectively.

The Company started operations in 2001 after putting together a team of industry-leading real estate experts.

Aqar aims to keep pace with the latest developments in the real estate sector and has adopted a system of policies & procedures to monitor its performance and to maximise results for its customers and shareholders.



Damaan Islamic Insurance Company (Beema)

Damaan Islamic Insurance Company (Beema) was incorporated in September 2009 as a fully Shari'a-compliant private Closed Qatari Shareholding Insurance Company. The authorised and paid-up capital is QR 200 million.

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%). The Company is licensed to transact all classes of insurance (General and Family Takaful).



Global Investments

QIB has a long-term strategic vision for investments. The Bank considers its regional and international environment as one consolidated unit, as it strongly believes that in this era of globalisation banks have to expand their operations beyond their existing geographical boundaries if they have to surpass the challenges of globalisation. The Bank has thus adopted an international expansion strategy and has identified certain regional and international markets for its international investments. This will also ensure a highly visible international presence for the Bank.

QIB has, till date, established the following finance houses in various markets around the world:



Licensed 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 49.5% stake in the Company. Gulf Finance House has a 5% stake and a group of strategic partners (both corporate and individuals) hold the remaining 45.5% shares.



Arab Finance House (AFH) was established in 2004 with a capital of US\$ 100 million by a group of strategic partners from Qatar and other GCC countries. AFH is the first full fledged Islamic bank (commercial and investment) in Lebanon. It offers a wide range of corporate and retail banking services based on Islamic Shari'a principles. It also serves the banking requirements of Qataris and other GCC nationals who travel to Lebanon for investment, economic, tourism, educational or health care purposes.

in mega investments and corporate financing in Malaysia and in the neighbouring countries which have investment links with the GCC countries and aims to expand its operations to Indonesia and Brunei in the near future.



European Finance House (EFH) was provided with the license to operate in the UK by the British Financial Services Authority (FSA) in the beginning of 2008. It signals QIB's entry into the European market, in general, and into the French and German markets, in particular. EFH will manage a wide range of investments in key sectors such as real estate and appropriation of assets, and will extend banking and investment services to the Muslim community in Europe, from whom there is an increasing demand for Islamic banking services.



Asian Finance Bank (AFB) was established in Malaysia during the end of March 2007 by QIB (70%), Rasd Bank (20%) and Global (10%). AFB is considered to be QIB's gateway to the lucrative Asian market. It specialises



Shari'a Supervision

Established in 1982, QIB is the first Islamic financial institution in Qatar. Since then, thanks to Almighty Allah and with the guidance of the Bank's Shari'a structure, it has maintained strict compliance with the Shari'a principles in all its financial transactions.

Shari'a Supervisory Board (SSB)

QIB's Shari'a Supervisory Board is composed of eminent scholars who are globally renowned in the field of commercial and financial Islamic transactions.

With a view towards improving the quality of its banking processes, the Shari'a Supervisory Board established the Executive Committee under the Shari'a Supervisory Board.

Executive Committee (EC)

The Executive Committee of the Shari'a Supervisory Board reviews the contracts and transactions that are presented to them and assists in developing Shari'a-compliant solutions for any operational issues that may arise during the day-to-day operations of the Bank.

The EC keeps the Shari'a Supervisory Board updated of all the decisions that it may undertake and forwards to the

Board all unresolved issues that may require a decision from the Board.

The above-mentioned framework ensures that all the transactions at QIB are performed in strict compliance with the Shari'a guidelines.

Shari'a Audit Department (SAD)

The main role of SAD, which is composed of Shari'a Auditors, is to review the transactions of the Bank. The audit may occur either while structuring new products or after completing the transactions.

SAD reports to the Shari'a Supervisory Board and its Executive Committee on a quarterly basis.

It is also involved in the training of the Bank's employees in order to make sure that they understand the Shari'a guidelines that they have to abide with in the Islamic banking industry.

SAD takes great care in ensuring that all the Shari'a decisions of the Board and its Executive Committee are fully implemented.

It also ensures the seamless co-ordination between the Shari'a Supervisory Board, its Executive Committee and the Management of the Bank.

SAD aims to preserve the inherent identity of the Islamic banking industry by ensuring that all the transactions performed by the Bank are in strict compliance with the directives and guidelines of the Shari'a Supervisory Board.



Ratings & Awards



Over the past 28 years of Islamic banking, QIB has succeeded in establishing a recognisable local, regional and international presence that has made it a frontrunner in the regional and international Islamic banking industry.

RATINGS

Fitch

Fitch has confirmed QIB's L-T Sovereign Rating as 'A' and its S-T Sovereign Rating as 'F1'. It has also assigned the Bank with a rating of '1' for Support.

Fitch has also upgraded QIB's Term Issuer Default Rating from 'A-' to 'A' and has assigned it a 'stable' rating for its future outlook.

Capital Intelligence

The international rating agency Capital Intelligence (CI) has confirmed QIB's L-T Sovereign Rating as 'AA-', with an 'A1+' for the short-term. The agency also re-affirmed the Bank's foreign currency rating as 'A' for the long-term and 'A2' for the short-term and has upgraded its rating for Support from '3' to '2' mainly due to the sovereign rating of the State of Qatar and the financial support it has offered to the Bank. CI has assigned the Bank with an 'A' rating for its financial strength and a 'stable' rating for its outlook.

Crédit Agricole - Cheuvreux

Qatar Islamic Bank has been selected as one of the 'Best Three Investment Options among the GCC Exchanges in

2009', according to a report of Crédit Agricole - Cheuvreux. The leading European equity broker, specialised in the sales, execution and research of global speculation activities, upgraded QIB's rating to 'first class'. Crédit Agricole - Cheuvreux awarded the Bank with an 'Outperform' rating and issued a document file on the Bank titled 'Qatar Islamic Bank Leading Islamic Finance'.

AWARDS

- QIB was selected by 'Global Finance' magazine as the 'Best Financier in Qatar for International Financing' for the year 2009.
- Euromoney Awards: Euromoney Conferences, an agency specialised in international financing affairs, awarded QIB with the 'Euromoney Islamic Project Finance Deal of the Year' award.
- In 2008, QIB won two prestigious awards from Euromoney:
 - Best Islamic Property Finance House
 - Most Improved Islamic Finance House
- QIB also won two other awards from Euromoney:
 - Best Re-branding of an Islamic Bank

- Best Advertising & Marketing Campaign in Islamic Business & Finance

- QIB was rated by the London-based **Islamic Conference Group (ICG)** as the 'Best Finance House in Qatar in Property Financing' for its major role in financing property development projects (towers and residential & commercial complexes) and infrastructure projects in Qatar.
- **Arab Business magazine** rated QIB as one among the 'Top 50 Best Performing Companies in the GCC' for the remarkable performance and growth it realised in 2008. QIB was the only Qatari bank to feature in the top fifty list. This rating reflects the Bank's ongoing success in offering cutting-edge banking and financing services in line with the remarkable progress the Islamic banking industry is currently witnessing.
- **Commerzbank** granted QIB with the STP Award for its outstanding performance in payments, money transfer and coverage of banking transactions in Euro during 2009. This reflects the Bank's expertise and excellence in executing e-payments and transfers in Euro.



Strategic Partnership with the Society

The Bank strives to achieve its ultimate goal of being recognised as an Islamic institution that is fully aware of its responsibilities towards the society. It is always at the forefront in supporting social empowerment programmes.

As an integral part of the Qatari society, QIB continues to be a strategic partner of various social activities and is committed to remain in constant touch with all sectors of the society. Wherever there is a need, the Bank is always at the forefront, staunchly supporting social empowerment programmes as well as the objectives of the Country's wise leadership to practice the qualities of integration, reciprocal responsibility and solidarity in line with the noble teachings of Islam and the eminent traditions of the Prophet, peace and blessings of Allah be upon Him.

During 2009 the Bank extended assistance worth around QR 6 million to various educational, cultural and health care activities; sports clubs; social causes; charity societies; scholarships; conferences; exhibitions and sports events.

During 2009, the QIB Zakat Committee, which reports to the Bank's Board of Directors, extended financial assistance worth QR 4.5 million to a wide range of beneficiaries. During the last five years, the Bank has extended QR 22 million worth of financial assistance for various needy and social causes.

The Zakat donations of the Bank as well as its shareholders and customers constitute the Zakat Committee Funds of QIB. The Bank strives to achieve its ultimate goal of being recognised as an Islamic institution that is fully aware of its responsibilities towards the society.



Financial Highlights

– 2009

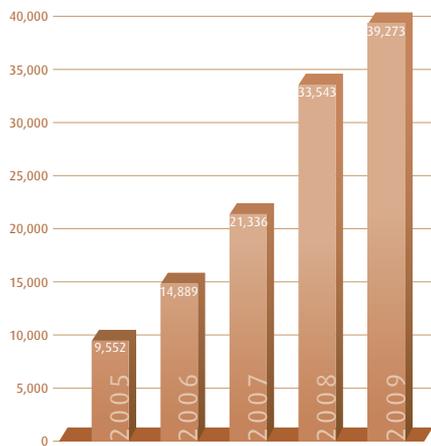
(Amount in QR million)

	2009	2008	2007	2006	2005
Total assets	39,273	33,543	21,336	14,889	9,552
Deposits	20,361	16,592	12,201	8,786	6,866
Financing & Investments	27,303	25,155	15,882	10,100	7,586
Operating income	2,412	2,555	1,694	1,533	859
Net profit	1,322	1,643	1,255	1,003	512
Earnings per share (QR)	6.44	8.49	6.85	8.95	4.74
Total shareholders' equity	9,005	7,143	4,629	4,246	2,097
Share capital	2,068	1,969	1,193	1,193	663
Time deposits	8,529	6,577	3,576	3,046	2,218
Saving & investment deposits	5,113	4,918	4,241	3,376	2,436
Customers' current accounts	6,719	5,097	4,384	2,364	2,212

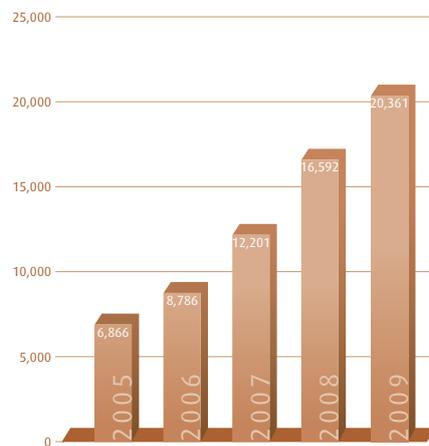


Key Performance Indicators

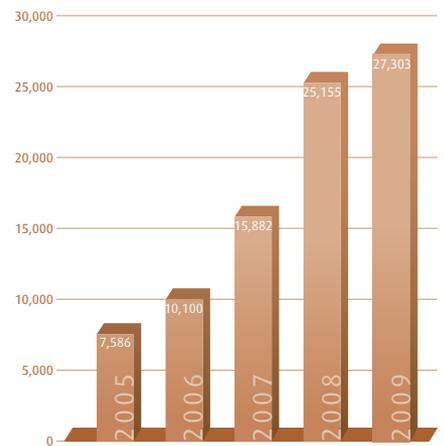
Assets
(in QR Million)



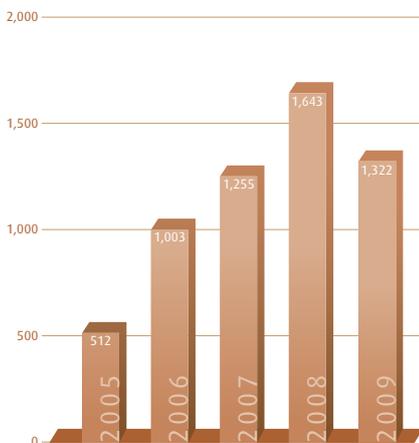
Deposits
(in QR Million)



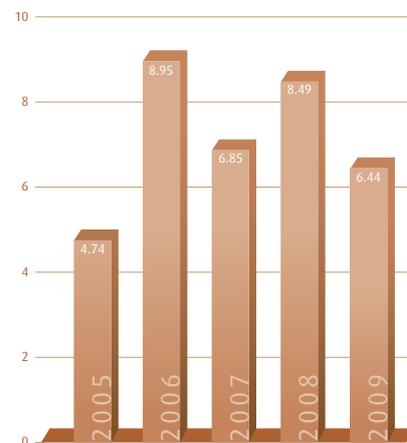
Financing & Investments
(in QR Million)



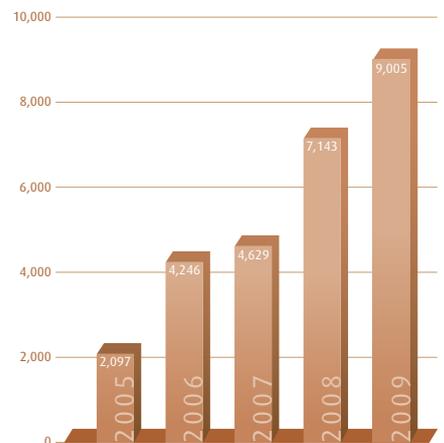
Net Profit
(in QR Million)



Earnings Per Share
(in QR)



Shareholders' Equity
(in QR Million)



Independent Auditors' Report

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have audited the accompanying consolidated financial statements of Qatar Islamic Bank (S.A.Q.) ("the Bank") and its subsidiaries (the "Group"), which comprise the Consolidated Balance Sheet as of 31 December 2009 and the related Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows for the year then ended, and a summary of Significant Accounting Policies and other Explanatory Notes 1 to 34. Management is responsible for the preparation and presentation of these Consolidated Financial Statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, and the instructions issued by Qatar Central Bank. Also Management is responsible for undertaking to operate in accordance with Islamic Shari'a rules and principles as determined by the Shari'a Board of the Group. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the International Standards of Auditing and Auditing Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2009, and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation

for Islamic Financial Institutions, and the instructions issued by Qatar Central Bank and Islamic Shari'a rules and principles as determined by the Shari'a Board of the Group.

Further, we confirm that the financial information included in the Directors' Report is consistent with the books of account of the Bank. We report that we have obtained all the information we considered necessary for the purpose of our audit; and that nothing has come to our attention which causes us to believe that the Bank has breached any of the applicable provisions of Qatar Commercial Companies Law No. 5 of 2002, Qatar Central Bank Law No. 33 of 2006 and its amendments, or the Articles of Association of the Bank which would materially affect its activities or its financial position as at 31 December 2009.

Ahmed Badawi
of PricewaterhouseCoopers
Auditor's Registration No. 249
4 February 2010

Consolidated Balance Sheet

as at 31 December 2009

Amounts expressed in thousands of Qatari Riyals

	Notes	2009	2008
Assets			
Cash and balances with central bank	5	1,338,216	1,023,181
Due from and investments with banks and financial institutions	6	8,902,623	6,367,721
Due from financing activities	7	22,663,482	18,865,895
Financial investments	8	3,436,043	4,597,590
Other investments	9	1,203,429	1,691,696
Fixed assets	10	299,079	260,347
Other assets	11	1,429,828	736,728
Total assets		39,272,700	33,543,158
Liabilities, unrestricted investment accounts, Minority interest and shareholders' equity			
Liabilities			
Due to banks and financial institutions	12	8,690,985	8,696,716
Customers' accounts	13	6,718,703	5,097,251
Other liabilities	14	1,021,907	885,792
Total liabilities		16,431,595	14,679,759
Unrestricted investment accounts	16	13,642,280	11,494,597
Minority interest	17	193,722	225,910
Shareholders' equity			
Share capital	18	2,067,566	1,969,110
Advance for capital increase	18	956,003	-
Legal reserve	18	3,797,375	2,932,910
General reserve	18	666,571	547,652
Risk reserve	18	428,500	358,856
Fair value reserve	18	(44,827)	(76,009)
Translation reserve		(47,551)	(51,656)
Proposed cash dividend	18	1,181,466	1,378,377
Retained earnings		-	83,652
Total shareholders' equity		9,005,103	7,142,892
Total liabilities, unrestricted investment accounts, Minority interest and shareholders' equity		39,272,700	33,543,158

These financial statements were approved by the Board of Directors on 18 January 2010 and were signed on their behalf by:

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani
Chairman

Mr. Salah Mohammed Jaidah
Chief Executive Officer

Consolidated Statement of Income

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

	Notes	2009	2008
Income			
Income from financing activities	19	1,826,539	1,328,065
Income from investing activities	20	275,906	1,071,355
Total income from financing and investing activities		2,102,445	2,399,420
Commission and fees income	21	276,198	236,132
Commission and fees expenses		(17,493)	(12,954)
Income from commission and fees, net		258,705	223,178
Gains/(losses) from foreign exchange operations, net	22	45,146	(80,734)
Other operating income		6,075	12,714
Net operating income		2,412,371	2,554,578
Expenses and provisions			
General and administrative expenses	23	(451,921)	(424,349)
Depreciation on fixed assets and other investments	10	(35,509)	(19,590)
Provision for impairment of due from financing activities	7(d)	(31,080)	47,750
Provision for impairment of financial investments	8	(82,572)	-
Provision for impairment of other investment	9	(17,113)	(65,011)
Profit for the year before tax		1,794,176	2,093,378
Income tax		10,904	-
Net profit for the year		1,805,080	2,093,378
Less:			
Unrestricted investment account holders' share of profit	24	(510,366)	(388,667)
Minority interest of subsidiaries profit		27,392	(62,170)
Net profit for the year attributable to shareholders		1,322,106	1,642,541
Basic and diluted earnings per share (in Qatari Riyals per share)	25	6.44	8.49

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

2009	Share capital	Advance received for capital increase	Legal reserve	General reserve	Risk reserve	Fair value reserve	Translation reserve	Proposed bonus shares	Proposed cash dividend	Retained earnings	Total
At 1 January 2009	1,969,110	-	2,932,910	547,652	358,856	(76,009)	(51,656)	-	1,378,377	83,652	7,142,892
Opening balance adjustment	-	-	6,918	(28,138)	-	-	673	-	-	(7,591)	(28,138)
Shares issued to QIA (note 18)	98,456	-	857,547	-	-	-	-	-	-	-	956,003
Advance received for capital increase	-	956,003	-	-	-	-	-	-	-	-	956,003
Cash dividends paid for 2008	-	-	-	-	-	-	-	-	(1,378,377)	-	(1,378,377)
Net profit for 2009	-	-	-	-	-	-	-	-	-	1,322,106	1,322,106
Share of profit from associates (note 8b)	-	-	-	147,057	-	-	-	-	-	(147,057)	-
Net movement in risk reserve for 2009	-	-	-	-	69,644	-	-	-	-	(69,644)	-
Fair value reserve	-	-	-	-	-	31,182	-	-	-	-	31,182
Translation reserve	-	-	-	-	-	-	3,432	-	-	-	3,432
Proposed cash dividends	-	-	-	-	-	-	-	-	1,181,466	(1,181,466)	-
At 31 December 2009	2,067,566	956,003	3,797,375	666,571	428,500	(44,827)	(47,551)	-	1,181,466	-	9,005,103

The notes from 1 to 34 form an integral part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

2008	Share capital	Advance received for capital increase	Legal reserve	General reserve	Risk reserve	Fair value reserve	Translation reserve	Proposed bonus shares	Proposed dividend	Retained earnings	Total
At 1 January 2008	1,193,400	-	1,858,850	109,964	92,246	15,573	-	596,700	238,680	523,549	4,628,962
Bonus shares issued	596,700	-	-	-	-	-	-	(596,700)	-	-	-
Shares issued (note 18)	179,010	-	1,074,060	-	-	-	-	-	-	-	1,253,070
Proceeds from sale of fractions of bonus shares	-	-	-	-	-	-	-	-	-	237	237
Cash dividends paid for 2007	-	-	-	-	-	-	-	-	(238,680)	-	(238,680)
Net profit for 2008	-	-	-	198,130	-	-	-	-	-	1,444,411	1,642,541
Share of profit from associates (note 8b)	-	-	-	239,558	-	-	-	-	-	(239,558)	-
Net movement in risk reserve for 2008	-	-	-	-	266,610	-	-	-	-	(266,610)	-
Fair value reserve	-	-	-	-	-	(91,582)	-	-	-	-	(91,582)
Translation reserve	-	-	-	-	-	-	(51,656)	-	-	-	(51,656)
Proposed cash dividends	-	-	-	-	-	-	-	-	1,378,377	(1,378,377)	-
At 31 December 2008	1,969,110	-	2,932,910	547,652	358,856	(76,009)	(51,656)	-	1,378,377	83,652	7,142,892

The notes from 1 to 34 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

Notes	2009	2008
Cash flows from operating activities		
Net profit for the year before deducting share of profit for unrestricted investment account holders and minority interest	1,805,080	2,093,378
Adjustments:		
Depreciation on fixed assets	35,509	19,590
Gain on sale fixed assets	(88)	-
Provision for impairment of due from financing activities	31,080	(47,750)
Provision for impairment of financial investments	82,572	(4,524)
Provision for impairment of other investments	17,113	65,011
Share of profit from associate	(147,057)	(239,558)
Profit from investment revaluation	-	13,069
Gains/(losses) on foreign exchange	(6,512)	20,915
Gain on sale of financial investments	-	(178,313)
Income tax	(10,904)	-
Income from revaluation on investment property at fair value	-	(198,129)
Gain on sale of other investments	-	(119,769)
Net operating profit before changes in operating assets and liabilities	1,806,793	1,423,920
Net decrease/(increase) in assets:		
Balances with banks and financial institutions	598,634	(704,592)
Reserve with Qatar Central Bank	(236,033)	(417,106)
Due from financing activities	(3,828,667)	(7,139,063)
Other assets	(682,196)	(4,915)
Net increase/(decrease) in liabilities:		
Due to banks and financial institutions	(5,731)	5,092,337
Customers' accounts	1,621,452	712,899
Other liabilities	101,760	180,556
Net cash flows used in operating activities	(623,988)	(855,964)
Cash flow from investing activities		
Purchase of financial investments	(250,510)	(2,166,690)
Additional investment in associate company	(700,020)	(612,517)
Proceeds from sale of financial investments	1,422,223	1,373,860
Proceeds from sale of associate company	781,888	-
Purchase of other investments	(142,309)	(902,708)
Proceeds from sale of other investments	613,463	686,065
Dividends received from associate companies	15,000	-
Purchases of fixed assets	(74,357)	(178,030)
Proceeds from sale of fixed assets	203	-
Net cash flows generated from/(used in) investing activities	1,665,581	(1,800,020)
Cash flows from financing activities		
Proceeds from issuance of share capital	956,003	1,253,070
Advance for capital increase	956,003	-
Increase in unrestricted investment accounts	1,637,316	3,289,450
Dividends paid to shareholders	(1,378,377)	(238,680)
Net cash flows generated from financing activities	2,170,945	4,303,840
Net increase in cash and cash equivalents	3,212,538	1,647,856
Cash and cash equivalents at beginning of year	5,700,946	4,053,090
Cash and cash equivalents at end of year (note 31)	8,913,484	5,700,946

The notes from 1 to 34 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

1. Legal status and principal activities

Qatar Islamic Bank (S.A.Q) ("QIB" or "the Bank") was incorporated on 8 July 1982 as a Qatari shareholding company by the Emiri Decree Number 45 of 1982 to provide banking services, investment and financing activities through various Islamic modes of financing such as Murabaha, Mudaraba, Musharaka, Musawama, Istisna agreements and others. It also carries out investment activities for its own account or on behalf of its customers. The activities of the Bank are conducted in accordance with the Islamic Shari'a principles, as determined by the Shari'a Committee of the Bank and in accordance with the provisions of its Memorandum and Articles of Association.

The Bank operates through its head office located in Grand Hamad Street, Doha, and 18 branches in the State of Qatar. The Bank's shares are listed for trading on the Qatar Exchange.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are as given below. These policies have been consistently applied to all the years presented.

a) Basis of preparation

The consolidated financial statements of the Bank and its subsidiaries (together "the Group") are prepared under the historical cost convention as modified for measurement at fair value of financial investments, in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), and International Financial Reporting Standards ("IFRS"); where AAOIFI guidance is not available, related regulations of Qatar Central Bank and applicable provisions of the Qatar Commercial Company's Law are applied.

The preparation of financial statements in conformity with AAOIFI requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting right. The existing and effect of potential voting right that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination and measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated and are considered an impairment indicator of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

i) Subsidiaries (continued)

The Bank's principal subsidiaries are listed below:

	Country of Incorporation	Principal business activity	Share Capital	Percentage of equity
Al Aqar Real Estate Development and Investment (AQAR)	Qatar	Property Investments	300,000	49%
European Finance House	United Kingdom	Investment banking	179,341	60%

QIB has the power to cast the majority of votes in the Board of Directors meetings of AQAR (5 out of 8 members in the Board).

ii) Associates

Associates are all 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 using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (note 8b).

The Group's share of its associates post-acquisition profits or losses is recognised in the statement of income and its share of post-acquisition movements in reserves is recognised in reserves. 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.

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

b) Foreign currencies and transactions

Functional and presentation currency

The consolidated financial statements are presented in Qatari Riyals, which is the functional currency of the Bank. Transactions in foreign currencies are translated into Qatari Riyals at the exchange rate prevailing at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates ruling at the balance sheet date. Resulting exchange gains and losses appear in the consolidated statement of income.

Transactions and balances

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in the statement of income, and other changes in carrying amount are recognised in equity.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- I. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- II. income and expenses for each statement of income 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 rate on the dates of the transactions); and
- III. all resulting exchange differences are recognised as a separate component in the statement of shareholders' equity.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

b) Foreign currencies and transactions (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to statement of shareholders' equity within the "translation reserve". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of income as part of the gain or loss on sale.

c) Revenue recognition

Murabaha

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

Mudaraba

Income on Mudaraba financing is recognized when the right to receive payments is established or on distribution by the Mudarib, whereas losses are charged to income on declaration by the Mudarib.

Ijara Muntahia Bittamluk

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

Musharaka

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

Bank's share of unrestricted investments income as a Mudarib

The Bank's share as a Mudarib for managing unrestricted investment accounts is accrued based on the terms and conditions of the related Mudaraba agreements.

Fees and commission income

Fees and commissions are recognised as income when earned. Fees for structuring and arrangement of Islamic financing transactions for and on behalf of other parties are recognised as income when the Group has fulfilled all its obligations in connection with the related transaction.

Dividends

Dividends are recognized when the right to receive payments is established.

Bank's share of restricted investment income as a Mudarib

The bank charges Mudarib/Agency fees for managing restricted investment accounts based on the terms and conditions of related contracts.

Income from investments

Income from investments is recognized when earned.

Rental income

Rental income is accounted for on a straight-line basis over the ijara terms.

d) Financial investments available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in profit rates, exchange rates or equity prices.

All investments in equity shares, sukouk and funds are classified as investments available-for-sale and are measured at fair value on individual basis. Unrealised gains or losses arising from a change in the fair value are recognised in the fair value reserve with the separation between shareholders' rights and equity of the unrestricted investment account holders' rights, until it is sold, at which time the cumulative gain or loss previously recognised in shareholders' equity and equity of unrestricted investment accounts is included in the consolidated statement of income. In case where objective evidence exists that investment is impaired for equity investments, the recoverable amount of that investment is determined and any resulting impairment loss is recognised in the consolidated statement of income as a provision for impairment of investments. In case of increase in the value of investments against which provision for impairment has been previously created, such provision will be reversed through the consolidated statement of income. Any significant or prolonged decline in the fair value of the financial investment is considered to be an objective evidence of impairment and will result in non reversible losses through the consolidated statement of income.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

e) Fair value

The fair value of financial investments traded on active markets is determined by reference to quoted market bid prices at close of business on the balance sheet date. For financial investments that do not have a quoted market price, the fair value is determined at cost or recent arms length market transactions between knowledgeable willing parties, if available, reference to the current fair value or another instrument that is substantially the same or discounted cash flows or brokers quotes where available or are carried at cost when a reliable fair value estimate is not available.

f) Date of recognition of financial transactions

All financial assets and liabilities are recognised using settlement date which is the date that an asset is delivered to or by the Group.

g) Investments in properties and other assets

Investment in properties and other assets held for leasing and capital appreciation

Investments in property and assets acquired for leasing are carried at cost, less provision for impairment. Gains or losses on sale of investments are recognised upon sale. Depreciation for investment in property is provided on a straight-line basis over the assets' estimated useful life.

Investments held for capital appreciation are measured at fair value and the gains or losses arising from the difference between the carrying value and market value is recognised in the consolidated statement of income.

Investment in properties and other assets held for trading

Investments in properties and other assets held for trading are carried at cost, less provision for impairment. Impairment if any is included in the consolidated statement of income.

The current market values of all the properties have been disclosed based on latest valuation at market price.

h) Due from financing activities

Financing activities such as Murabaha, Mudaraba, Musharaka, Musawama, and Istisna contracts are presented at their gross principal amounts less any amounts received in respect of such contracts, provision for impairment, suspended profit and

unearned profit. The provision for impairment of due from financing activities estimated by management through a detailed review in accordance with Qatar Central Bank's instructions.

Due from financing activities are written off and charged against provisions in case where all collection procedures have been exhausted. Any recoveries from previously written off financing activities are recorded back to the same provision.

Facilities repayment negotiation schedule

Facilities whose terms have been renegotiated are subject to collective impairment assessment of value entirely or individually are no longer considered past due, but are treated as new facilities. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated

i) Properties acquired against settlement of receivables

Properties, if any, acquired against settlement of receivable amounts are included under other assets at their acquisition value net of any required provision for impairment. Unrealised losses due to the reduction in the fair value of such assets in relation to the acquisition cost as at the balance sheet 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.

j) Intangible assets

Goodwill: represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/ associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included under intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Intangible assets identified upon acquisition of subsidiaries or associated companies are included at fair value and amortised over the useful life of the intangible assets.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

k) Fixed assets

The bank depreciates fixed assets, except for land, are on a straight-line basis over their estimated useful lives as follows:

	Years
Buildings	20
Computer equipment	3
Office equipment, furniture, fixture and leasehold improvement	5-7
Motor vehicles	5

Leasehold improvements are depreciated over the estimated useful life or the lease contract term whichever is lower.

l) Impairment of other assets

An assessment of the book value of other assets is made at the end of each year in order to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised in the consolidated statement of income.

m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly in equity, in such case, it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years as per tax laws prevalent in the country of incorporation of subsidiaries of the group.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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. The Group's operations are not subject to income tax in the State of Qatar.

n) Employees' end of service benefits and pension fund

The Group makes 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 balance sheet date. The provision for employees is included in staff indemnity within other liabilities. For the Qatari employees, the Group pays its share in the pension fund in accordance with the Qatari Pension law. The expense is considered as part of staff cost within general and administrative expenses and is disclosed in Note 23.

o) Other provisions

Provisions for legal claims are recognised when the Group has legal claims or obligations as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group accounts for provisions to be charged to the consolidated statement of income for any potential claim or for any expected impairment of assets, taking into consideration the value of the potential claim or expected impairment and its likelihood.

p) Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the financial guarantee was granted. Subsequent to initial recognition, the Group's liabilities against such financial guarantees are measured at the initial recognition less amortisation calculated to be recognised as the income fees earned on a straight line basis over the life of the guarantee in the consolidated statement of income and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on past experience of similar transactions and history of past losses, supported by the judgment of Management.

Any increase in the liabilities relating to financial guarantees is included in the income statement under other operating expenses.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

q) Off-balance sheet items

Included in commitments, are funds managed by the Group on behalf of its customers, which are classified as follows:

Investment fund portfolios

Investment fund portfolios represent funds belonging to the Group's customers for which the Group has assumed investment management responsibility in accordance with the terms or conditions of the fund. Such funds are invested on behalf of the customers by the Group who acts as an agent or a trustee and accordingly such funds and the attributable investment income or loss are not included in these consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or commission (note 28).

Restricted investment balances

Restricted investment balances are those where the depositors instruct the Group to invest the funds in specific investments or at predetermined terms. These deposits are invested by the Group in its own name under the terms of a specific Mudarabah contract entered into with the depositors. Those deposits, which are classified as off balance sheet items, share the profits or losses of the related investments once they have been realised, and do not share in the profits or losses attributable to unrestricted investment accounts and the shareholders (note 29).

r) Profit distribution between shareholders and unrestricted investment accounts holders

Net profit for the year is distributed among unrestricted account holders and shareholders in accordance with Qatar Central Bank's instructions, which are summarised as follows:

The net profit realised from all income and expenses at the end of the financial year is the net profit attributable for distribution between unrestricted investment account holders and shareholders. The share of profit of the unrestricted account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba fees.

In the case of any expense or loss arising out of misconduct on the part of the Group due to non compliance with Qatar Central Bank's regulations or the banking best practices, then such expenses or losses shall not be borne by the unrestricted investment account holders. Such matter is subject to Qatar Central Bank's decision.

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

The unrestricted investment accounts carry preferential rights over others in respect of utilisation of funds towards financing and investment activities in case of increase in the source of funds other than those used in financing and investing activities.

s) Cash and cash equivalent

For the purpose of the consolidated cash flows statement, cash and balances with central bank include cash, balance with Qatar Central Bank, and due from banks and financial institutions which mature within 90 days. However, it does not include balance on reserve account of the Qatar Central Bank (note 31).

3. Financial instruments and related risk management

a) Financial instruments - definition and classification

Financial instruments comprises of all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks and other financial institutions, financial investments and financing to customers and banks. Financial liabilities include customers' current accounts and due to banks. Financial instruments also include unrestricted investment accounts and contingent liabilities and commitments included in off balance sheet items.

Note 2 explains the accounting policies used to recognize and measure the significant financial instruments and their related income and expenses.

b) Fair value of financial instruments

Based on the methods used to determine the fair value of financial instruments explained in the notes accompanying the consolidated financial statements, the book value of financial assets and liabilities are not significantly different from their fair value except investment in property and other assets held for leasing which are valued at cost. The fair value of investment in property is disclosed in note 9.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. Financial instruments and related risk management (continued)

b) Fair value of financial instruments (continued)

Risk Management

Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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.

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 a Risk Management Committee, comprising members from the Board and management, set-up to monitor the Group's credit, operational and market risks, to take credit decisions beyond management's authorities and to set market risk limits under which the Group's management operates. Further, a Debt Remedial Committee has been formed to identify, monitor and take corrective actions on delinquent debits.

The Risk Management Committee formed other sub-committees such as the Assets and Liabilities Committee (ALCO), the Group Credit Committee, and the 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 CEO and the Risk Management 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.

The Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures and for reviewing the adequacy of the risk management framework. The Group audit committee is assisted in these functions by the Internal Audit and Compliance Departments.

a) Credit Risk

Credit Risk is the risk that a customer or counterparty to a financial asset fail to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's due from financing activities, due from banks and investments.

For risk management purpose, credit risk on financing investments is managed independently, and reported as a component of market risk exposure.

The Group's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Renewals and reviews of facilities 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 Risk Committee is responsible for sanctioning high value credits and the Credit Policy Committee is responsible 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 Compliances Division.

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

a) Credit Risk (continued)

Gross maximum exposure for credit risk

	2009	2008
Cash and balances with central bank (excluding cash on hand)	1,149,150	823,153
Due from and investments with banks and financial institutions	8,902,623	6,367,721
Due from financing activities	22,663,482	18,865,895
Financial investments	3,436,043	4,597,590
Other investments and other assets	2,633,257	2,428,424
Total on balance sheet items	38,784,555	33,082,783
Contingent liabilities	9,963,255	5,687,630
Total off balance sheet items	9,963,255	5,687,630
Total credit risk exposure	48,747,810	38,770,413

Exposure to credit risk

The Group measures its exposure to credit risk by reference to the gross amount of financial assets less amounts offset, income suspended and impairment losses, if any.

	Due from financing activities		Others		Total	
	2009	2008	2009	2008	2009	2008
A. Individually impaired						
Substandard	30,473	38,339	-	-	30,473	38,339
Doubtful	11,964	84,185	-	-	11,964	84,185
Bad debts	252,502	171,536	116,547	113,252	369,049	284,788
Gross amount	294,939	294,060	116,547	113,252	411,486	407,312
Suspended profit	(16,013)	(12,362)	-	-	(16,013)	(12,362)
Specific allowance for impairment	(248,232)	(221,611)	(116,547)	(113,252)	(364,779)	(334,863)
Carrying amount	30,694	60,087	-	-	30,694	60,087
B. Past due but not impaired	331,752	112,014	-	-	331,752	112,014
C. Neither past due nor impaired						
Gross amount	25,107,614	20,828,665	16,132,309	14,226,498	41,239,923	35,055,163
Deferred Income	(2,806,578)	(2,134,871)	(11,236)	(9,610)	(2,817,814)	(2,144,481)
Carrying amount	22,301,036	18,693,794	16,121,073	14,216,888	38,422,109	32,910,682
Total	22,663,482	18,865,895	16,121,073	14,216,888	38,784,555	33,082,783

Aging analysis of past due but not impaired

2009	Less than 30 days	31 to 60 days	61 to 90 days	Total 2009
Due from financing activities	28,828	186,998	115,926	331,752
2008	Less than 30 days	31 to 60 days	61 to 90 days	Total 2008
Due from financing activities	83,427	17,687	10,900	112,014

The Group's policy is to classify due from financing activities past due for more than 90 days as substandard, doubtful and loss assets which comply with the Qatar Central Bank instructions. The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of assets and liabilities is presented in note 27.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. Financial instruments and related risk management (continued)

a) Credit Risk (continued)

Allowances for impairment

The Group provides an allowance for impairment losses that represents its estimate of incurred losses in its due from financing portfolio. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Write-off policy

The Group writes off a due from financing activities (and any related allowances for impairment) when the management determines that the due from financing is uncollectible. This is determined after all possible efforts of collecting the amounts have been exhausted.

Collaterals

The Group holds collateral against due from financing activities in the form of mortgage interests over property, other securities over assets and guarantees. The Group accepts guarantees mainly from well reputed local or international banks, well established local or multinational large corporate and high net-worth private individuals. Collateral generally is not held against investments and due from banks, and no such collateral was held on the balance sheet date.

Management estimates the fair value of collateral and other security enhancements held against individually impaired financing to reasonably approximate QAR 27,300 million (2008: QAR 28,660 million) as at the reporting date, according to independent valuation reports.

b) Liquidity risk

Liquidity or funding risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk can be due to market disruptions or credit downgrades which may cause immediate depletion of some financial resources.

Management of liquidity risk

The Group's approach to managing liquidity risk is to ensure that management has diversified funding sources and closely monitors liquidity to ensure adequate funding. The Group maintains a portfolio of short-term liquid assets, largely made up of short-term liquid trading investments, and inter-bank placements. All liquidity policies and procedures are subject to review and approval by ALCO.

Exposure to liquidity risk

The key measure used by the Group for measuring liquidity risk is the ratio of net liquid assets, i.e., totals assets by maturity against total liabilities by maturity.

Details of the Group's net liquid assets is summarised in the table below by the maturity profile of the Group's assets and liabilities based on the contractual repayment arrangements and does not take account of the effective maturities as indicated by the Group's deposit retention history. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

b) Liquidity Risk (continued)

At 31 December 2009

	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and balances with central bank	313,233	-	-	-	1,024,983	1,338,216
Due from and investments with banks and financial institutions	7,462,983	1,137,268	120,372	182,000	-	8,902,623
Due from financing activities	3,335,932	1,057,242	4,860,047	13,410,261	-	22,663,482
Financial investments	17,654	-	20,662	2,711,190	686,537	3,436,043
Other investments	-	-	-	1,203,429	-	1,203,429
Fixed assets	-	-	-	-	299,079	299,079
Other assets	-	-	-	1,429,828	-	1,429,828
Total assets	11,129,802	2,194,510	5,001,081	18,936,708	2,010,599	39,272,700
Liabilities and unrestricted investment accounts						
Due to banks and financial institutions	6,654,290	1,492,714	543,981	-	-	8,690,985
Customers' accounts	6,718,703	-	-	-	-	6,718,703
Other liabilities	150,369	48,391	222,447	600,700	-	1,021,907
	13,523,362	1,541,105	766,428	600,700	-	16,431,595
Unrestricted investment accounts	4,937,182	3,256,269	4,962,764	486,065	-	13,642,280
Total liabilities and unrestricted investment accounts	18,460,544	4,797,374	5,729,192	1,086,765	-	30,073,875
Contingent Liabilities	-	-	9,963,255	-	-	9,963,255
Difference	(7,330,742)	(2,602,864)	(10,691,366)	17,849,943	2,010,599	(764,430)

The Group's expected cash flows may vary from this analysis. For example, current accounts deposits from customers are expected to maintain a stable or increasing balance.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

b) Liquidity Risk (continued)

At 31 December 2008

	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and balances with central bank	234,231	-	-	-	788,950	1,023,181
Due from and investments with banks and financial institutions	5,165,352	301,363	598,186	302,820	-	6,367,721
Due from financing activities	1,353,358	880,655	4,368,167	12,263,715	-	18,865,895
Financial investments	-	282,309	-	3,543,821	771,460	4,597,590
Other investments	-	-	-	1,691,696	-	1,691,696
Net Fixed assets	-	-	-	-	260,347	260,347
Other assets	-	-	-	736,728	-	736,728
Total assets	6,752,941	1,464,327	4,966,353	18,538,780	1,820,757	33,543,158
Liabilities and unrestricted investment accounts						
Due to banks and financial institutions	6,647,709	1,264,932	642,076	141,999	-	8,696,716
Customers' accounts	3,686,223	-	1,027,562	383,466	-	5,097,251
Other liabilities	-	-	-	885,792	-	885,792
	10,333,932	1,264,932	1,669,638	1,411,257	-	14,679,759
Unrestricted investments accounts	5,112,025	1,811,676	4,047,799	484,832	38,265	11,494,597
Total liabilities and unrestricted investment accounts	15,445,957	3,076,608	5,717,437	1,896,089	38,265	26,174,356
Contingent Liabilities	-	-	5,687,830	-	-	5,687,830
Difference	(8,693,016)	(1,612,281)	(6,438,914)	16,642,691	1,782,492	1,680,972

c) Market risk for financial investments

The Group assumes in its normal course of business exposure to market risk from its investments in equity shares, real estate and other investments arising due to general and specific market movements. The Group takes into account a number of assumptions for changes in the market conditions and applies a methodology to estimate its market risk position and expected losses to maximum extent. The limits set for such risk are monitored on a regular basis.

The board of directors has set risk limits based on country limits which are closely monitored by the Risk Management Group, reported weekly to senior management and discussed fortnightly by the Assets and Liabilities Committee.

The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The Group's management believes that the impact of market risk is minimal given the fact that the assets and liabilities are re-priced within one year. In addition, the Group is also compliant with Basel 2 requirements as per Qatar Central Bank regulations. (note 3).

Notes to the Consolidated Financial Statements

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Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

c) Market risk for financial investments (continued)

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

Market Indices	Change in equity price % 2009	Effect on equity 2009	Change in equity price % 2008	Effect on equity 2008
Qatar exchange	+ / - 10%	5,737	+ / - 10%	25,801
Bahrain stock exchange	+ / - 10%	978	+ / - 10%	5,747
Syria Bourse	+ / - 10%	19,616	-	-

Profit rate risk

The profit rate risk refers to the risk due to change of profit rates, which might affect the future income of the Group. Exposure to profit rate risk is managed by the Group through diversification of assets portfolio and by matching the maturities of assets and liabilities.

In line with the policy approved by the Board of Directors, the Assets and Liability Committee performs regular review of the assets and liabilities in order to ensure that the maturity gap between assets and liabilities is maintained at minimum level and also to ensure that financing and investments are made for quality assets at higher rate of return.

d) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instrument denominated in a foreign currency. The Group's functional currency is Qatari Riyal. The Board of Directors has set limits on positions by currency. Positions are closely monitored and hedging strategy is used to ensure positions are maintained within established limits. At 31 December 2009, the Group had the following significant net exposures denominated in foreign currencies.

At 31 December 2009	QAR	USD	EUR	GBP	Others	Total
Assets	32,141,244	6,830,703	(163,013)	298,086	165,680	39,272,700
Liabilities, minority interest and shareholders' equity	(34,075,362)	(4,894,917)	(176,391)	(123,446)	(2,584)	(39,272,700)
Net balance sheet position	(1,934,118)	1,935,786	(339,404)	174,640	163,096	-
At 31 December 2008	QAR	USD	EUR	GBP	Others	Total
Assets	19,698,810	9,928,874	2,793,015	966,179	156,280	33,543,158
Liabilities, minority interest and shareholders' equity	(22,761,855)	(7,008,531)	(2,791,791)	(961,252)	(19,729)	(33,543,158)
Net balance sheet position	(3,063,045)	2,920,343	1,224	4,927	136,551	-

The exchange rate of QAR 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 and foreign exchange swaps to mitigate the other currency risks, specifically for EURO.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

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3. Financial instruments and related risk management (continued)

e) Currency risk – effect of change in fair value of currency

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

Currency	Change in currency rate in %	Effect on income statement 2009	Effect on income statement 2008
USD	+2	38,716	58,407
EUR	+3	(10,182)	37
GBP	+2	3,493	99
Others	+3	4,893	4,097
USD	-2	(38,716)	(58,407)
EUR	-3	10,182	(37)
GBP	-2	(3,493)	(99)
Others	-3	(4,893)	(4,097)

During 2009, the currency risk was pertaining to currencies other than US Dollars and the negative impact of fluctuation in rates was linked to the EURO position for the year 2009.

f) Capital adequacy

The Capital adequacy ratio of the Group is calculated in accordance with the Basel Committee guidelines and Qatar Central Bank instructions. The following table shows the risk weighted values and capital charge for capital adequacy ratio purposes.

Risk Elements	Total Risk		Risk weighted	
	2009	2008	2009	2008
Credit risk	34,069,585	23,968,653	34,069,585	23,968,653
Market risk	246,203	843,474	2,462,028	8,434,741
Operational risk	178,249	118,807	1,782,485	1,188,073
Total capital charge/risk weighted assets	34,494,037	24,930,934	38,314,098	33,591,467
Tier 1 capital	6,639,288	5,492,260	17.33%	16.35%
Tier 1+Tier 2 capital	6,639,288	5,723,451	17.33%	17.04%

The minimum ratio limit determined by Qatar Central Bank is 10% and by the Basel Committee is 8%.

g) Risk of managing third party investments

The Group provides custody and corporate administration services to third parties in relation to mutual funds managed by it. Management of client's investment portfolios are guided by the terms and conditions recorded in written agreements signed by the respective clients. These services give rise to legal and reputational risk. Such risks are mitigated through review procedures to ensure compliance. Note 28 lists the investment portfolios managed by the Group.

The dates of maturity of the Group's commitments in relation to the investment portfolios are included in note 26.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

h) Operational and other risks

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risk having an impact on the operations. The Group seeks to minimize actual or potential losses from operational risks failure through a frame work of policies and procedures that identify, assess, control, manage, and report those risks.

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

i) Fair value of financial assets and liabilities

All financial assets and liabilities are measured at amortised cost except for financial investments which are measured at fair value by reference to published price quotations in an active market or from prices quoted by counterparties. For investment properties, market value was determined by chartered surveyors and impairment provision is created when there is a prolonged decline in value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between book value and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

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

	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Financial assets				
Cash and balance with central bank	1,338,216	1,338,216	1,023,181	1,023,181
Due from and investments with banks and financial institutions	8,902,623	8,902,623	6,367,721	6,367,721
Due from financing activities	22,663,482	22,663,482	18,865,895	18,865,895
Financial investments	3,436,043	3,436,043	4,597,590	4,597,590
Financial liabilities				
Due to banks and financial institutions	8,690,985	8,690,985	8,696,716	8,696,716
Customers' accounts	6,718,703	6,718,703	5,097,251	5,097,251
Unrestricted investment accounts	13,642,280	13,642,280	11,494,597	11,494,597

The fair value of due from and investments with banks, due to banks, due from financing activities and customers' deposits, which are predominantly re-priced, short term in tenure and issued at market rates, are considered to reasonably approximate their book value.

The Group has used valuation technique for the determination of impairment in goodwill (note 8).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

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4. Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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.

a) Impairment losses on due from financing activities

The Group reviews its financing portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of Islamic financing before the decrease can be identified with an individual financing in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The impairment is recorded based on historical cash flows is in line with the Qatar Central Bank regulations. The actual loss is not materially different from the estimated impairment. Refer to note 7.

b) Impairment of financial investments

The Group determines that available-for-sale investments are impaired when there has been a decline in the fair value below its cost. The determination of fair value for unlisted shares / sukuku requires judgment. In making this judgment, the Group evaluates amongst other factors, the normal volatility in share prices of similar instruments. In addition, impairment may be relevant when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. In case where objective evidence exists that investment is impaired, the recoverable amount of that investment is determined and any resulting impairment loss is recognised in the consolidated statement of income as a provision for impairment of investments.

5. Cash and balances with central bank

	2009	2008
Cash in vaults	189,066	200,027
Cash reserve with Qatar Central Bank	1,024,983	788,950
Current account with Qatar Central Bank	24,167	34,204
Others	100,000	-
Total	1,338,216	1,023,181

Cash reserve with Qatar Central Bank represents a mandatory reserve deposit, which is not available for the Group's day-to-day operations.

6. Due from and investments with banks and financial institutions

	2009	2008
Current accounts	89,921	194,708
Unrestricted investment deposits	4,102,850	1,288,163
Commodity Murabaha transactions	4,721,088	4,913,608
	8,913,859	6,396,479
Unearned profit	(11,236)	(28,758)
	8,902,623	6,367,721

Commodity Murabaha transactions represent contracts agreed with banks that represent commitment to pay upon maturity the value of commodities and its related fixed profits.

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7. Due from financing activities

	2009	2008
a) By type:		
Musharaka	58,095	172
Murabaha and Musawama	16,475,146	13,365,657
Istisna contracts	2,814,637	2,331,742
Mudaraba financing	1,149,835	1,247,493
Ijara financing	5,180,925	4,281,038
Other	55,667	8,637
	25,734,305	21,234,739
Unearned profit	(2,806,578)	(2,134,871)
Provision against non performing due from financing activities	(248,232)	(221,611)
Suspended profit	(16,013)	(12,362)
Net due from financing activities	22,663,482	18,865,895

Total of non performing due from financing activities amounted to QAR 295 million at the end of year 2009 (2008: QAR 294 million) which is 1.10% (2008: 1.39 %) of the total due from financing activities.

b) By industry:

	Murabaha and Musawama	Istisna contracts	Mudaraba and Musharaka	Ijara	Others	2009 Total	2008 Total
Government	176,462	298,836	-	18,232	-	493,530	777,315
Government and semi-government institutions	1,965,039	-	-	5,963	-	1,971,002	561,265
Industry	47,790	-	-	-	-	47,790	156,529
Trading	7,517,541	123,134	953,000	23,183	4	8,616,862	6,333,058
Contracts	2,126,031	16,363	-	3,176	13	2,145,583	1,514,152
Consumer financing	2,777,840	-	-	1,231,122	3,487	4,012,449	3,270,202
Housing	1,770,798	2,242,278	-	3,867,727	9,233	7,890,036	7,536,027
Others	93,645	134,026	254,930	31,522	42,930	557,053	1,086,191
Total	16,475,146	2,814,637	1,207,930	5,180,925	55,667	25,734,305	21,234,739
Unearned profits						(2,806,578)	(2,134,871)
Specific provision						(248,232)	(221,611)
Suspended profit						(16,013)	(12,362)
Net due from financing activities						22,663,482	18,865,895

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

7. Due from financing activities (continued)

c) By Customer:

	Murabaha and Musawama	Istisna contracts	Mudaraba and Musharaka	Ijara	Others	2009 Total	2008 Total
Retail	2,777,840	-	-	1,231,122	3,487	4,012,449	3,270,202
Corporate	7,565,332	2,008,350	953,000	23,183	4	10,549,869	7,787,403
Small and medium enterprises	126,031	131,146	-	3,176	13	260,366	216,336
Finance with real estate mortgage	3,770,798	242,278	-	3,867,727	9,233	7,890,036	7,536,027
Others	2,235,145	432,863	254,930	55,717	42,930	3,021,585	2,424,771
Total	16,475,146	2,814,637	1,207,930	5,180,925	55,667	25,734,305	21,234,739
Unearned Profits						(2,806,578)	(2,134,871)
Specific Provision						(248,232)	(221,611)
Suspended profit						(16,013)	(12,362)
Net due from financing activities						22,663,482	18,865,895

d) Movement in provisions against non performing due from financing activities:

	2009		2008	
	Specific provision	Suspended profit	Specific provision	Suspended profit
At 1 January	221,611	12,362	269,966	12,556
Specific provision made during the year	70,238	30,195	77,091	15,509
Recoveries of amounts previously provided	(39,158)	(26,544)	(124,841)	(15,703)
Net provisions charged/(recovered) during the year	31,080	3,651	(47,750)	(194)
Provisions written off during the year	(4,459)	-	(605)	-
At 31 December	248,232	16,013	221,611	12,362

e) Provisions distribution by nature of the customer:

	2009	2008
Retail	148,806	87,639
Corporate	99,426	133,972
Total	248,232	221,611

8. Financial investments

	2009	2008
a) Financial assets available-for-sale:		
Quoted	897,533	953,720
Unquoted	921,116	1,993,434
Total financial investments available-for-sale	1,818,649	2,947,154
b) Investments in associates	1,617,394	1,650,436
Total financial investments	3,436,043	4,597,590

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

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8. Financial investments (continued)

a) Financial investments available-for-sale

	2009			2008		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Shares	121,329	534,966	656,295	221,523	648,019	869,542
Sukuk government of Qatar	-	-	-	65,468	-	65,468
Sukuk others	812,562	151,212	963,774	666,729	628,574	1,295,303
Other Islamic portfolio and funds	-	285,876	285,876	-	731,175	731,175
Total financial Investments	933,891	972,054	1,905,945	953,720	2,007,768	2,961,488
Provision for revaluation losses	(36,358)	(50,938)	(87,296)	-	(14,334)	(14,334)
	897,533	921,116	1,818,649	953,720	1,993,434	2,947,154

Movement in provision for revaluation losses

	2009	2008
At 1 January	14,334	14,334
Charge for the year	82,572	-
Disposal during the year	(9,610)	-
At 31 December	87,296	14,334

b) Investments in associates

	2009	2008
At beginning of year	1,650,436	862,887
Additions during the year	700,020	743,373
Disposals during the year	(888,874)	(129,307)
Total Investment	1,461,582	1,476,953
Dividends received from associates	(15,000)	-
Transfer to fair value reserve during the year	19,455	(43,362)
Transfer to translation reserve during the year	4,300	(22,713)
Share of annual profit for associates (transferred to general reserve)	147,057	239,558
At the end of the year	1,617,394	1,650,436

The investments in associates are being distributed as follows:

By the investment value:

	Country of incorporation	2009		2008	
		Amount	Percentage	Amount	Percentage
Q Invest	Qatar	915,002	35.00%	680,071	25.00%
Al Jazeera Finance Company	Qatar	235,883	30.08%	192,056	30.08%
Durat Al Doha	Qatar	162,948	39.90%	212,853	39.90%
Bawabat Al-Shamal	Qatar	104,191	37.25%	71,975	37.25%
Al Daman Islamic Insurance	Qatar	50,500	25.00%	-	-
Arab Finance House	Lebanon	77,870	32.51%	77,277	32.51%
Asian Finance Bank	Malaysia	71,000	21.00%	72,612	21.00%
Shard Funding Ltd.	United Kingdom	-	-	343,592	25.00%
		1,617,394		1,650,436	

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8. Financial investments (continued)

b) Investments in associates (continued)

By the financial position

	2009				
	Assets	Liabilities	Revenue	Profit/(losses)	Percentage
Q Invest	1,163,003	430,001	72,330	45,826	35.00%
Al Jazeera Finance Company	762,110	526,227	80,946	60,073	30.08%
Durat Al Doha	496,902	333,954	-	(7,963)	39.90%
Bawabat Al-Shamal	336,341	232,150	-	(1,039)	37.25%
Al Daman Islamic Insurance	50,500	-	-	-	25.00%
Arab Finance House	430,485	352,615	14,640	1,344	32.51%
Asian Finance Bank	463,243	392,243	10,020	1,465	21.00%
Shard Fund Ltd.	-	-	-	47,351	-
	3,702,584	2,267,190	177,936	147,057	

	2008				
	Assets	Liabilities	Revenue	Profit/(losses)	Percentage
Arab Finance House	304,467	227,190	14,208	3,846	32.51%
Asian Finance Bank	273,185	200,573	4,276	(4,361)	21.00%
Q Invest	834,602	336,531	88,378	81,344	25.00%
Al Jazeera Finance Company	731,017	538,961	73,726	26,289	30.00%
Bawabat Al-Shamal	329,641	257,666	-	-	37.25%
Durat Al Doha	422,495	209,642	-	-	39.90%
Shard Fund Ltd	810,000	466,408	132,521	132,440	25.00%
	3,705,407	2,236,971	313,109	239,558	

Business combination – Associates

Q-Invest

During the year 2009, the Bank acquired an additional 10% equity in Q-Invest LLC (associate) for an aggregated cash price of USD 50 million equivalent to QAR 187 million (50 million equity shares of par value USD 1 each equivalent to QAR 3.64 each). The Bank has paid an amount of USD 180.250 million equivalent to QAR 656 million against an increase in the share capital.

Goodwill

In compliance with the applicable accounting standards, the Bank has carried out one time “purchase price allocation (PPA)” exercise of the value paid for the acquisition of 10% shares of its associate – Q-Invest 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 10% shares in Q-Invest LLC are not material.

The goodwill included in the value of the associate is attributable to Q-Invest strong position talented workforce of the acquired business and the significant synergies expected to arise after the Group’s acquisition of the share in the Company.

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8. Financial investments (continued)

b) Investments in associates (continued)

Shard Fund Limited

During the year 2008, the Bank acquired 25% equity of Shard Fund Limited, a company registered under the laws of Jersey (UK) for a value of GBP 28.75 million equivalent to QAR 211.15 million (28.75 million shares of par value GBP 1 each equivalent to QAR 7.34). The investment was sold during the year ended 2009.

Al Daman Islamic Insurance Co.

During the year 2009, the Bank as one of the founders acquired 25% equity of Al Daman Islamic Insurance Company WLL registered in Qatar under Commercial law no 5 of 2002, represented by 50,000 million shares of QAR 1 each for a value of QAR 50 million.

Details of the net assets acquired and goodwill are as follows:

	Q Invest	Bawabat Al-Shamal	Shard Funding Limited	Al Daman Islamic Insurance
2009				
At 1 January – Goodwill	181,620	-	-	-
Movement during the year				
Cash paid during the year	187,000	-	-	50,500
Share of fair value of net assets acquired	(187,000)	-	-	(50,500)
Net movement during the year	-	-	-	-
At 31 December – Goodwill	181,620	-	-	-
2008				
At 1 January – Goodwill	-	-	-	-
Movement during the year				
Opening Balance – Goodwill	-	-	-	-
Cash paid during the year	364,000	70,725	211,853	-
Bank share of fair value of net assets acquired	(182,380)	(70,725)	(211,853)	-
Goodwill – net movement during the year	181,620	-	-	-
At 31 December – Goodwill	181,620	-	-	-

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for the year ended 31 December 2009

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9. Other investments

a) Investments in property and other assets held for leasing and capital appreciation

	2009			2008		
	Land	Buildings	Total	Land	Buildings	Total
Cost						
At 1 January	601,481	-	601,481	204,843	12,039	216,882
Additions during the year	-	115,784	115,784	201,236	-	201,236
Increase in fair value	-	-	-	198,129	-	198,129
Disposals during the year	(399,366)	-	(399,366)	(2,727)	(12,039)	(14,766)
At 31 December	202,115	115,784	317,899	601,481	-	601,481
Accumulated depreciation						
At 1st January	-	-	-	-	(8,416)	(8,416)
Charge for the year	-	-	-	-	(150)	(150)
Disposals during the year	-	-	-	-	8,566	8,566
At 31 December	-	-	-	-	-	-
Provision for impairment	-	-	-	(31,379)	-	(31,379)
Net book value – 31 December	202,115	115,784	317,899	570,102	-	570,102

The total market value of the properties and investments held for leasing and capital appreciation at 31 December 2009 stands at QAR 411 million (2008: QAR 640 million) according to an independent valuation reports.

b) Investments in property and other assets held for trading

	2009			2008		
	Land	Buildings	Total	Land	Buildings	Total
Cost						
At 1 January	500,956	697,787	1,198,743	344,599	681,388	1,025,987
Additions during the year	26,525	-	26,525	716,451	16,399	732,850
Disposal during the year	-	(310,487)	(310,487)	(560,094)	-	(560,094)
Net Book value – 31 December	527,481	387,300	914,781	500,956	697,787	1,198,743
Provision for impairment						
At 1 January	-	(77,149)	(77,149)	-	(12,138)	(12,138)
Charge for the year	(17,113)	-	(17,113)	-	(65,011)	(65,011)
Disposals during the year	-	65,011	65,011	-	-	-
At 31 December	(17,113)	(12,138)	(29,251)	-	(77,149)	(77,149)
Net book Value – 31 December	510,368	375,162	885,530	500,956	620,638	1,121,594
Total Net Book Value for Other Investments – 31 December	712,483	490,946	1,203,429	1,071,058	620,638	1,691,696

The total market value of the properties and other assets held for trading at 31 December 2009 stands at QAR 888 million (2008: QAR 1.219 million) according to an independent valuation report, which has been determined having regard to market price of similar properties at similar locations.

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10. Fixed assets

	Land and buildings	Computer equipments	Office equipment, furniture and fixtures and leasehold improvements	Motor vehicles	Total
Cost					
At 1 January 2009	181,028	86,256	113,330	3,412	384,026
Additions	28,409	31,374	14,401	173	74,357
Disposals	-	(8,964)	(3,342)	-	(12,306)
At 31 December 2009	209,437	108,666	124,389	3,585	446,077
Depreciation					
At 1 January 2009	32,291	63,111	26,480	1,797	123,679
Charge for the year	2,615	16,734	15,742	418	35,509
Disposals	-	(8,938)	(3,252)	-	(12,190)
At 31 December 2009	34,906	70,907	38,970	2,215	146,998
Net book value - At 31 December 2009	174,531	37,759	85,419	1,370	299,079
Cost					
At 1 January 2008	96,659	63,261	43,721	2,410	206,051
Additions	84,369	23,038	69,621	1,002	178,030
Disposals	-	(43)	(12)	-	(55)
At 31 December 2008	181,028	86,256	113,330	3,412	384,026
Depreciation					
At 1 January 2008	29,835	54,653	18,381	1,425	104,294
Charge for the year	2,456	8,501	8,111	372	19,440
Disposals	-	(43)	(12)	-	(55)
At 31 December 2008	32,291	63,111	26,480	1,797	123,679
Net book value - At 31 December 2008	148,737	23,145	86,850	1,615	260,347

11. Other assets

	2009	2008
Accrued income	576,094	470,692
Work in progress	86,447	45,513
Due from Bank of Credit and Commerce International (under liquidation)	36,422	36,422
Prepayment and advances	18,215	42,438
Deferred income tax asset	11,175	-
Properties acquired against debt	-	13,537
Others	737,897	164,548
	1,466,250	773,150
Provisions for due from BCCI	(36,422)	(36,422)
	1,429,828	736,728

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

12. Due to banks and financial institutions

	2009	2008
Current accounts and deposits from banks and financial institutions	8,690,985	8,696,716

13. Customers' Accounts

a) Current Accounts	2009	2008
Government	658	53,499
Corporate	3,839,990	1,887,082
Individual	54,601	1,745,249
	3,895,249	3,685,830
b) Other balances due to customers	2,823,454	1,411,421
Total current accounts and other balances due to customers	6,718,703	5,097,251

14. Other liabilities

	2009	2008
Customer advances	399,575	210,410
Manager cheques	85,698	40,983
Accrued expenses	78,574	135,007
Margin deposits	66,718	66,514
Provision for employees' end of service benefits (note 15)	65,623	58,904
Naps and visa settlements	31,878	23,098
Provision for potential claims	11,258	17,333
Prior years accrued dividends	6,088	4,591
Customer's participation in funds	1,092	418
Pension fund	474	751
Cheques in clearing	-	3,665
Others	274,929	324,118
	1,021,907	885,792

15. Provision for employees' end of service benefits

	2009	2008
Balance at 1 January	58,904	42,893
Charge for the year	8,632	22,250
Amount paid during the year	(1,913)	(6,239)
Balance at 31 December (note 14)	65,623	58,904

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

16. Unrestricted investment accounts

	2009	2008
a) By type:		
Term deposits	8,403,855	6,479,164
Saving accounts	3,149,319	2,677,566
Call accounts	1,964,266	2,193,142
	13,517,440	11,349,872
Share of unrestricted investment accounts in profit	145,281	121,636
Unrestricted investment account share of fair value reserve	(20,441)	(49,133)
Unrestricted investment account share of risk reserve	-	72,222
	13,642,280	11,494,597
b) By sector:		
Individuals	7,743,783	5,968,542
Corporations	5,633,904	4,164,140
Government	139,753	1,208,588
Government and semi government organizations	-	8,602
	13,517,440	11,349,872
Share of unrestricted investment accounts in profit	145,281	121,636
Unrestricted investment accounts share of fair value reserve	(20,441)	(49,133)
Unrestricted investment account share of risk reserve	-	72,222
	13,642,280	11,494,597

Unrestricted invested accounts include QR 97.7 million held as collateral against direct and indirect financing credit facilities (2008: QR 79 million).

17. Minority interest

	2009	2008
At 1 January	225,910	118,168
Share of minority in the profit of subsidiary companies	(100,260)	4,824
Net fair value reserve movement of the subsidiaries	110	(1,029)
Increase in capital	56,100	117,636
Increase in legal reserve	7,200	5,606
Net movement in translation reserve	4,662	(19,295)
At 31 December	193,722	225,910

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

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18. Shareholders' equity

a) Share capital

	2009	2008
Authorised, issued and paid-up share capital 206.7 million ordinary shares of QR 10 each (2008: 196.91 million shares of QR 10 each)	2,067,566	1,969,110

In the extra ordinary general meeting held on 23 December 2008, the shareholders approved to issue additional share capital to Qatar Investment Authority ("QIA") at price of QAR 97.10 per share, which represents 20% of the total issued capital as of that date. During the year ended 31 December 2009, the bank issued 5% of the increase share capital equivalent to 9.84 million shares of QAR 10 each. The share premium QAR 857 million arising from this issue has been transferred to the legal reserve.

b) Advance for capital increase

On 30 December 2009, the Bank received QR 956,003 million as advance against share capital for 9,845,550 ordinary shares by way of private placement to Qatar Investment Authority, in accordance with the resolution of the shareholders in their Extra-ordinary General Meeting held on 23 December 2008. The allotment of shares and transfer of this amount to share capital will be executed after obtaining approvals from Ministry of Business and Trade.

c) Legal reserve

In accordance with QCB law No. 33 of 2006 as amended, at least 10% of the net profit for the year is required to be transferred to legal reserve until this reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 5 of 2002 and after Qatar Central Bank approval. The management has decided not to transfer any amount to legal reserve this year as the minimum requirement has already been fulfilled.

d) General reserve

In accordance with the Articles of Association of the Bank, the General Assembly may allocate a portion of the net profit to the general reserve. There is no restriction on the distribution of this reserve, however prior approval of Qatar Central Bank is required.

e) Risk reserve

In accordance with Qatar Central Bank regulations, the risk reserve at the end of each year should not be less than 1.5% of the total direct credit extended by the bank and its branches and subsidiaries as per the consolidated balance sheet after excluding the specific provision, suspended profit, deferred income and financing to Ministry of Finance of the State of Qatar, guaranteed by Ministry of Finance and financing against cash collaterals. The amount of the reserve will be distributed among the shareholders and unrestricted investment accounts and only after obtaining prior approval from Qatar Central Bank.

f) Fair value reserve

	2009	2008
At 1 January	(76,009)	15,573
Revaluation results at year end	31,940	(141,438)
Charged to income statement during the year	27,934	(10,839)
Net change during the year	59,874	(152,277)
Less: Share of unrestricted investment account holders in the movement in the fair value reserve	(28,692)	60,695
At 31 December	(44,827)	(76,009)

Fair value reserve represents unrealised gain, which cannot be distributed unless realised and charged to the statement of income.

g) Proposed dividend and bonus shares

The Board of Directors has proposed a cash dividend of 60% of paid up share capital amounting to QR 1,181 million – QR 6 per share (2008 - 70% of paid up share capital amounting to QR 1,378 million – QR 7 per share) which is subject to approval at the Annual General Meeting of the shareholders.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

19. Income from financing activities

	2009	2008
Murabaha and Musawama	1,050,775	770,716
Istisna	368,950	211,769
Mudaraba	84,879	99,985
Ijara muntahiya bitamleek	321,935	245,595
	1,826,539	1,328,065

20. Profit from investing activities

	2009	2008
a) Income from due from and investments with banks and financial institutions (*)		
Deposit with banks	28,447	25,630
Commodity Murabaha transactions, net	(55,965)	(67,274)
	(27,518)	(41,644)
b) Income from investments		
Financial investments available-for-sale	226,713	370,216
Investment in property and assets held for leasing	27,150	28,893
	253,863	399,109
c) Income from sale of investments		
Financial investments available-for-sale	-	178,313
Investment in property and assets held for trading	49,561	337,447
	49,561	515,760
d) Income from revaluation of investment properties		
Income from revaluation of properties and fixed assets acquired for capital appreciation	-	198,130
	-	198,130
	275,906	1,071,355

(*) this balance is net of profit paid to banks and financial institutions amounting to QAR 202 million (2008: QAR 167 million).

21. Commission and fees income

	2009	2008
Management fee	144,567	142,589
Letters of credit and guarantee	39,614	33,485
Banking service fees	34,186	26,265
Income from investment activities for others	9,675	15,276
Bank's share of income from restricted investments	40	10
Others	48,116	18,507
	276,198	236,132

22. Gains/(losses) from foreign exchange operations

	2009	2008
Gain on sale of foreign exchange	5,714	7,798
Revaluation gains/(losses) of foreign exchange	39,432	(88,532)
Net gains/(losses) of foreign exchange	45,146	(80,734)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

23. General and administrative expenses

	2009	2008
Staff salaries and allowances	250,105	244,554
Rent and maintenance	32,282	26,916
Board of Directors' remuneration	29,071	34,720
Advertisements and market promotions	22,269	28,047
Communication, insurance and utilities	19,681	12,555
Legal and professional fee	13,207	12,546
Employees' end of service benefit	8,760	22,490
Training costs	3,092	4,318
Contributions to pension fund	237	119
Others	73,217	38,084
	451,921	424,349

The number of staff employed by the Group as at 31 December 2009 was 792 (2008: 751).

24. Unrestricted investment account holder's share of profit

	2009	2008
Investment account holders' share in profit before Mudaraba share of the Group	891,979	780,615
Less : Group's share of profit as Mudarib	(522,980)	(467,579)
Unrestricted investment account holders' net share after the group's share of the profit as Mudarib	368,999	313,036
Add: Shareholders' support	141,367	75,631
Unrestricted investment account holders' share after shareholders' support	510,366	388,667

Following are the profit distribution rates for the unrestricted investment account holders in QAR and foreign currencies during the year:

	2009 (%)	2008 (%)
5 year term	7.00	7.00
3 year term	6.25	6.25
1 year term	5.75	5.75
6 months term	5.10	5.10
3 months term	4.00	4.00
1 month term	3.52	3.52
Savings account	3.50	3.50
Call account	3.50	3.50

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

25. Basic and diluted earnings per share

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

	2009	2008
Net profit for the year attributable to the shareholders	1,322,106	1,642,541
Weighted average number of shares for the year (expressed in thousands)	205,407	193,433
Basic and diluted earnings per share (QR per share)	6.44	8.49

26. Contingent liabilities and commitments

a) Contingent liabilities

	2009			Total
	Less than 1 year	1-5 years	Over 5 years	
Guarantees	6,055,571	-	-	6,055,571
Istisna commitment	1,673,368	-	-	1,673,368
Unused facilities	1,817,558	-	-	1,817,558
Letters of credit	342,612	-	-	342,612
Acceptances	74,146	-	-	74,146
	9,963,255	-	-	9,963,255

b) Commitments

Investment portfolios managed for others (note 28)	-	4,441	-	4,441
Restricted investments for customers (note 29)	-	178,360	-	178,360
	-	182,801	-	182,801

a) Contingent liabilities

	2008			Total
	Less than 1 year	1-5 years	Over 5 years	
Guarantees	2,614,710	-	-	2,614,710
Istisna commitment	2,353,622	-	-	2,353,622
Unused facilities	376,988	-	-	376,988
Letters of credit	305,073	-	-	305,073
Acceptances	37,437	-	-	37,437
	5,687,830	-	-	5,687,830

b) Commitments

Investment portfolios managed for others (note 28)	-	4,441	-	4,441
Restricted investments for customers (note 29)	2,153	178,360	-	180,513
	2,153	182,801	-	184,954

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

27. Geographical distribution of assets and liabilities

The Group's assets and liabilities can be summarised by geographical area as follows:

At 31 December 2009

	Qatar	GCC	Europe	North America	Others	Total
Assets						
Cash and balances with central bank	1,338,212	-	4	-	-	1,338,216
Due from and investments with banks and financial institutions	7,281,092	1,129,245	403,118	16,423	72,745	8,902,623
Due from financing activities	21,187,624	1,098,228	170,470	-	207,160	22,663,482
Financial investments	1,594,692	1,145,655	143,737	-	551,959	3,436,043
Other investments	844,667	-	358,762	-	-	1,203,429
Fixed assets	299,079	-	-	-	-	299,079
Other assets	1,429,828	-	-	-	-	1,429,828
Total assets	33,975,194	3,373,128	1,076,091	16,423	831,864	39,272,700
Liabilities						
Due to banks and financial institutions	4,816,938	3,481,255	93,259	-	299,533	8,690,985
Customers' accounts	6,717,040	-	1,663	-	-	6,718,703
Other liabilities	1,016,610	-	5,297	-	-	1,021,907
Total liabilities	12,550,588	3,481,255	100,219	-	299,533	16,431,595
Unrestricted investment Accounts	13,642,280	-	-	-	-	13,642,280
Minority interest	193,722	-	-	-	-	193,722
Shareholders' equity						
Share capital	2,067,566	-	-	-	-	2,067,566
Advance paid against increase in share capital	956,003	-	-	-	-	956,003
Legal reserve	3,797,375	-	-	-	-	3,797,375
General reserve	666,571	-	-	-	-	666,571
Risk reserve	428,500	-	-	-	-	428,500
Fair value reserve	(44,827)	-	-	-	-	(44,827)
Translation reserve	(47,551)	-	-	-	-	(47,551)
Proposed cash dividends	1,181,466	-	-	-	-	1,181,466
Retained earnings	-	-	-	-	-	-
Total shareholders' equity	9,005,103	-	-	-	-	9,005,103
Total liabilities, unrestricted investment accounts, minority interest and shareholders' equity	35,391,693	3,481,255	100,219	-	299,533	39,272,700

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

Amounts expressed in thousands of Qatari Riyals

27. Geographical distribution of assets and liabilities (continued)

The Group's assets and liabilities can be summarised by geographical area as follows:

At 31 December 2008

	Qatar	GCC	Europe	North America	Others	Total
Assets						
Cash and balances with central bank	1,023,181	-	-	-	-	1,023,181
Due from and investments with banks and financial institutions	842,791	1,055,024	4,287,587	15,305	167,014	6,367,721
Due from financing activities	15,880,070	1,829,343	780,721	-	375,761	18,865,895
Financial investments	1,394,451	1,328,917	1,126,352	-	747,870	4,597,590
Other investments	1,118,836	-	572,860	-	-	1,691,696
Fixed assets	260,347	-	-	-	-	260,347
Other assets	736,728	-	-	-	-	736,728
Total assets	21,256,404	4,213,284	6,767,520	15,305	1,290,645	33,543,158
Liabilities						
Due to banks and financial institutions	6,047,812	2,075,949	235,689	-	337,266	8,696,716
Customers' accounts	5,097,251	-	-	-	-	5,097,251
Other liabilities	885,792	-	-	-	-	885,792
Total liabilities	12,030,855	2,075,949	235,689	-	337,266	14,679,759
Unrestricted investment accounts	11,494,597	-	-	-	-	11,494,597
Minority interest	225,910	-	-	-	-	225,910
Shareholders' equity						
Share capital	1,969,110	-	-	-	-	1,969,110
Legal reserve	2,932,910	-	-	-	-	2,932,910
General reserve	547,652	-	-	-	-	547,652
Risk reserve	358,856	-	-	-	-	358,856
Fair value reserve	(76,009)	-	-	-	-	(76,009)
Translation reserve	(51,656)	-	-	-	-	(51,656)
Proposed cash dividends	1,378,377	-	-	-	-	1,378,377
Retained earnings	83,652	-	-	-	-	83,652
Total shareholders' equity	7,142,892	-	-	-	-	7,142,892
Total liabilities, unrestricted investment accounts, minority interest and shareholders' equity	30,894,254	2,075,949	235,689	-	337,266	33,543,158

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

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28. Investment portfolios

As disclosed in note (2) the Group manages the following investment portfolios, which are invested on behalf of customers:

	2009	2008
Solidarity Fund	4,441	4,441

The bank's responsibility is limited to marketing the portfolio without assuming exposures to any risks. The maximum bank risk exposure is limited to the fee and commission receivable in return for the management of the portfolio and the bank does not guarantee the portfolios liabilities other than operational risk represented by the non-compliance with investment conditions as well as reputation risk.

29. Restricted investment balances

	2009			2008		
	Balance	Average profit rate	Bank's share	Balance	Average profit rate	Bank's share
Type of Investment						
Restricted investments for customers	178,360	4.25%	40	180,514	4.55%	10

30. Related party transactions

The Group has transactions in the ordinary course of business with subsidiary companies, associates, shareholders, directors, officers of the Group and entities of which they are principal owners. These parties have been granted financing facilities in accordance with the relevant market prices, and are performing without any provisions against them. At the balance sheet date, such significant balances and transactions included:

	2009		2008	
	Directors	Subsidiaries and Associates	Directors	Subsidiaries and Associates
Balance sheet items				
On Balance sheet items				
Financing	578,240	1,485,500	1,148,176	1,464,000
Deposits	399,458	422,797	75,528	866,640
Mudaraba investment by associates	-	40,962	-	35,850
Mudaraba investment in property funds	-	-	-	81,636
Off Balance sheet items				
Contingent liabilities, guarantees and other commitments	58,773	178,360	38,954	178,360
Income statement items				
Fee and commission	37,585	86,943	74,631	67,713
Profit paid on deposits	1,576	17,235	9,747	8,451
			2009	2008
Key management remuneration during the year includes salaries and other benefits			22,644	28,310

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31. Cash and cash equivalents

Cash and cash equivalents do not include balance on reserve account with Qatar Central Bank and comprise the following balances with less than 90 days maturity:

	2009	2008
Cash and current account with central banks	313,233	234,231
Due from and investments with banks and financial institutions	8,600,251	5,466,715
	8,913,484	5,700,946

32. Parent company

Balance sheet:

	2009	2008
Assets		
Cash and balances with central bank	1,338,212	1,023,178
Due from and investment with banks and financial institutions	8,817,186	6,212,151
Due from financing activities	22,798,739	19,062,120
Financial investments	3,492,000	4,663,012
Other investments	693,060	1,190,741
Fixed assets	290,426	250,288
Other assets	1,419,755	660,590
Total assets	38,849,378	33,062,080
Total liabilities, unrestricted investment accounts and Shareholders' equity		
Due to banks and financial institutions	8,475,697	8,514,320
Customers' accounts	6,717,040	5,096,173
Other liabilities	957,316	827,533
Total liabilities	16,150,053	14,438,026
Unrestricted investment accounts	13,642,015	11,519,526
Shareholders' equity		
Share capital	2,067,566	1,969,110
Advance paid against increase in share capital	956,003	-
Legal reserve	3,780,816	2,923,269
General reserve	664,121	545,202
Risk reserve	428,500	358,856
Fair value reserve	(45,080)	(76,258)
Translation reserve	(18,413)	(22,713)
Proposed cash dividend	1,181,466	1,378,377
Retained earnings	42,331	28,685
Total shareholders' equity	9,057,310	7,104,528
Total liabilities, unrestricted investment accounts and Shareholders' equity	38,849,378	33,062,080

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

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32. Parent company (continued)

Statement of income:

	2009	2008
Income		
Income from financing activities	1,845,442	1,343,459
Income from investing activities	270,494	895,510
Total income from financing and investment activities	2,115,936	2,238,969
Commission and fees income	256,264	229,081
Commission and fees expenses	(17,493)	(12,229)
Net income from commission and fees	238,771	216,852
Gains/(losses) from foreign exchange operations	45,146	(80,706)
Other operating income	6,075	7,891
Operating revenue	2,405,928	2,383,006
Expenses and provisions		
General and administrative expenses	(405,708)	(374,110)
Depreciation of fixed assets	(31,925)	(16,026)
Provision for impairment of receivables and financing activities	(25,799)	47,750
Provision for impairment of financial investments	(82,572)	-
Provision for impairment of other investment	-	(65,011)
Net profit for the year	1,859,924	1,975,609
Less:		
Unrestricted investment account holder's share of profit	(510,366)	(386,704)
Net profit for the year attributable to shareholders	1,349,558	1,588,905

Statement of cash flows:

	2009	2008
Cash flows from operating activities		
Net profit for the year before share of profit for unrestricted investment account holders	1,859,924	1,975,610
Adjustments for:		
Depreciation on fixed assets	31,925	16,026
Provision for impairment of due from financing activities	25,799	(47,750)
Provision for impairment of financial investments	82,572	(4,524)
Provision for impairment of other investments	-	65,011
Revaluation loss on financial investments	-	12,240
Share of profit from associate	(147,057)	(239,558)
Foreign exchange fluctuations gains	(6,512)	20,915
Gain on sale of fixed assets	(88)	-
Gain on sale of financial investments	-	(178,313)
Income from revaluation on investment property at fair value	-	(198,129)
Gain on sale of other investments	-	(119,769)
Net operating profit before changes in operating assets and liabilities	1,846,563	1,301,759

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32. Parent company (continued)

Statement of cash flows (continued):

	2009	2008
Net decrease/(increase) in assets:		
Balances with banks and financial institutions	598,635	(704,593)
Reserve with Qatar Central Bank	(236,033)	(417,106)
Due from financing activities	(3,762,418)	(7,229,545)
Other assets	(759,163)	(84,487)
Net increase/(decrease) in liabilities:		
Due to banks and financial institutions	(38,623)	4,923,684
Customer accounts	1,620,867	710,591
Other liabilities	101,091	300,174
Net cash flows used in operating activities	(629,081)	(1,199,523)
Cash flow from investing activities:		
Purchase of financial investments	(304,410)	(2,255,405)
Additional investment in associate company	(628,904)	(535,000)
Proceeds from sale of financial investments	1,414,466	1,373,860
Dividends received from subsidiary companies	62,255	-
Proceeds from sale of associate company	781,888	-
Dividends received from associate companies	15,000	-
Purchase of other investments	(115,784)	(401,753)
Proceeds from sale of other investments	613,464	380,341
Purchase of fixed assets	(72,178)	(164,901)
Proceeds from sale of fixed assets	203	-
Net cash flows generated from/(used in) investing activities	1,766,000	(1,602,858)
Cash flows from financing activities:		
Increase in share capital	956,003	1,253,070
Advance paid against increase in share capital	956,003	-
Increase in unrestricted investment accounts	1,612,123	3,282,495
Dividend distributed	(1,378,377)	(238,680)
Net cash flows generated from financing activities	2,145,752	4,296,885
Net increase in cash and cash equivalents	3,282,671	1,494,504
Cash and cash equivalents – Beginning of the year	5,545,372	4,050,868
Cash and cash equivalents – Ending of the year	8,828,043	5,545,372

33. Purchase of part of real estate portfolio by Government of Qatar

The Bank has sold part of the real estate portfolio to the government of the State of Qatar at an agreed book value as of 31 May 2009, which were included in due from financing activities for real estate financing (note 7) and in financial investments for real estate investments (note 8). The risk and rewards related to these assets has been transferred to the government, hence all related revenue and expenses were not included in the Bank's revenue and expenses effective from that date.

34. Comparative figures

Certain corresponding figures have been reclassified to conform to the current year presentation.

Head Office and Branches



Head Office

(Grand Hamad street)
Tel. 4409409, Fax 4412700

Corporate Finance & Private Banking Branch

Tel. 4402935, Fax 4350293

Al Fanar Branch

Tel. 4249222, Fax 4412700

Salwa Road Branch

Tel. 4681667, Fax 4680123

Al Gharafa Branch

Tel. 4866656, Fax 4866056

Al Sadd Branch

Tel. 4289666, Fax 4478947

Al Khor Branch

Tel. 4721666, Fax 4721888

Al Rayyan Branch

Tel. 4597777, Fax 4811612

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Al Wakra Branch

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Aljazeera Channel Branch

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Ras Laffan Branch

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Industrial Area Branch

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Al Muntazah Branch

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Al Shahania Branch

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Al Ghuwairiya Branch

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City Center Branch

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