



المصرف

إلتزام بالريادة
Committed to leadership

2010 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



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 Supervisory Board of the Bank and in accordance with the provisions of its Memorandum and Articles of Association.

Vision, Mission, Values

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



QIB - UK 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. QIB - UK 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.

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 Mahmmoud**
Managing Director



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



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



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



Mr. Mansour Al Muslah
Director



Mr. Abdulla Bin Saeed Al Eidah
Director



Mr. Nasser Rashid S. Al-Kaabi
Director



Shari'a Supervisory Board



بيت التمويل العربي
ARAB FINANCE HOUSE



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.

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

His Eminence Sheikh Abdul Qader Al Ammari
Member

His Eminence Dr. Ali Al Mohammadi
Member

Prof. Abdul Sattar Abou Ghodda
Member

His Eminence Sheikh Nizam Mohd. Yacoubi
Member

Senior Management



Ahmad Meshari
Acting CEO



Murtada Khidir
General Manager
Finance Group



Syed Maqbul Quader
Group Chief Risk Officer



Salah Al-Hail
General Manager
Real Estate Group



Dr. Ahmed A. Al Kuwari
General Manager
Human Capital



Board of Directors' Report

Assalamu Alaikum

On behalf of Qatar Islamic Bank's Board of Directors, I take immense pleasure in presenting to you the Annual Report for the fiscal year 2010, which will provide you with a brief insight into our activities and achievements during the year as well as our plans and targets for the coming year.

The global economy commenced a slow recovery in 2010 after a period of recession in 2009 which resulted in many governments and banks adopting a host of hedging measures and actions to withstand the downward trend. This led to certain positive results and a 3.8% growth was achieved by the global economy. Emerging economies as well as economies of Asian countries, China, Turkey and Latin American countries performed better in several areas. GCC countries were not spared from the effects of the global downturn; the result being a significant recession in the real estate sector which was the principal driving force of many economies.

The economy of Qatar still recorded an excellent performance and posted significant growth rates. This was mainly due to the strong support offered by the Government. The Country implemented a sovereign plan to revive the economy and achieve full-fledged growth

in order to meet the social and economic liabilities of its international and domestic commitments. This, in turn, led to around 14% growth in GNP in 2010 and an accelerated pace of development in the industry, energy and services sectors. Unfortunately, the real estate sector could not maintain a similar pace of development and is still suffering from the adverse impacts experienced by neighbouring countries.

Qatar Islamic Bank managed to prudently tackle the immense challenges of these repercussions, by adopting a strategy that ensured that the Bank realised its targets. In this regard, the Bank shifted its focus towards more promising areas. Domestic Business, Retail Financing and Small & Medium Size Enterprises (SMEs) were the key areas of interest for the Bank during 2010. The Bank signed a joint venture agreement with Qatar Development Bank to jointly implement the 'Al Dhameen' programme for the benefit of SMEs. Significant progress was also achieved in attracting large-scale companies, by offering them medium and long-term facilities at flexible terms.

The Bank realised outstanding achievements during the year 2010. Its first Global Islamic Sukuk was successfully issued and offered during the year. The US\$ 750 million worth IPO was largely oversubscribed, a true indicator of the confidence investors have in QIB as a reliable Islamic financial establishment. Qatar Islamic Bank acquired a stake in the State's Ijara Islamic Sukuk issued through Qatar Central Bank, thereby consolidating its role in the national economy. At the international level, QIB re-arranged its foreign investments, and re-organised and re-structured its affiliate companies, mainly

Qatar Islamic Bank has made significant strides in its endeavour to adapt to the requirements of Basel-2 standards, to integrate its financing & investment portfolios, and to strengthen its provisions with a view towards consolidating its financial exposure. The Bank also adopted an operations strategy in line with its 5-year plan till 2012.

Asian Finance Bank (AFB), where the Bank upgraded itself to the level of founding member and, European Finance House (EFH), which was transformed into a branch in the UK operating under the Bank's direct control, a move that resulted in the realisation of its expected capabilities.

At the Domestic Level, Qatar Islamic Bank succeeded in fostering investment ties with the Country's largest economic and real estate establishments, like Qatari Diar and Barwa, as well as many other public and private sector companies as a result of its flexible and mutually beneficial financing facilities. The Bank signed a joint venture agreement with 'Al Futtaim Group', a regional economic power, to become a partner in the 'North Gate' real estate project along with certain QIB affiliates and private sector investors.

Internally, the Bank further enhanced the capabilities of its IT & Human Capital Divisions. The services of the Human Capital Division is now 100% automated. Significant progress was also achieved in the Bank's Qatarization levels in line with the targets set by the Government. The Division also worked towards enhancing the quality of the Bank's workforce by attracting qualified professionals and by providing tailor-made training opportunities. QIB succeeded in ensuring a country-wide reach for its services by expanding its branch network. Our total number of branches are expected to reach 35 in 2011.

During the year the Bank pursued with its approved restructuring plan and established a new Strategies & Marketing Group. We successfully implemented a wide range



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.



The Bank adopted an operations strategy in line with its 5-year plan till 2012. The new strategy aims to maximize shareholder and investor returns, consolidate its distinct regional and international positions, upgrade its products & services using cutting edge technologies and reinforce the competency of its team in order to achieve the highest levels of productivity.

of projects. The Bank also hired the expertise of internationally renowned consultancies in order to develop and implement a number of policies & procedures as well as financial tools in line with the requirements of the State's regulatory bodies.

Qatar Islamic Bank has made significant strides in its endeavour to adapt to the requirements of Basel-2 standards, to integrate its financing & investment portfolios, and to strengthen its provisions with a view towards consolidating its financial exposure. The Bank also adopted an operations strategy in line with its 5-year plan till 2012. The new strategy aims to maximize shareholder and investor returns, consolidate its distinct regional and international positions, upgrade its products & services using cutting-edge technologies and reinforce the competency of its team in order to achieve the highest levels of productivity.

The Bank ardently pursued its planned targets and realised satisfactory results during 2010. Assets grew by 32% and reached QR 51.8 billion compared to QR 39.3 billion in 2009, and Operating Income reached QR 2.353 billion with a Net Profit of QR 1.334 billion after incorporating Deposit Holders/ Minority Rights and Sukuk Holders. Financing Portfolio registered a 30% YOY growth and increased to QR 29.3 billion. A phenomenal 97% growth was posted in Domestic Financing. This reflects a significant reduction in operating risks by steering clear of the fluctuations and instabilities in international markets.

In the light of these results, the Board of Directors has decided to submit a recommendation to the honourable assembly to distributed a 50% dividend (QR 5 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 the Almighty lead us all to perform the right deeds and acts for the progress and development of our bank.

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

Statement of the Shari'a Supervisory Board

for the fiscal year 2010

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

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

The 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 2010, 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 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"

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

His Eminence Sheikh Abdul Qader Al Ammari
Member

His Eminence Dr. Ali Al Mohammadi
Member

Prof. Abdul Sattar Abou Ghodda
Member

His Eminence Sheikh Nizam Mohd. Yacoubi
Member



CEO Report

Despite the downturn of the global economy, the Bank realised positive growth in its Shareholders' Equity, Assets and Deposits during 2010

QIB has taken effective steps to achieve its goals by partnering with an expert, international company to develop its operational strategies and restructure the Bank in line with the local, regional and global financial developments.



ASIAN FINANCE BANK

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 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.

Global Economy

The economic crisis that engulfed the global economy in 2008 had somewhat receded by 2010. The speed of recovery, however, has not been particularly swift. A recovery it remains nonetheless, and the World Bank reports that the global economy is still on the growth trend. It estimates that the global GDP increased by 3.8% last year. Developing countries have witnessed a growth rate of 7% while developed countries have posted a more sedate 2.8% growth rate on an average.

The World Bank reported that international investment flows to developing countries increased by 42% in capital shares and by 30% in bonds last year. Foreign direct investment in developing countries increased by 16% in 2010 and reached US\$ 410 billion following a fall of 40% in 2009. This economic revival is a result of the increased investment flows from countries outside the traditional economic power houses of Europe and America, with Asian countries providing the greater part of the boost.

Developing countries in the Middle East have witnessed a slender recovery in 2010 due to the adverse economic conditions and also due to the ongoing economic incentive programmes currently taking place in these countries.



The increase in oil prices during 2010, which continued into 2011 as well, has supported oil-exporting developing countries while the recovery in European economies and high-income GCC economies has boosted exports, immigrant remittances and tourism revenues. Following a growth rate of 3.3% in 2010, the GCC region is expected to achieve a growth of 4.3% and 4.4% in 2011 and 2012 respectively, mainly due to the increase in domestic demand, the continued recovery of export markets and high oil prices.

According to international economic institutions like the World Bank and Asian Development Bank, Asian countries will lead the economic growth in 2011 if they succeed in decreasing their excess imports and enhance their economic growth by supporting their domestic markets. This will go a long way in preventing problems resulting from economic crises like the European credit crunch and the falling demand in US markets.

National Economy

International economic reports reveal that the Qatari economy is one among the best performing economies, both regionally and globally, due to the abundance of hydrocarbons in the Country. These reports also suggest that Qatar's oil and gas revenues have increased significantly, primarily from the sale of gas. Revenues rose from US\$ 132 billion in 2009 to US\$ 150 billion last year.

During 2010, Qatar reached the landmark production capacity of 77 million tonnes per annum of natural gas, a globally significant figure.

Qatar's GDP reached US\$ 437 billion in 2010 at a growth rate of more than 14% compared to 9% during the previous year. Economic growth is expected to reach 21% in 2011 if the oil price remains at or above US\$ 70 per barrel, which is highly likely.

The public budget for the financial year 2011/2012 is expected to be around US\$ 35 billion. Qatar is looking to inject approximately US\$ 140 billion into public spending in the next decade in order to develop its infrastructure. This expenditure excludes the oil and gas sector. Since the emergence of the global economic crisis, Qatar has invested US\$ 30 billion in purchasing and developing new assets in various global markets.

Qatar's successful bid to host the 2022 FIFA World Cup has further strengthened the investment atmosphere. This event will have a positive impact on all the economic sectors, especially infrastructure, contracting and transportation.

Islamic Banking – International

Statistical reports suggest that assets in international Islamic banks (more than 550 financial institutions) reached US\$ 700 billion at the end of 2010. This figure is made up of US\$ 300 billion in assets and US\$ 400 billion in financial investments. The US\$ 700 billion figure is a significant increase from the US\$ 200 billion figure posted over the last decade.

These reports also confirm that the asset growth of Islamic banking establishments was higher than those of conventional banks over the past ten years. Islamic banking is largely concentrated in the GCC region, with two thirds of the Islamic financial assets, while 20% of those assets are located in Southeast Asia.

Islamic banks have demonstrated their ability to confront the worst challenges of the global financial crisis. Many experts in international financial institutions are now considering Islamic banking as a viable alternative to conventional banking due to its ability to withstand crises and emerge mostly intact.

Sukuk – Islamic Bond – is today one of the most effective Islamic banking tools to generate funds for major projects. In 2010 the Sukuk bonds reached US\$ 14 billion, declining by 26% from the 2009 figure. QIB's Sukuk worth US\$ 750 million was one of the biggest issuance in 2010 followed by Abu Dhabi National Bank with US\$ 160 million. Financial experts expect that international issuances of Sukuk will increase by a massive 60% in 2011 to reach US\$ 22 billion mainly due to the economic recovery and the rise in oil prices.

Majority of the Sukuk will continue to be issued in the Middle East and Malaysia and the remainder will be issued in the US, Singapore and Indonesia. Banks, governments, and real estate & energy companies will be the major bodies to dispense Sukuk.

QIB presently occupies a leading position among the Islamic banking institutions worldwide, and is one among the top ten banks with assets worth US\$ 12.32 billion out of the total combined assets of all Islamic banks worth US\$ 193 billion. Islamic banks continue to maintain excellent capitalisation rates in order to meet the Capital Adequacy requirements of the 'Basel III' accord. QIB's 'capital adequacy' has risen to 17.4%.

Growth of the Qatari Banking Sector

The Qatari banking sector maintained a healthy growth last year. Assets reached QR 477.3 billion compared to QR 389.5 billion in 2009, a growth rate of 19.8%. Deposits reached QR 322.3 billion, increasing by 28.2% from the 2009 figure, and funding rose to QR 275 billion, increasing by 15.5% from the 2009 figure.

The Qatari Government supported the banking sector in the time of the global economic downturn by instructing Qatar Investment Authority to purchase shares (10 to 20%) in national financial institutions. Qatari banks have adopted cautionary strategies and are enhancing the scope of their activities under the guidance of Qatar Central Bank, which functions as a supervisory and monitoring body in order to ensure a steady progress in the local banking sector.

Islamic Banking in Qatar

Islamic banking in Qatar, led by QIB, posted healthy figures due to the balanced growth climate.

- Islamic banks hold US\$ 149 billion in the total assets of Qatari banks with a market share of 31%
- QIB is the leading Islamic bank in Qatar with a 35% share in the total assets of Islamic banks and a 30% share in total funding
- QIB's share in the total assets of Qatari banks is 11%

QIB's Role in the National Economy

Since its establishment in 1982, QIB has been playing a major role in the local economy by being at the forefront of the banks that cater to the funding requirements of national and international projects. QIB has demonstrated its effective role in the local economy, through a number of initiatives in various banking activities, including:

- Funding various economic sectors, particularly strategic projects
- Taking a leading role in the establishment of a number of national financial institutions such as QInvest, Al Jazeera Finance, Aqar, and the Islamic Insurance Company 'Beema', and by maintaining shareholdings in many other companies
- Participating in funding and investment projects of national institutions, like Qatari Diar, Barwa and Qatar Airways, both in Qatar and abroad
- Funding Small and Medium Enterprises (SMEs)

Major Results and Financial Indicators of 2010

During 2010, 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. Both banking and investment sectors realised encouraging results. Last year, QIB further expanded its presence locally, upgraded its IT systems and enhanced its product portfolio. The Bank has also reorganised its internal structure in anticipation of the future expansions.

Financial Indicators of 2010

Despite the downturn of the global economy, the Bank realised positive growth in its Shareholders' Equity, Assets and Deposits during 2010, as shown below:

- Assets increased to QR 51.8 billion from QR 39.3 billion in 2009 (Growth: 32%)
- Deposits increased to QR 30.3 billion from QR 20.4 billion in 2009 (Growth: 49%)
- Financing Portfolio increased to QR 29.3 billion from QR 22.6 billion in 2009 (Growth: 30%)
- Financing Income increased to QR 1.863 billion from QR 1.816 billion in 2009 (Growth: 3%)

- Net Profit reached QR 1.334 billion compared to QR 1.322 billion in 2009
- Total Shareholders' Equity increased to QR 9.1 billion from QR 9 billion in 2009
- Return on Average Equity (ROAE) in 2010 was 17.9% compared to 20.4% in 2009
- Earnings per Share was QR 6.20 compared to QR 6.10 in 2009
- Capital Adequacy reached 17.4%, well above the QCB regulatory rate of 10%

QIB Achievements in 2010

QIB recorded a number of remarkable achievements during 2010.

- QIB successfully raised US\$ 750 million in its debut International Sukuk. The total demand reached US\$ 6 billion, around 8 times the offered amount. This highly successful result further confirms the credibility of QIB and the investors' confidence in its progress and development.
- QIB contributed QR 1.25 billion to the Islamic Sukuk issued by Qatar Central Bank on behalf of the Qatari government.
- QIB signed a QR 2 billion Murabaha financing deal with Barwa Real Estate.
- QIB won a number of international awards related to project financing, banking information security and international financial deals, thereby highlighting its leading role in Islamic banking in Qatar and abroad.
- QIB, Al-Futtaim, and Aqar Real Estate Investment signed a QR 6 billion (AED 6 billion) joint venture agreement to construct a state-of-the-art entertainment and retail complex in Doha called the 'Bawabat Al Shamal Project'.
- QIB has achieved great success with its Hemaya investment product (QIB-UK) - a Shari'a-compliant investment product that guarantees excellent investment opportunities with an expected return exceeding 10% p.a.
- QIB signed a Memorandum of Understanding (MoU) with Woori Investment & Securities Inc (Woori) with the aim of facilitating mutual co-operation between the two parties in their search for suitable financial and investment opportunities in the Korean, Asian and Qatari markets.
- QIB has signed a Memorandum of Understanding (MoU) with the leading French banking group, Banque Populaire Des Caisses d'Epargne (BPCE), to promote co-operation between the two banks for launching Shari'a-compliant products such as Sukuk in the French market.

Domestic Business

The Domestic Business Group is of vital importance for QIB, as it oversees the retail banking and corporate financing services of the Bank.

Corporate Financing Services

Corporate Financing Services (CFS) posted a growth rate of 28% in 2010 compared to 2009. This sector has expanded its customer base and has diversified its portfolio by attracting a larger number of new customers from various economic backgrounds, thereby contributing positively to the economic development of Qatar. The outlook for 2011 is quite positive and the Bank is looking forward towards attracting more customers, expanding the scope of its activities and funding quality projects in compliance with the Shari'a regulations and in accordance with the QCB instructions.

Funding SMEs

The Bank further reinforced its leading position in the local market by offering financing services to Small and Medium Enterprises. In this regard, the Bank has signed a joint agreement with Qatar Development Bank.

We continually seek to develop our product and service portfolio in order to meet the evolving needs of our customers.

Credit Cards

The Bank further enhanced its credit card portfolio and introduced new cards like the Jana Card, Visa Infinite Card and E-card in 2010.

Alternative Channels

During 2010 QIB achieved a quantum leap in its 'alternative channel' services. The Bank enhanced the quality of human resources and upgraded the technology at its customer service centre, which is located at the Bank's new headquarters. The Bank further improved its Internet banking, corporate e-banking and retail e-banking services, and upgraded its ATM network.

QIB further enhanced the services of its private banking department which caters to 'elite' customers. The Bank's private banking customers today hold accounts worth US\$ 2.4 billion with the Bank.

Operations and Support Group

During 2010 the Bank upgraded its operation systems, and achieved noteworthy progress in centralising retail financing procedures, raising awareness on operational risks, and enhancing accountability standards through the corporate governance system in QIB. The Bank also improved and updated its IT systems.

An effective strategy was implemented to limit operational expenses and update the ATM network and a plan was prepared to establish a 'security operations room' according to QCB directives. Steps were taken to improve the health and Takaful insurance schemes of QIB employees as well as the funds and properties insurance schemes, and an electronic archiving system was initiated with the IT Group.

QIB is completely focused on ensuring that 2011 is an even better year for the Bank. In this regard we are adopting various strategies that will facilitate the Bank's progress and development. It is the will of the board of directors to continue with the most appropriate strategies to ensure a new era of growth and modernisation, and to achieve and exceed the expectations of our shareholders and customers.

Real Estate Group

In 2010 the Real Estate Group implemented a number of real estate financing projects on behalf of the Bank in accordance with Istisnaa, Ijara and Musharaka contracts. The Group presently handles real estate projects worth QR 5 billion, both inside and outside Qatar (completed and work-in-progress). A wide range of projects are also in the pipeline and are expected to commence in the near future.

Effective Risk Management

In 2010, QIB achieved significant progress in implementing a risk strategy and in providing independent monitoring to measure and control risks. The Risk Group works closely with all the competent parties at the Bank in order to identify, assess and control risks related to QIB activities and strategies. In addition, the interactive management of the financing portfolio is expected to limit credit risks to the lowest levels and manage investments effectively.

Domestic and Global Investments

As part of its strategy to enhance domestic and global investments, QIB undertook many major initiatives in 2010. It participated in the establishment of Dhaman Islamic Insurance Company (DIIC) by contributing 25% (QR 200 million) of the Company's capital. DIIC is a private company that operates in compliance with Shari'a regulations and is licensed to provide public and family Takaful insurance.

Domestically, as previously mentioned, QIB launched the 'Bawabat Al Shamal' project in collaboration with Al Futtaim Group and other national companies. QIB has also established Al Jazeera Finance (30% share) and Aqar (49% share) in co-operation with other partners.

During 2010, QIB restructured the companies affiliated to its international network and increased its share in QInvest to 49.5%. The Bank further enhanced its presence in Asian Finance Bank, by increasing its share to 33%. QIB and other Qatari partners own 70% of the Bank's overall shares. In addition, European Finance House was transformed into a group connected to QIB under the name QIB-UK.

QIB is looking to expand its presence to new markets by seizing the opportunities as and when they present themselves. These steps will be undertaken after taking into account the economic and financial developments at both the regional and international levels.

Human Resources Group

The Human Resources Group (HR) has been developed in line with the overall QIB strategy, with a view towards implementing the best HR practices, enhancing the capability and competency of employees, and keeping them abreast with the latest local and international banking developments.

In 2010, the Training Department organised a total of 122 training programmes (both inside and outside Qatar) for 1,019 trainees. 55 programmes were internal, providing 941 employees with a total of 16,611 hours of training. 67 external programmes involving a further 78 employees, 40% of whom were Qataris, were also undertaken.

A further 86 employees successfully completed professional certification courses in various disciplines: Management Programmes, HR Training, IT Competence, and Development of Personal Skills, among others.

At QIB, we give top priority to attracting and retaining Qatari employees. This is in accordance with the agreement signed with the Ministry of Labour. QIB is also sponsoring students who are undertaking professional courses at various universities. Currently, 20 students are enrolled at Qatar University and College of the North Atlantic-Qatar (CNA-Q) for three-year courses. Nine of them will graduate this year and will join QIB. In October 2010 QIB signed one-year agreements for an additional 15 students at CNA-Q who will be joining QIB shortly.

QIB has developed a programme to upgrade the employment procedures, salaries, incentives and the working environment in order to create a work environment that will help the employees to fulfil their potential and enhance their performance.

Corporate Social Responsibility (CSR)

We are committed to CSR activities and seek a progressive role in this area. Our CSR strategy aims to sponsor health care, educational, social, cultural, environmental and charity activities as well as conferences. The Bank has contributed QR 13 million towards various CSR activities.

In 2010, QIB's Zakat Committee provided QR 5.6 million in donations, bringing the total amount of donations for charity causes to QR 24 million over the last five years.

Conclusion

We are completely focused on ensuring that 2011 is an even better year for the Bank. In this regard we are adopting various strategies that will facilitate the Bank's progress and development. It is the will of the board of directors to continue with the most appropriate strategies to ensure a new era of growth and modernisation, and to achieve and exceed the expectations of our shareholders and customers.

QIB has taken effective steps to achieve its goals by partnering with an expert, international company to develop its operational strategies and restructure the Bank in line with the local, regional and global financial developments. In addition, QIB is developing an advanced system of rules and procedures, and a strategy to develop products in order to maintain its position at the forefront of Islamic banking and to play an even greater role in the growth of the national economy.

Ahmad Meshari
Acting CEO

Domestic Business Group

During 2010, the Corporate Financing Division pursued with its outstanding track record, and posted a 28% growth in its Financing Portfolio; thus becoming the largest contributor to the realised profitability of the Bank in 2010. It also played a major role in generating high returns for the Bank's shareholders and depositors.

Corporate Financing Division

The Corporate Financing Division (CFD) is one of the key business sectors in Qatar Islamic Bank, as it handles the largest segment of activities of the Bank. Hence QIB attaches a great deal of importance to this division in order to ensure its effective contribution to the development of the national economy.

The Corporate Financing Division endeavours to meet all its corporate customers' needs and aspirations by offering a full-fledged range of banking products and services based on innovative Shari'a-compliant concepts.

A wide range of quality services and financial solutions are made available to customers through specialised departments and experienced professionals. The Division offers customised solutions based on the client's activity be it commercial, industrial, service, financial, investment, real estate, or construction, among others. It dedicates adequate time to assimilate the information before proposing an appropriate Shari'a-compliant financial solution.

During 2010, CFD pursued with its outstanding track record, and posted a 28% growth in its Financing Portfolio; thus becoming the largest contributor to the realised profitability of the Bank in 2010. It also played a major role in generating high returns for the Bank's shareholders and depositors. The Division has further diversified its customer base by successfully attracting a large number of new customers from various economic sectors to its portfolio.

The outlook for 2011 is quite positive and the Bank is looking forward towards attracting more customers, expanding the scope of its activities and funding quality projects in compliance with the Shari'a regulations and in accordance with the QCB instructions. In this regard, the Division has adopted all the necessary plans to ensure that the shareholders and depositors continue to realise exemplary returns.

Retail Banking Services Division

The Retail Banking Services Division is a major component of the Bank's operations, as it supervises the entire local branch network, the Bank's main outlets for marketing its banking, financing and investment products. The branches have been transformed into independent centres, with each branch now independently managing its own operations and acting as a profit centre.

The Bank has achieved a quantum leap in 'Alternative Channels' services. During 2010 the branch network expanded to 28 following the inauguration of the Suhaim Bin Hamad Street branch. QIB has presently embraced an aggressive strategy to increase its number of branches to 35 by 2012.

During 2010 the Bank realised 16% growth in Deposits and 14% growth in Financing.

During the year the Bank witnessed a significant development in the marketing of its retail banking products, and in establishing new customer-oriented facilities. Driven by a set of competitive policies, the Branches Division has been offering innovative products that aim to further consolidate its domestic market share, enhance its competitiveness among peers and prepare it to overcome any downturn the financial sector might face.

Alternative Channels

The Bank has achieved a quantum leap in 'Alternative Channels' services. Established to foster customer-oriented business relationships, this section facilitates the use of cutting-edge banking technology and multi-feature IT applications. The technical and human resources infrastructure of the Call Centre has been further enhanced and the Centre has been relocated to a new premises.

This was practically demonstrated by introducing several new improvements like phone banking, corporate e-banking, enhancement of retail e-banking services, upgrading SMS banking, upgrading the ATM system, expanding the ATM network to 112 and introducing new ATM services like smart deposit, cheque clearing, and utility bills payment.

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 2.4 billion.

In 2010, PBD attracted a phenomenal QR 123 million worth of investments from its clients, by offering them a wide range of investment opportunities, from property to investment portfolios & funds.

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 2011, 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.

Finance Group

2010 witnessed the implementation of the new Reconciliation System and the upgrading of financial systems, in order to increase productivity and efficiency. Finance Group also successfully implemented the new MIS reporting tool.

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 is constantly developing its operational functions and structures and places pronounced emphasis on the crystallization of its mission and the remolding of the concepts of financial control, planning and business support through enhanced management information systems.

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. 2010 witnessed the implementation of the new Reconciliation System and the upgrading of financial systems, in order to increase productivity and efficiency. Finance Group also successfully implemented the new MIS reporting tool which

covers all core and non core activities of the Bank. It provides a package of performance reports to the business units, which are derived from customers' database and concentrates on the profitability of the business units, products, and customers. Reports are generated to assess the profitability and operational performance of the RSMs. Also it provides quantitative indicators to monitor business performance. Other milestones achieved were the use of FTP rates, implementation of cost centres and indirect cost allocations.

To achieve and maximize the value-additions of the new system the Group conducted training sessions for the concerned employees in the core business areas in order to enable them to fully understand the new MIS reports and use them for assessing business performance and for developing the appropriate procedures for improving performance. It is considered to be the best reporting system in the banking system.

Additionally, the Group works closely with the IT Department to develop support systems such as the Budget System for the implementation of the Enterprise Resource Planning (ERP) system.

The Group has reacted positively to systems implementation initiatives such as the Bank's Assets and Liabilities Management System (ALM), the Automatic Payment System (QATCH), Treasury System, the T24 System and the Funds Transfer Pricing (FTP).

The Group actively participated in all the stages of the issuance of the first Islamic Sukuk by the Bank worth US\$ 750 million and met the requirements of all the relevant parties. The Group continued to work closely with domestic markets and financial analysts in order to enable them to get the required information, take correct investment decisions and undertake proper evaluation after taking into account the provisions of the national regulatory systems.

The Group led and co-ordinated the Bank's efforts to provide technical support to well-known international rating agencies. This led to Fitch and Capital Intelligence affirming the Bank's rating despite the global financial crisis.

The Group played an equally important role in developing AAIOFI standards working closely with the Accounting and Auditing Standards Council for Islamic Financial Institutions.

The Finance Group plans to further develop and improve the financial reporting and internal control system management by providing a high level of effective support for achieving the

targets set for 2011. It will continue with its role of managing and developing an integrated financial system in order to keep pace with the Bank's strategic plan to expand domestically and abroad as well as to meet the requirements of business growth. The Group aims to be a model for successful performance and will continue to employ state-of-the-art technology and best international practices and applications. It will also enable decision-makers to take the right decisions and will contribute towards the realisation of the Bank's strategic objectives of achieving sustained business growth and maximum profitability.

Risk Group

The strengths and value drivers of the Risk Group stem from: a comprehensive risk management framework that covers all the risks in the organisation, a strong credit risk management discipline and a solid foundation established by QIB's Risk Programme, which the Group continues to build on across the Bank by identifying and implementing the best practices.

The Risk Group is responsible for setting the risk strategy and providing independent oversight of risk measurement, monitoring and control. Further, the Risk Group works in partnership with the businesses to identify, assess, mitigate and monitor the risks associated with all business activities.

The Risk Group performs several important activities including the following:

- Developing QIB's risk appetite;
- Setting the risk strategy to manage risks in alignment with our risk appetite and business strategy;
- Establishing and communicating policies, procedures and limits to control risks in alignment with the risk strategy;
- Measuring, monitoring and reporting on risk levels;
- Identifying and assessing emerging and potential strategic risks; and
- Deciding on transactions that fall outside of the risk limits and are delegated to underlying business lines.

Within the Risk Group, four key divisions which are independent of the originating businesses, contribute to the management of risk. They are:

Risk Support: This function is responsible for the oversight of domestic credits associated with our retail, commercial and corporate lending activities. Risk Support is also responsible for the credit administration and remedial functions.

International Business Review & Analysis: This division identifies, assesses and measures QIB's risks arising from its international financing and investments at the transactional level. This division is also responsible for conducting the portfolio review of the major subsidiaries on a regular basis.

Risk Management: This division provides independent oversight of the measurement, monitoring and control of credit, market, operational and IT security risks. Risk Management is also responsible for risk reporting and for bank-wide policies and procedures.

Legal: The Legal Function has the responsibility of shielding the Bank from contractual risk, litigation risk, legislative risk and intellectual property risk on the local, regional and international levels. This division reviews and recommends changes, where necessary, to all QIB contracts and agreements in order to be in compliance with the laws and regulations governing the Bank.

Strengths and Value Drivers

The strengths and value drivers of the Risk Group stem from: a comprehensive risk management framework that covers all the risks in the organisation, a strong credit risk management discipline and a solid foundation established by QIB's Risk Programme, which the Group continues to build on across the Bank by identifying and implementing the best practices. The effective engagement with our lines of business allows us to:

- Appropriately understand and manage risks; and
- Manage proactively our portfolios to maximize recoveries on problem accounts.

Priorities of Risk Group

The priorities of the Risk Group include:

- Managing risks effectively throughout the economic cycle;
- Reinforcing and maintaining the knowledge and understanding of risk and risk management across the Bank;
- Enhancing the articulation of our risk appetite across our lines of business;
- Implementing risk management initiatives, enhancing our capabilities and introducing new methodologies to measure, monitor and report risk with transparency and clarity across the organisation;
- Maximizing the value of our impaired loans and problem accounts;
- Maintaining strong relationships with our regulators.

Our Path to Differentiation

In order to achieve excellence, the Risk Group aims to:

- Reinforce the risk management framework, which implies that business groups own the risk in their operations and Risk Group provides independent oversight to the Board of Directors;
- Promote excellence in risk management as a defining characteristic of QIB, both internally and externally;
- Support the Bank's customer focus;
- Provide leadership in the management of enterprise risk and emerging risk-related industry concerns.

Objectives and Achievements

During 2010, the Risk Group worked effectively in the changing economic environment by:

- Delivering a strong credit performance with significantly lower credit losses in 2010 compared to 2009;
- Managing market risk positions without significant volatility;
- Working with the business groups to advance new business initiatives consistent with our risk appetite;
- Working with business groups to reinforce our risk culture and make risks more transparent;
- Working within an independent oversight framework and the risk appetite limits to meet the requirements of the Bank's customers.

The Group aims to further strengthen the risk management practices by expanding the group capabilities and pursuing continuous improvement. These include:

- Enhancing the Bank's capabilities on stress testing;
- Defining levels of skill and competency in risk management to ensure that the employees are assigned to roles that suit their capabilities.
- Proactively managing our loan portfolio to maximize its potential and minimize future credit losses.

Operations & Support Group

The core mission of the Operations and Support Group as a business partner is to provide seamless service delivery support to all business functions across the Bank in order to achieve the strategic objectives of the Bank.

Departments Reporting to the Group

The Operations and Technology Group consists of a full fledged Information Technology Division that provides the technical, infrastructural and telecommunication support for all business functions and branches, and for all products offered to customers. The Operations Division consists of centralised functions which process corporate and retail asset financing products, transactions related to clearing, salaries, and other customer account processing functions, card operations, treasury back office, investment operations, and Trade Finance. The above Group also handles the administration function which includes the fixed assets of the Bank, as well as other core support services, such as providing physical security to the premises, interbranch mail function, stationery, etc.

This Group is governed by various operational and technical models that require strong leadership, dedication and technical know-how to drive the operational teams in a high risk oriented and customer driven environment. The Group also follows various managerial techniques and performance measures in order to achieve high efficiency and productivity standards, optimal utilisation of resources, and limited currency and service cut off times. This, in turn, enables it to cater to the ever-evolving business and customer expectations.

Main Achievements During 2010

- Significant progress achieved on the centralisation of retail financing.
- Introduced productivity reports to measure the productivity of the team while in processing mode.

- Improved operational risk awareness across the operations, and activated the accountability standards through the QIB governance system.
- Implemented the Management Information Dashboard to provide essential MI for business volumes, by each operational function, from the beginning of 2011.

Information Technology (IT)

Information Technology (IT) Division is one of the key players in Qatar Islamic Bank. It enjoys special importance due to the vital role it plays in operating various technical systems related to customer service delivery channels like the branch and ATM networks.

During 2010 IT was instrumental in further developing the business systems by upgrading the Bank's IT infrastructure and other related operational programmes as well as the Information Security Systems.

This Division comprises of four departments, namely:

- Corporate Internet Banking
- Qatar Automation Transfer Clearing House (QATCH)
- Call Centre Upgrade
- Optimization of Middleware and the SMS Integration
- **Treasury System:** Treasury System satisfies all Back Office (TBO), Front Office (TFO) and Middle Office (TMO) transactions and activities.
- **Basel II System:** A solution that satisfies banking securities and other financial subsidiaries.

- Develop a solid alliance and communication with the HR/ Administration Department to prepare all new end-users with the proper hardware and software tools in order to start their assignments immediately.
- Qtel Utility Bill Payment
- **Corporate Internet Banking:** The goal of Corporate Internet Banking is to strengthen QIB's position in the marketplace by offering a wide range of services to the QIB customer base.

Electronic Cards

The E-Cards Department caters to a large customer base through a range of ATM, credit and prepaid cards. It also offers numerous after sales services, handles customer complaints related to customers' ATM/credit card problems, both inland and abroad, and replenishes the ATM units with the needed cash everyday.

The achievements realised by this department in 2010 include issuing the Corporate Internet Banking Card and the Visa Infinite Card as well as employing the Electronic Journal in the Bank's ATM network.

Administration

During the year the Administration Department extended significant support to all the business units across the Bank.

Strategic Goals realised by the Department during 2010 are:

- Implemented the Department's directives regarding reduction of operational costs in line with the General Management's directives.

- Updated the new O.C. after the same was approved.
- Made the new O.C. operational after it was approved.
- Updated the CCTV systems of our ATM network.
- Prepared a plan for establishing a Main Security Operations Room as directed by QCB.
- Updated the terms and conditions of the medical & Takaful insurance schemes for the employees as well as the terms and conditions of the funds & properties insurance schemes.
- Enhanced the performance levels of the department team.
- Initiated the execution of the e-archiving system in co-ordination with the IT Division.

Future Vision

The Operations and Support Group has commenced a major paradigm shift in the methodologies employed to implement strategic objectives, by leveraging on the solid platform built during 2010 in order to progressively move ahead with the various initiatives within the defined accountabilities and time frames. The major initiatives set for 2011 are to finalise the centralisation of all non-customer facing functions from branches to centralized operations departments, improve efficiency at all levels, and shift the team orientation from purely process driven towards a completely customer driven approach through defined service level agreements. With regard to Information Technology, teams will join hands with business partners to ensure the successful implementation of the Temanos front end system, and during Phase II, the back end operating system.

Real Estate Group

Real Estate Group is presently involved in the design stage of several mega projects, namely: Doha Hypermarket, IT Centre (QIB), a QIB Tower (in Al Waseel Marina District), and Thu'eilab Residential & Hotel Tower (Al Waseel Marina District).

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. It has enabled the Bank to play 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.

During 2010, the Group managed real estate projects (including completed and work-in-progress and excluding future projects) worth around QR 5 billion in Qatar. The most important of these are five tower projects in The Pearl-Qatar, Owaina Tower, Sheikh Abdullah Bin Khaled Tower, Silhouette Tower & Intercontinental Hotel, Alsamiriya Twin Towers, Al-Rames Tower, Jumana Tower, Rayan Hotel Tower, Marina Tower in Al Waseel and, Sheikh Abdullah Bin Khaled Showrooms.

Real Estate Group is presently involved in the design stage of several mega projects, namely: Doha Hypermarket, IT Centre (QIB), a QIB Tower (in Al Waseel Marina District), and Thu'eilab Residential & Hotel Tower (Al Waseel Marina District).

In the past, the Group has implemented numerous tower projects, including towers for the Ministry of Education, Qatar Olympic Committee, Courts of Justice, Al Sulaiti Tower (Ministry of Education) and the Mall Complex, among many others.

The achievements of the Real Estate Group is a true value-addition to the urban development of the Country, and reiterates its position as the ultimate authority of Islamic real estate financing, both inside and outside Qatar.

QIB Capital & International Business Group

The year 2010 has been another challenging but rewarding year for the QIB Capital & International Business Group in its continued endeavour to transform into a truly customer-focused service delivery platform and a highly professional business entity. The re-modeling and continuous improvement initiatives of this business unit has till date proven to be successful and beneficial both in terms of market penetration and also as part of QIB's clear growth strategy at an organisational level.

This customer-focused business model and infrastructure founded on the underlying assumption of creating synergies by combining corporate banking, finance and investment banking functions under one umbrella continues to seek and develop an in-depth relationship with large key and strategic corporate and institutional clients.

The Coverage (Client Development) Team established in April 2009 remains committed to building & strengthening 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.

Notwithstanding the relatively new business model of this group, resourced with a dedicated team of professionals from diverse backgrounds and skill sets, the Group has made significant achievements and solid in-roads in terms of customer acquisitions and large corporate market penetration in various industries including Shipping and Transport, Real Estate, Energy related, Trading, Manufacturing and Government/Semi Government Sectors. Total financing originated by the team during 2010 amounted to approx. QR 8.7 billion and a fee income of approx. QR 61 million was also realised during the year.

These are considered to be significant achievements given the heightened challenges in 2010 mainly caused by the interest rate/exchange rate differential between the Qatari, regional and international markets and the arbitrage opportunities that emerged as a result of the changing competitive environment mostly in favour of international/regional financial institutions.

QIB International

'QIB International' is the end result of a substantial internal work to rebrand QIB's international activities. Driven by a group expansion strategy that was validated by the QIB Board of Directors, the Department's role is to expand the Bank's operations across local borders in order to diversify the QIB client base and revenue mix and cater for the international growth of Shari'a-compliant banking activities.

In 2010, the activities mainly comprised of: i) value-creation and cross-selling activities mainly in the UK, Malaysia and Lebanon where QIB has strategic investments and, ii) studies and activities aimed at venturing into new potential markets such as but not limited to Turkey, France, Indonesia and Libya, bearing in mind the business opportunities for QIB Group.

Although it is a strategic activity with long term objectives, the performance of QIB's international portfolio of equity investments is being monitored closely. This involves regular revaluation of equities, investments or divestments according to different business scenarios.

International Real Estate (IRED)

The International Real Estate Department (IRED) is responsible for all the overseas real estate investments of QIB. With QR 548 million worth assets under management, the IRED team oversees direct investment assets and investments in real estate funds in Europe, GCC, North Africa, Asia and the United States. During 2010, IRED recorded a net profit of QR 43 million, despite the significant slowdown in real estate activities due to the global financial crisis. In addition, IRED worked alongside QIB's international subsidiary banks to put in place a co-ordinated global real estate investment strategy for the entire group, the results of which would be seen in the market during 2011.

Human Resources Group

The Human Resources Department embarked upon several key projects and initiatives during 2010. One of the key highlights was the re-branding and transformation of Human Resources to Human Capital, with the strategic goal of investing in people and becoming the 'employer of choice'.

The Human Resources Group is one of the key groups at QIB. It has been established as an independent group in the Bank's Organisation Structure in order to keep pace with the organisation's key objective of developing and upgrading the competency of its human resources to a level from where it can assume the responsibility of implementing the Bank's strategic plan for the coming years.

The Group exercises its responsibilities in five main functional areas, namely:

Organisational Development: Oversee organisational development, intervention, special Human Capital Projects, Performance Management, Compensation & Benefits and HRMS

Training & Development: Manage the training and development activities

Workforce Planning and Talent Acquisition: Oversee manpower planning, recruitment and retention of employees

Qatarization: Manage the Qatarization initiatives and objectives of the organisation

Employee Relations: Manage payroll & staff payments, government relations - visa, ID cards etc., employee requests, pension and related

The Human Resources Department embarked upon several key projects and initiatives during 2010. One of the key highlights was the re-branding and transformation of Human Resources to Human Capital, with the strategic goal of investing in people and becoming the 'employer of choice'.

2010 was a tough year due to the global economic downturns. Hence, the Bank had to adopt a 'Wait & Watch' strategy and ensure that cost-effective hiring was undertaken. During the year we successfully inducted 74 new employees. Human Capital continued to focus on the Bank's Qatarization objectives and was successful in achieving 26% Qatarization in recruitments and 40% Qatarization in training opportunities during 2010.

QIB was presented with an award by the GCC Nationalisation Committee for its commitment to Qatarization. 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 signed an MoU with the Ministry of Labour to sponsor ten Qatari students. The Programme is progressing with 21 high-calibre students on board. Human Capital also implemented an e-learning programme in 2010 as a first step

towards introducing a self-learning culture in the organisation. 161 employees have been enrolled in various e-learning programmes. During the year 900 training days, covering both external and internal training programmes, were undertaken for the Bank's employees. 26 Qatari students were enrolled for summer training and 3 Qatari employees were sent abroad for long term development programmes. The QIB Senior Management Team participated in the 'Oxford Leadership' advanced training programme that focussed on enhancing leadership skills.

As part of the Human Capital'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 in co-ordination with Ernst & Young. Human Capital also implemented the updated job descriptions and the new Performance Management System (PMS). It is currently in the process of implementing a revised Compensation & Benefits Structure and Reward Management System (RMS); both are expected to enhance the overall efficiency of the Bank and improve the overall performance and competitiveness.

Major HR Initiatives planned for 2011 include:

- implementing the 'Competency Assessment & Fitment Project' in order to detect skill gaps and develop employees;
- implementing the 'Rewards Management and Incentive Programme' in order to develop a performance-orientated culture;
- implementing the 'Manpower Planning Project' in order to analyse the actual workforce distribution vs the optimum required for the business as per the QIB Strategic Plan;
- succession planning for Senior Management and prescribing leadership roles;
- implementing the new compensation and benefits structure in order to attract and retain employees;
- implementing the revised policies and procedures in line with the best-in-class standards;
- developing a Leadership Training Programme for the Senior Management, developing the e-learning capability, establishing an Assessment Centre for Recruitment and Employee Development and, creating a Virtual Branch Training Facility for on-the-job training experience;
- improving the Qatarization drive by inducting more Qatari nationals; and
- developing the skills of Qatari nationals through sponsorship programmes as well as the development programmes sponsored by the Ministry of Labour.

Marketing & Communications

QIB continues to place pronounced emphasis on marketing and communications with a view towards exploring the viable media and communications avenues to enhance the image of the Bank and promote its products and services.

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 marketing campaigns to satisfying the needs 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.

Projects Management

The essence of the Central Project Management Office's (CPMO) vision is to partake in the joint efforts of the Board of Directors and the Senior Management that are aimed at giving a strong impetus to operational effectiveness and cost-effectiveness and, co-ordinate with other sectors in order to achieve the Bank's overall vision. In this regard, CPMO's role in ensuring proper project management is a basic component of Qatar Islamic Bank's comprehensive vocation.

The Central Project Management Office (CPMO) has been established mainly for handling special tasks like projects requiring in-depth planning, co-ordination of efforts and, streamlining of duties within a multi-party environment. In terms of organisation, CPMO's prime goals are: Projects Management and Quality Assurance.

The essence of CPMO's vision is to partake in the joint efforts of the Board of Directors and the Senior Management that are aimed at giving a strong impetus to operational effectiveness and cost-effectiveness and, co-ordinate with other sectors in order to achieve the Bank's overall vision. In this regard, CPMO's role in ensuring proper project management is a basic component of Qatar Islamic Bank's comprehensive vocation.

CPMO's Activities & Objectives during 2010

Immediately upon its inception, CPMO had set its short and long term goals. As part of its routine duties, it acts as an agent that facilitates progress and development by supporting the Management's efforts in harmonising and unifying efforts, by working on various projects of vital importance such as, for instance:

- AML System aimed at ensuring strict control over all financial transactions in line with QCB directives
- Basel-II Capital Adequacy System as per QCB instructions
- Automation of treasury operations and adjustment of the A/L position
- Business Continuity Management System (BCMS)
- Utility Payment System through ATMs
- Money Transfer System (AMTS)
- Upgrading the Bank's ATM Network System (ATM Aptra)
- Prepaid Credit Cards Project
- Qatar Credit Information Center Project (eDATE)
- Internet Banking Project
- Backup and Storage Project
- ATM Electronic Journal

Domestic and Global Network

QIB has always placed a strategic focus on local investments and has established a wide range of companies operating in the finance, real estate development and Takaful insurance sectors.



Al Jazeera Finance

Established in 1989, Al Jazeera Finance 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.

AQAR

Real Estate Development & Investment



عقار

للتنمية والاستثمار العقاري

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.



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 of the Company 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).

Bawabat Al-Shamal Co. W.L.L

Bawabat Al Shamal Real Estate Company W.L.L. was established in late 2007 in the State of Qatar. Qatar Islamic Bank, Aqar Real Estate Co. and private Qatari and Emirati investors are the shareholders of the Company. The activities of Bawabat Al Shamal include Real Estate Development and Investment as well as purchasing and selling real estate properties.

Currently, Bawabat Al Shamal is working on one of the biggest projects in Doha on the North Road. The Project proposes to build a Mall, an Entertainment City and two Hotels with all the facilities, over an area of 433,000 sq.m. at a total cost of up to QR 6 billion. The first phase of the Project is expected to be completed in early 2012, and the rest will be completed in 2015. The implementation of the Project is being undertaken in partnership with Al Futtaim Group, UAE.

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:



QInvest

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.



Arab Finance House

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.



Asian Finance Bank

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 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.



QIB - UK

QIB - UK 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. QIB - UK 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.

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 the 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 affirmed QIB's ratings as Long-term Issuer Default (IDR) 'A' with Stable Outlook, Short-term IDR 'F1,' Individual 'C,' Support '1' and Support Rating Floor 'A.' The Individual Rating (or stand-alone strength) reflects QIB's position as the leading Islamic entity with a nearly 50 percent share in Islamic assets and a nine percent overall market share in system assets, its high earning potential from core banking and its healthy capital ratios.

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 was 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 adjudged as the 'Best Islamic Bank of the Year 2011 in Qatar' by Global Finance magazine.
- QIB was selected as the 'Best Islamic Bank in Qatar for the Year 2010' by Islamic Finance news.
- QIB was adjudged the 'Best Islamic Financing Institution in Qatar in 2010' by the 8th International Real Estate Finance Summit (IREF) organised by ICG in London. QIB received the award due to its excellent financing solutions for local companies as well as its premier standing as a competent Qatari financial institution contributing towards shaping the national economy.
- QIB was recognised as the 'Bank of the Year 2010' by the Arabian Business Awards, who also honoured QIB as the region's most dynamic financial institution.
- QIB received the ISO 27001 Certification for Banking Information Security from the International Organization for Standardization (ISO), especially due to its possession and submission of several hi-tech standards related to information security, operations, and security procedures, especially in websites and software.
- QIB received the 'Executive Office Award for 2010' from the GCC Ministers of Labour. QIB was acknowledged for its outstanding commitment to the State's campaign to integrate Qataris into strategic positions throughout the local industry.

QIB received the ISO 27001 Certification for Banking Information Security from the International Organization for Standardization (ISO), mainly due to its possession and submission of several hi-tech standards related to information security, operations, and security procedures, especially in websites and software.

- QIB received the 'JP Morgan Quality Recognition Award for Excellence'. The award was given for achieving 99.6% straight-through processing (STP) on payments between banks (MT 202), which includes money transfers and account settlements between correspondent banks around the world.
- 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' in 2008 for its major role in financing property development projects (towers and residential & commercial complexes) and infrastructure projects in Qatar.



Social Responsibility

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.

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 2010 the Bank extended assistance worth around QR 13 million to various educational, cultural and health care activities; sports clubs; social causes; charity societies; scholarships; conferences; exhibitions and sports events.

During 2010, the QIB Zakat Committee, which reports to the Bank's Board of Directors, extended financial assistance worth QR 5.6 million to a wide range of beneficiaries. During the last five years, the Bank has extended QR 24 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 Fund 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.

Corporate Governance Report

The Bank is committed to applying the rules of sound corporate governance as an integral part of the Bank's culture in the conduct of its strategic and day-to-day activities. In addition to the enhancement of the corporate culture, the Bank's corporate governance practices aim to improve its internal and external controls.

1. Introduction

Corporate Governance is a matter of vital importance and a fundamental part of the business of Qatar Islamic Bank. The Bank is committed to strong corporate governance practices that allocate rights and responsibilities among the Bank's shareholders, the Board and executive management to provide effective oversight and management of the Bank in a manner that enhances the shareholder value.

The Bank is committed to applying the rules of sound corporate governance as an integral part of the Bank's culture in the conduct of its strategic and day-to-day activities. In addition to the enhancement of the corporate culture, the Bank's corporate governance practices aim to improve its internal and external controls.

The Bank has already established an official corporate governance framework to cover all aspects of governance in Qatar Islamic Bank. This included the adoption and implementation of a comprehensive set of policies and procedures, complete organisational transformation which includes realignment of the organisation structure with detailed job descriptions that clearly detail the authorities, responsibilities, internal and external reporting requirements related to audit, risk and compliance, the mission responsibilities of the Board of Directors, the charter for all committees that report to the Board, as well as the Executive Committees. The Corporate Governance

Framework also has clear guidelines and elaborated policies, Conflict of Interest, Code of Ethics and Code of Conduct as well as standards of professional conduct for board members.

In fulfillment of the Bank's responsibilities to its stakeholders on corporate governance the Bank undertook a comprehensive audit assessment of the Corporate Governance Standards in practice, by the Bank's independent External Auditors in 2010. The audit also undertook an assessment of the Board and the standards adopted by the Board and how they are provided in the framework of the Bank's corporate governance. The Bank has already earmarked in 2011, individuals as well as resources to undertake any improvements required as an outcome of the assessment to improve these standards ensuring that the Corporate Governance Report for 2010 is a reflection of the fact that the Bank maintains best practices in corporate governance at all times, and that these practices provide for effective oversight and management of the Bank to achieve its goals.

3. Role of the Board and Board of Directors

The Board oversees the conduct of the Bank's business and will be primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of executive management, approval of business strategies, and evaluation of performance and assessment of major risks facing the Bank.

In discharging its obligations the Board exercises judgement in the best interests of the Bank and may rely on the Bank's executive management to implement approved business strategies, resolve day-to-day operational issues, and maintain and promote high ethical standards.

Meeting, at a minimum, six times a year, the Board of Directors review and approve the annual budget, business plans, and all capital expenditures. The Board of Directors review the achievements against the Bank's strategy and dynamically modify it, as required. It is also the Board of Directors' responsibility to ensure the implementation of a control framework covering Risk Management, Internal Audit and Compliance.

3.1 Board Composition

The size of the Board is in accordance with the Bank's Articles of Association and Companies Law. The organisation of the Board shall, (i) be determined from time to time according to the requirements of the Bank, and (ii) be subject to director independence. The Board will consist of a balance of Non-Executive and Independent Directors. The position of the Chairman of the Board and Managing Director of the Bank may not be held by the same individual.

The Board collectively possesses professional knowledge, business expertise, industry knowledge and financial awareness sufficient to enable the Board to carry out its responsibilities and the Directors shall have the experience and technical skills in the best interests of the Bank.

3.2 Electing Directors

The Board reviews the appropriate skills and characteristics required of directors from time to time and the qualification of potential nominee directors, recommending suitable nominees for election to the Board. Vacancies on the Board shall be filled in accordance with the Bank's Articles of Association. To be elected to the Board a nominee director must receive a simple majority of the votes cast in the election at the general assembly.

A director's membership to the Board terminates in the event that, amongst other things, the Director is convicted of an offence of dishonour or breach of trust or is declared bankrupt.

3.3 Responsibilities of the Chairman and the Directors

The responsibilities of the Chairman of the Board and the Directors shall be as defined in the Bank's Articles of Association.

3.4 Board of Directors

As of 31st December 2010, the Board of Directors of the Bank comprised of the following members:

Director	Position
Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani	Chairman
Mr. Mohammad Bin Abdullatif Al Mana	Vice-Chairman
Mr. Abdullatif Bin Abdulla Al Mahmmoud	Managing 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
Mr. Issa R. Al Rabia Al Kuwari	Director

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani is the Chairman of the Board of Directors of QIB. He is also the Chairman of the Board of Al Jazeera Finance, Q-Invest, QIB-UK, Damaan Islamic Insurance Co. (Beema) and Q-RE (under establishment). He is a Board Member of Qatar Navigation, Qatar Insurance Co., Arcapita Bank and Credit Suisse Group.

Mr. Mohammad Bin Abdullatif Al Mana

Mr. Mohammad Bin Abdullatif Al Mana is the Vice-Chairman, Deputy Head of Executive Committee and

a Member of the Board of Directors of QIB. He also serves on the Board of Syrian International Islamic Bank, Al Jazeera Finance Company, Retaj Company and is the CEO of Aqar Real Estate Development. Additionally, Mr. Al Mana is the Chairman of the Board of Supreme Council for the Welfare of Elderly People.

Mr. Al Mana holds a Bachelor's Degree in Shari'a and Islamic Jurisprudence from the College of Shari'a Islamic Studies and Law at Qatar University and a Diploma in General Administration from the Institute of Administration in Qatar.

Mr. Abdullatif Bin Abdulla Al Mahmmoud

Mr. Abdullatif Bin Abdulla Al Mahmmoud is currently a Board Member & the Managing Director, and the Head of Policies & Procedures Committee. He is also a member of the Zakat Committee. He is the Chairman of Retaj Marketing & Project Management Company and Al Made'en Investment and Development Company. Mr. Mahmmoud currently works as the General Manager of Al Sharq House for Printing, Publication and Distribution.

Prior to his current posts, Mr. Mahmmoud worked at Qatar Petroleum (QP) and Qatar Petrochemical Company.

Mr. Mahmmoud holds a B.Sc. in Business Administration from Seattle Pacific University (USA).

Mr. Mohamed Bin Issa Al Mohanadi

Mr. Mohamed Bin Issa Al Mohanadi is the Head of Audit Committee & a Board Member of QIB. He is also the Managing Director of Al Jazeera Finance Company.

Mr. Mohanadi currently holds positions on various companies' boards including Qatar Telecom (Qtel). Prior to holding these positions, Mr. Mohanadi worked as the Minister for Parliamentary Affairs and at Diwan Amiri.

Mr. Mohanadi holds an MBA from an American University and a Bachelor's Degree in Business Management from Cairo University.

Mr. Abdul Rahman Abdulla Abdul Ghani

Mr. Abdul Rahman Abdulla Abdul Ghani is a Board and Executive Committee Member. Mr. A. Ghani's vast work experience ranges from managing his portfolio of companies to being involved in a variety of prominent businesses in the region. He is currently the Chairman of Abdulla Abdulghani & Brothers Co. (Toyota) and Abdulla Abdulghani & Sons Group of Companies for Trading and Contracting.

He also holds positions on the boards of Qatar Industrial Manufacturing Company (QIMCO), United Development Company (UDC) and Qatar Drilling Company (QDC).

Mr. A. Ghani holds a B.Sc. (Hon) in Economics from Boston University, USA.

Mr. Mansour Al Muslah

Mr. Mansour Al Muslah is a Board & Executive Committee Member and the Head of Zakat Committee. He is also the Chairman of Aqar Real Estate Development and Investment Company and Al Andalus Private Schools. He serves as the Chairman of the Board of Trustees of Mayfair Islamic Centre, London. In addition to these posts, he serves as a member of the boards of Al Jazeera Finance Company, Solidarity Company and Al Tadamon International Islamic Bank.

Apart from his board positions, he serves as a Director in the Interior Minister's office and owns and manages various companies.

Mr. Muslah holds a Bachelor's Degree in Social Science from Qatar University.

Mr. Abdulla Bin Saeed Al Eidah

Mr. Abdulla Bin Saeed Al Eidah is a Board Member, and a member of the Remuneration and Audit Committee.

He is also involved in various business ventures including investment and real estate management and investment.

Mr. Al Eidah completed various educational programmes in the UK.

Mr. Nasser Rashid S. Al-Kaabi

Mr. Nasser Rashid S. Al-Kaabi is a Board & Executive Committee Member & the Head of Remuneration Committee. He has a long history of successful business ventures dating back to 1974, when he established Al Sraiya Trading & Contracting. The Company has since grown into Al Sraiya Group Holdings, which is now a well-known, large conglomerate.

Mr. Al-Kaabi is the Chairman of Qatar Sand Treatment Plant and Ready-mix Concrete Company. He also serves as the Vice Chairman of Qatar Industrial Manufacturing Company, National Agricultural and Food Manufacturing and Marketing Company and the Qatar Diabetic Society (Board of Trustees). He serves on the boards of Aqar Real Estate Investment & Development Company, Gulf Cement Company (Gulf Holdings) and Qatar Islamic Insurance Company.

Mr. Al-Kaabi has been a member of the Shoura Council (National Advisory Council) since 1995 and is a member of a host of other organisations including: the Consultative Body of the GCC Supreme Council, Qatari Businessmen's Association, Joint Committee of Qatari Businessmen Association and Abu Dhabi Chamber of Commerce and Industry and the Qatari-Syrian Joint Business Council.

Mr. Issa R. Al Rabia Al Kuwari

Mr. Issa R. Al Rabia Al Kuwari has a vast amount of experience in the areas of contracting, real estate and petrochemicals via his portfolio of businesses in these sectors. In addition to owning Al Rabia Trading and Contracting Company, Mr. Kuwari is involved in general activities in the fields of construction and transport, petroleum products distribution and investments in real estate and other businesses.

Mr. Kuwari serves on the board of Aqar Real Estate Development and Investment Company.

In addition to serving on various boards, Mr. Kuwari is integrally involved in several organisations in Qatar. These positions include: Deputy Speaker of the Advisory Council (since 2005), member of the Advisory Council (since 1990), Head of the Advisory Council's Committee for Internal and External Affairs, member of the Naturalization Committee at the Ministry of Interior (since 1986) and Head of Complaints and Compensations Committee at the Ministry of Municipal Affairs and Agriculture (1980).

3.5 Board Meetings

The Board holds meetings at least once every two months pursuant to either (i) written notice from the Chairman of the Board, or (ii) written request submitted by at least two thirds of the Directors.

Notice of the meetings issued by the Chairman of the Board shall include the meeting agenda. Directors may request that a matter be included on the meeting agenda.

Directors make every effort to attend, in person, all scheduled board meetings and meetings of the committees of the Board on which they serve. A board meeting shall only be validly called if a majority of the directors are in attendance (whether in person or by proxy), and provided that the attendance of at least half of its members (not less than five), including the Chairman or his deputy are present in person.

Voting in board meetings shall be in accordance with the Bank's Articles of Association. Matters considered, and decisions taken by the Board shall be recorded by means of minutes kept by the Secretary of the Board & copied to the Companies Department – Ministry of Business & Trade for endorsement.

3.6 Board Committees

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

i. Board Executive Committee

The Board Executive Committee is represented by Board Members and senior employees of the Bank who hold the responsibility of transferring information and data between the management level and the Board of Directors. The Executive Committee serves as a tool to co-ordinate the businesses. It has, as its prime tasks and responsibilities, the provision of ongoing information to the Board on business developments, regular review of business segments, consultation with and furnishing advice to the Board on strategic decisions and preparation of decisions to be made by the Board. The Board Executive Committee works to develop and execute the Bank's business plan. The Executive Committee monitors and guides the Bank's operations to ensure that its daily operations are effective and meet the needs of the clients and stakeholders.

ii. Audit and Risk Committee

The primary objective of the Committee is to assist the Board to fulfill its corporate governance and oversight responsibilities related to the Bank. This

includes financial reporting, system of internal control, management of material business risks, the internal and external audit functions and the process for monitoring compliance with laws and regulations and the Bank's code of business conduct. Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to the Audit and Risk Committee Charter in order to facilitate decision making by the Board.

The Committee is authorised by the Board to investigate any activity. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the assistance of outsiders with relevant experience and expertise if it considers this necessary but only after consultation with the Chairman of the Board.

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

iii. Policies and Development Committee

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

The Committee is responsible to monitor the QIB quarterly performance against strategy, business plan and budgets. This includes review and consolidation of business development, product alignment and resources distribution across QIB. The Committee also highlights deviations of policies and procedures from laid down standards to the Management for necessary corrective action from time to time and reviews compliance of the same. The Committee is also responsible for developing QIB's corporate social responsibility strategy in the light of QIB's brand values.

iv. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible to propose candidates for election to the Board of Directors, including the Chairman. The Committee takes into consideration the various available rules and guidelines on the independence of the Board in relation to the Bank, its senior management and major shareholders.

The Committee is formed from within the Board of QIB for the purpose of nominating candidates for Board Membership as well as the Executive Management of the Bank. The main difference being that the available candidates, either nominated or 'written in' outside of the Committee's choices, are then voted into office by all of the members. The intention is that they be made up of qualified and knowledgeable people representing the best interests.

Note: The recommendation made by the Committee for board seats is always subject to election by the General Assembly and the nomination of the Committee does not deprive any shareholder of his rights to nominate or be nominated.

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

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

v. Zakat Committee

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

3.7 Board Committee Members

Board committee members are appointed by the Board. Each board committee has its own written terms of reference, duties and authorities as determined by the Board.

3.8 Meetings of Board of Directors and Board Committees

The Board of Directors meetings are held regularly, according to the Bank's Articles of Association, at least six times a year. The meetings are held at the request of the Chairman of the Board of Directors or based on a request of two of its members. The Board met twelve times during 2010 with the Chairman of the Board attending and presiding over all meetings. The number of meetings held by the Board and its Committees are detailed below.

Board and Board Committees' Meeting	Number of Meetings during 2010
Board of Directors	12
Board Executive Committee	6
Audit and Risk Committee	5
Zakat Committee	5
Nomination and Remuneration Committee	3
Policy and Development Committee	2

4. Shari'a Supervision

4.1 Shari'a Supervisory Board

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

- Provide Islamic advice and guidance to ensure that all QIB activities comply with the Shari'a law.
- Review Shari'a Auditors' Reports and report to members on QIB's operations compliance with Shari'a.
- Determine whether contracts, transactions and dealings entered into by QIB complies with Shari'a.

- Examine financial statements to determine the appropriateness of allocation of profit between QIB equity holders and policyholders, in accordance with Shari'a.
- Approve all marketing material of QIB, ensuring that the products are represented fairly and clearly to customers, in accordance with Shari'a.
- Ensure that all earnings realised from sources or by means prohibited by Shari'a are disposed off to charitable causes.
- Ensure that the calculation of Zakat is in compliance with Shari'a.
- Publish Fatwas, Rulings and Guidelines with regard to QIB activities.

Shari'a Supervisory Board	Position
His Eminence Sheikh Walid Ben Hadi	Chairman
His Eminence Sheikh Abdul Qader Al Ammari	Member
His Eminence Dr. Ali Al Mohammadi	Member

4.2 Shari'a Executive Committee

The Shari'a Executive Committee is responsible for the following:

- Advise the Shari'a Supervisory Board on Shari'a matters in order to ensure that QIB business operations comply with Shari'a principles at all times.
- Ensure that QIB products comply with Shari'a principles in all aspects.

- Endorse the terms and conditions contained in the proposal form, contracts, agreements or other legal documentation used in executing the transactions.
- Endorse QIB product manual, marketing advertisements, sales illustrations and brochures that are used to describe the product.
- Provide assistance to QIB Board to ensure that compliance with Shari'a principles is being assured completely and continuously.

Shari'a Executive Committee	Position
His Eminence Sheikh Walid Ben Hadi	Head of Executive Committee
His Eminence Sheikh Nizam Mohd. Yacoubi	Member
Prof. Abdul Sattar Abou Ghodda	Member

5. Segregation of Duties

A balance between the roles and responsibilities of the Board of Directors and Management is achieved through duty segregation. The Board of Directors provide the overall strategic direction and oversight through the review

and approval of major strategic initiatives, policies and objectives while day-to-day management of the Bank is entrusted to the Chief Executive Officer.

6. Executive Management Team

Executive Management, defined as the group of persons with operational responsibility for the Bank and appointed by the Board, is responsible for the overall day-to-day management of the Bank. The Executive Management is headed by the Chief Executive Officer (CEO) and a seasoned and experienced executive management team supports the CEO. Reporting directly to the CEO are eight senior executives: The Chief Financial Officer (CFO), Chief Business Officer (CBO), CEO QIB Capital, Chief Operations Officer (COO), Chief Real Estate Officer (CREO), Chief Strategy Officer (CSO), Chief Human Capital Officer (CHCO), and Chief

Treasurer (CT). To maintain total independence, three other members of the senior management team, the Group Chief Risk Officer (GCRO), Chief Audit Officer (CAO) and Chief Compliance Officer (CCO) report directly to the Audit & Risk Committee. Additionally the Head of Shari'a Audit reports to the Shari'a Executive Committee directly to maintain independence of reporting as well, on Shari'a Compliance functioning of QIB.

As of 31st December 2010, the Executive Management of the Bank comprised of the following persons:

Director	Position
Mr. Ahmad Meshari Muhaidi	Acting CEO
Mr. Syed Maqbul Quader	Group Chief Risk Officer
Mr. Murtada Khidir Abuzaid	General Manager, Financial Group
Mr. Salah Al Hail	General Manager, Real Estate Group
Dr. Ahmed A. Al-Kuwari	General Manager, Human Capital Group
Mr. Choudhary Mohammed Wasi	Chief Strategy Officer
Mr. Jean-Marc Riegel	General Manager, QIB Capital-International Business
Mr. Akhter Jamal	General Manager, Operations Group
Mr. Amer Al Jabri – Mr. Adil Hasan	Assistant General Manager, Domestic Business Group
Mr. Atef Abdelkhalek Mohamed Ali	Head of Internal Audit
Mr. Samir El-Ghandour	Head of Compliance

Mr. Ahmad Meshari Muhaidi

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

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

Mr. Syed Maqbul Quader

Mr. Syed Maqbul Quader is the Group Chief Risk Officer of Qatar Islamic Bank and its subsidiaries. Mr. Syed Maqbul Quader has worked in banking for more than thirty nine years. Over the last two decades Mr. Syed Maqbul has been working for leading banks in the GCC region in senior positions in the corporate banking and risk functions. He

was previously the Chief Credit Officer of National Bank of Bahrain, and subsequently General Manager for Corporate Banking Group at Al Rajhi Bank in Saudi Arabia.

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

Mr. Murtada Khidir Abuzaid

Mr. Murtada Khidir joined QIB in 2006 as General Manager of the Financial Group. Mr. Khidir serves on various committees at QIB.

Prior to joining QIB, Mr. Khidir worked at Amlak Finance in Dubai, UAE where he served as Chief Finance and Operations Officer. Before Amlak Finance, Mr. Khidir worked at Doha Bank (Qatar) where he worked as Senior Risk Manager in the Finance Department. Mr. Khidir also worked at Al Rajhi Bank (Riyadh) and the Central Bank of Sudan (Khartoum).

Mr. Khidir holds a B.Sc. (Hon) in Accounting from the University of Khartoum, Sudan and holds a CPA license from the State of Georgia, USA.

Mr. Salah Al Hail

Mr. Salah Al-Hail is the General Manager for QIB's Real Estate Group and has close to 20 years experience working with reputed financial organisations.

Prior to joining QIB, Mr. Salah spent nearly ten years with QNB, the largest bank in Qatar. His duties there ranged from managing a team of staff in the areas of project management, purchasing and procurement, security and safety and real estate management.

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

Dr. Ahmed A. Al-Kuwari

Dr. Ahmed Al-Kuwari is the General Manager, Human Capital Group of QIB. He joined QIB in late 2008 and has performed a complete transformation of operational HR function into strategic Human Capital (HC) function by implementing various key HC initiatives. Dr. Ahmed has combined both practical & academic experience in these initiatives.

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

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

Mr. Jean-Marc Riegel

QIB Capital was headed by Mr. Jean-Marc Riegel till 4th January 2011, and is currently handled by Acting General Managers, Mr. Saeed Al Khayareen and Mr. Ahmed Barghout.

Mr. Akhter Jamal

Mr. Akhter Jamal was Chief Operations Officer till February 2011. It is currently handled by Mr. Adnan Faour, Assistant General Manager, Operations Group.

Mr. Choudhry Mohammed Wasi

Mr. Choudhry Mohammed Wasi was Chief Strategy Officer till February 2011. It is currently handled by Senior Executive Managers, Mr. Sammy Zaiter and Mr. Chouaib Othmane.

Mr. Amer Al Jabri and Mr. Adil Hassan

Mr. Ahmad Meshari Muhaidi was Chief Business Officer till October 2010. It is currently handled by Mr. Amer Al Jabri and Mr. Adil Hassan, Assistant General Managers, Domestic Business Group.

7. Bank Committees

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

i. Management Committee (MANCOM)

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

ii. Assets and Liabilities Committee (ALCO)

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

iii. Credit Committee

The Credit Committee reviews, recommends, and when approved, implements credit policies and procedures related to all corporate, financial institutions and retail assets across the Bank. The Committee reviews the delegated authorities across the Bank and recommends amendments to the Board where appropriate. The Committee reviews the adequacy of the credit and risk controls implemented by the Management and the Board and the standard and quality of reporting to the Board. The Committee approves financing facilities if deemed fit or declines them within its delegated authority in line with QIB's business strategy, and

recommends to the Executive Committee/Board of Directors where authority is exceeded. The Committee also conducts the following:

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

iv. Investment Committee

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

v. Risk Committee

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

vi. Information Technology Committee – IT Committee

The IT Committee is responsible for monitoring the development and continuing support of the information systems across the Bank addressing integration of systems and enhancing MIS reporting. The Committee reviews and prepares plans for the development of Information technology systems across the Bank in the short and long term and has the overall responsibility of aligning all IT activities with the QIB vision, mission and business plans. The Committee supervises the development and revision of IT policies as well as suggests and recommends future IT initiatives. The Committee is also responsible for monitoring the

progress of IT projects across the Bank and taking corrective action where appropriate.

vii. HR Committee

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

8. Risk Management

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

Conservative Credit Policy

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

Improved Liquidity Ratios

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

Enterprise-wide Risk Management System

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

Operational Risk

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

9. Internal Audit

The Bank's internal audit function continues to adapt its audit methodology to respond effectively to the Bank's expansion and to conduct independently, planned and unplanned internal audit engagements, in order to recommend changes that enhance governance, risk management, internal controls and compliance. During the year the role of audit transformed from being outsourced to a fully functional internal audit capability of the Bank. Operationally, the audit team supports individual unit managers by routinely analyzing audit reports and identifying areas of vulnerability. This process will be further enhanced in the coming year with the implementation of a self assessment checklist that will enable staff to avoid common oversights and promote flawless processes. The process will minimize routine errors and will be expanded to develop appropriate training tools for staff in the future. The Internal Audit function also provides valuable input on internal controls, processes, and service quality and advices on how to enrich the Bank's training curriculum and development plans so that appropriate preventive focus is brought to bear on the risks faced by the Bank.

10. Compliance

The Bank's Compliance Team reports directly to the Audit and Risk Committee. The Bank's governance structure ensures that it benefits extensively from expert advice and the support of compliance in order to ensure that all areas of domestic and international operations are in full compliance with relevant local and international jurisdictional and statutory requirements. These include, but are not limited to Basel Committee on Compliance Requirements, Financial Action Task Force (FATF) recommendations on Anti Money Laundering and Counter-Terrorist Financing (AML/CTF) and other international standards on corporate governance as well as QCB instructions and regulations. Over the past year the Bank's Compliance Team has played an active role in reviewing the policies, codes and terms of reference of the Board to ensure full compliance with Qatar Central Bank's and Qatar Financial Markets Authority's requirements. The Compliance Team responds on a continuous basis to all bank inquiries seeking clarification on applicable regulations and standards and continues to provide a wide range of advisory services, including studies, comments, suggestions, recommendations and appropriate reviews.

11. External Audit

PricewaterhouseCoopers (PwC) was the appointed external auditors to audit the financial statements of Qatar Islamic Bank for the financial years 2006 to 2010 inclusive, to report on the outcome of these audits to the Board of Directors and to provide an audit opinion on the financial statements of Qatar Islamic Bank. Furthermore, PwC also audited and reported on the effectiveness of internal control over financial reporting on 31 December 2010. The external auditors attended the meetings of the Audit Committee and the Shareholders' Meeting held in 2010.

After a maximum period of five years of performing the financial audit of Qatar Islamic Bank, the external audit firm responsible for reviewing the audits, have to be replaced by another external audit firm. The Audit and Risk Committee provides recommendations to the Board regarding the replacement based on an annual evaluation of the provided services. In line with this requirement, the external audit firm PwC has now been replaced (after the year-end audit 2010) by Ernst & Young. The external auditors may be questioned at the Annual General Assembly Meeting about their audit opinion on the annual accounts. The external auditors will therefore attend and be entitled to address the meeting.

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

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

12. Corporate Social Responsibility

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

During 2010, the QIB Zakat Committee, which reports to the Board of Directors, extended financial assistance worth QR 1.4 million to a wide range of beneficiaries which included various educational, cultural and health care activities; sports clubs; social causes; charity societies; scholarships; conferences; exhibitions and sporting events.

13. Environmental Policy

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

1. Conduct business in an environmentally responsible manner.
2. Comply with all applicable environmental laws and regulations.
3. Promote the efficient use of resources and reducing (and where possible eliminating) waste through recycling and pursuing opportunities to reuse waste.
4. Notify the Board of any pertinent environmental issues and how QIB contributes towards those issues.

14. Health Policy

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

1. Ensuring the health, safety, security of all its employees whilst at work.
2. Ensuring that visitors to the Bank's premises are not exposed to risks to their health and safety.
3. Identifying hazards, assessing risks and managing those risks.

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

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

Fines aggregating to QR 430,524.03 were imposed on the Bank in 2010 by Qatar Central Bank in respect of breaches of Qatar Central Bank regulations.

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

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

17. Communication with Stakeholders & Investors and Shareholders

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

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

At the General Assembly Meetings, the Chairman of the Board of Directors presents the shareholders with detailed information and data on the Bank's performance and its achievements during the prior year, along with an outline of the major business plans and objectives of the current year.

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



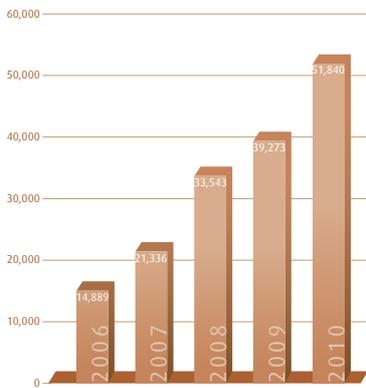
Financial Highlights – 2010

(Amount in QR million)

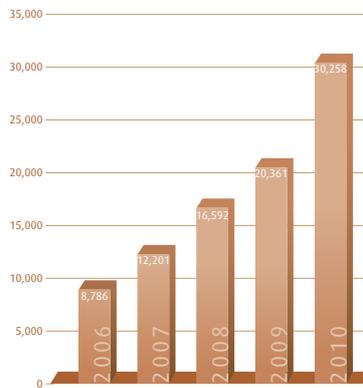
	2010	2009	2008	2007	2006
Total assets	51,840	39,273	33,543	21,336	14,889
Deposits	30,258	20,361	16,592	12,201	8,786
Financing & Investments	35,479	27,303	25,155	15,882	10,100
Operating income	2,353	2,412	2,555	1,694	1,533
Net profit	1,334	1,322	1,643	1,255	1,003
Earnings per share (QR)	6.20	6.10	8.49	6.85	8.95
Total shareholders' equity	9,124	9,005	7,143	4,629	4,246
Share capital	2,166	2,068	1,969	1,193	1,193
Time deposits	13,433	8,529	6,577	3,576	3,046
Saving & investment deposits	8,094	5,113	4,918	4,241	3,376
Customers' accounts	8,731	6,719	5,097	4,384	2,364

Key Performance Indicators

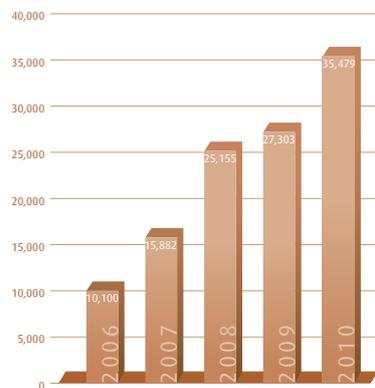
Assets
(in QR Million)



Deposits
(in QR Million)



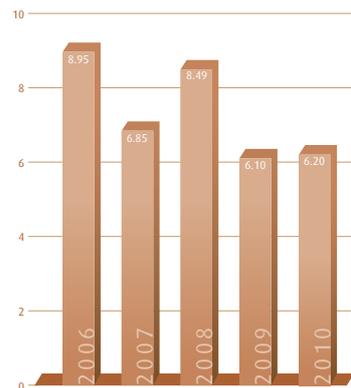
Financing & Investments
(in QR Million)



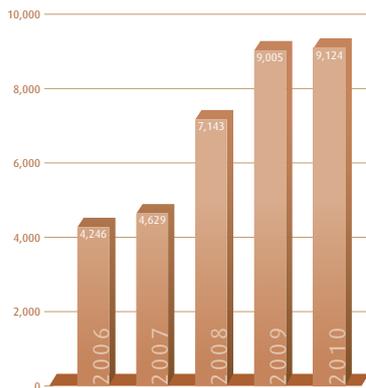
Net Profit
(in QR Million)



Earnings Per Share
(in QR)



Shareholders' Equity
(in QR Million)



Independent Auditors' Report

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

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 2010 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 35.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), and the instructions issued by Qatar Central Bank, and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In addition, 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 our opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the International Standards of Auditing ("ISA") and Auditing Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 2010, and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued

by 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 Director's 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 the 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 2010.

Ahmed El Badawi
of PricewaterhouseCoopers
Auditor's Registration No. 249
15 February 2011

Consolidated Balance Sheet

as at 31 December 2010

Amounts expressed in thousands of Qatari Riyals

	Notes	2010	2009
Assets			
Cash and balances with central bank	5	1,874,550	1,338,216
Due from and investments with banks and financial institutions	6	12,431,180	8,902,623
Due from financing activities	7	29,351,773	22,663,482
Financial investments	8	5,011,853	3,436,043
Other investments	9	1,114,862	1,203,429
Fixed assets	10	370,560	299,079
Other assets	11	1,685,323	1,429,828
Total assets		51,840,101	39,272,700
Liabilities, unrestricted investment accounts, Minority interest and shareholders' equity			
Liabilities			
Due to banks and financial institutions	12	8,411,919	8,690,985
Customers' accounts	13	8,730,535	6,718,703
Sukuk financing instruments	14	2,713,290	-
Other liabilities	15	1,123,966	1,021,907
Total liabilities		20,979,710	16,431,595
Unrestricted investment accounts	17	21,527,176	13,642,280
Minority interest	18	209,211	193,722
Shareholders' equity			
Share capital	19	2,166,022	2,067,566
Advance for capital increase	19	-	956,003
Legal reserve	19	4,654,922	3,797,375
General reserve	19	666,571	666,571
Risk reserve	19	428,500	428,500
Fair value reserve	19	(6,424)	(44,827)
Translation reserve		(53,706)	(47,551)
Proposed cash dividend		1,083,011	1,181,466
Retained earnings		185,108	-
Total shareholders' equity		9,124,004	9,005,103
Total liabilities, unrestricted investment accounts, Minority interest and shareholders' equity		51,840,101	39,272,700

These financial statements were approved by the Board of Directors on 19 January 2011 and were signed on their behalf by:

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani
Chairman

Mr. Ahmad Meshari
Acting Chief Executive Officer

Consolidated Statement of Income

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

	Notes	2010	2009
Income			
Income from financing activities	20	1,863,299	1,815,866
Gain from investing activities	21	174,105	275,906
Total income from financing and investing activities		2,037,404	2,091,772
Commission and fees income	22	308,723	276,198
Commission and fees expenses		(19,475)	(17,493)
Income from commission and fees, net		289,248	258,705
Gains from foreign exchange operations, net	23	26,187	45,146
Other operating income		-	6,075
Net operating income		2,352,839	2,401,698
Expenses and provisions			
General and administrative expenses	24	(444,632)	(441,248)
Depreciation on fixed assets and other investments	10	(34,660)	(35,509)
Provision for impairment of due from financing activities	7	(49,979)	(31,080)
Provision for impairment of financial investments	8	9,571	(82,572)
Provision for impairment of other investment	9	-	(17,113)
Profit for the year before tax		1,833,139	1,794,176
Income tax		-	10,904
Net profit for the year		1,833,139	1,805,080
Less:			
Unrestricted investment account holders' share from net profit	25	(446,623)	(510,366)
Minority interest of subsidiaries' profit		(27,418)	27,392
Sukuk holders' share of profit		(24,563)	-
Net profit for the year attributable to shareholders		1,334,535	1,322,106
Basic and diluted earnings per share (in Qatari Riyals per share)	26	6.20	6.10

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

	Share capital	Amount paid under the capital increase	Legal reserve	General reserve	Risk reserve	Fair value reserve	Translation reserve	Proposed cash dividend	Retained earnings	Total
2010										
At 1 January 2010	2,067,566	956,003	3,797,375	666,571	428,500	(44,827)	(47,551)	1,181,466	-	9,005,103
Shares issued to QIA (note 19)	98,456	(956,003)	857,547	-	-	-	-	-	-	-
Cash dividends paid for 2009	-	-	-	-	-	-	-	(1,181,466)	-	(1,181,466)
Net profit for 2010	-	-	-	-	-	-	-	-	1,334,535	1,334,535
Net Fair value reserve	-	-	-	-	-	38,403	-	-	-	38,403
Translation reserve	-	-	-	-	-	-	(6,155)	-	-	(6,155)
Proposed cash dividends	-	-	-	-	-	-	-	1,083,011	(1,083,011)	-
Contribution in Social and Sport activities (Note 19g)	-	-	-	-	-	-	-	-	(66,416)	(66,416)
At 31 December 2010	2,166,022	-	4,654,922	666,571	428,500	(6,424)	(53,706)	1,083,011	185,108	9,124,004

The notes from 1 to 35 form an integral part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

	Share capital	Advance received for capital increase	Legal reserve	General reserve	Risk reserve	Fair value reserve	Translation reserve	Proposed cash dividend	Retained earnings	Total
2009										
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 35 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

	Notes	2010	2009
Cash flows from operating activities			
Net profit for the year before deducting share of profit for unrestricted investment account holders and minority interest		1,833,139	1,805,080
Adjustments:			
Depreciation on fixed assets	10	34,660	35,509
Gain on sale fixed assets		199	(88)
Provision for impairment of due from financing activities	7(d)	49,979	31,080
Provision for impairment of financial investments		(9,571)	82,572
Provision for impairment of other investments	9	(17,113)	17,113
Share of losses/(gains) profit from associate	9	18,439	(147,057)
Losses/(gains) on foreign exchange		2,767	(6,512)
Income tax adjustment		-	(10,904)
Net operating profit before changes in operating assets and liabilities		1,912,499	1,806,793
Net decrease/(increase) in assets:			
Balances with banks and financial institutions		267,466	598,634
Reserve with Qatar Central Bank		(326,444)	(236,033)
Due from financing activities		(6,738,270)	(3,828,667)
Other assets		(255,494)	(682,196)
Net increase/(decrease) in liabilities:			
Due to banks and financial institutions		(279,066)	(5,731)
Customers' accounts		2,011,831	1,621,452
Other liabilities		(2,656)	101,760
Net cash flows used in operating activities		(3,410,134)	(623,988)
Cash flow from investing activities			
Purchase of financial investments		(1,832,631)	(250,510)
Addition investment in associate company	8	(73,342)	(700,020)
Proceeds from sale of financial investments		218,752	1,422,223
Proceeds from sale of associate companies		105,171	781,888
Purchase of other investments		-	(142,309)
Proceeds from sale of other investments		105,680	613,463
Dividends received from associate companies		53,220	15,000
Purchases of fixed assets	10	(106,340)	(74,357)
Proceeds from sale of fixed assets		-	203
Net cash flows (used in)/generated from investing activities		(1,529,490)	1,665,581
Cash flows from financing activities			
Proceeds from issuance of share capital		-	956,003
Advance for capital increase		-	956,003
Increase in unrestricted investment accounts		7,438,274	1,637,316
Dividends paid to shareholders		(1,181,466)	(1,378,377)
Sukuk financing instruments		2,688,727	-
Net cash flows generated from financing activities		8,945,535	2,170,945
Net increase in cash and cash equivalents		4,005,913	3,212,538
Cash and cash equivalents at beginning of year		8,913,484	5,700,946
Cash and cash equivalents at end of year	32	12,919,397	8,913,484

The notes from 1 to 35 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

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 and consolidation

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.

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%
QIB (UK)	United Kingdom	Investment banking	179,341	70%
QIB Sukuk Funding Limited	Qatar	Financing Company	-	100%

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).

During 2010 QIB has increased its shareholding in QIB (UK) Ltd by 10% to reach 70%.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

2. Significant accounting policies (continued)

a) Basis of preparation and consolidation (continued)

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.

Financial 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.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

2. Significant accounting policies (continued)

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 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, sukuk 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 cases where objective evidence exists that equity investments are 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. 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.

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, or reference to the current fair value of 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

2. Significant accounting policies (continued)

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

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.

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 which represent an estimated amount for impairment in financing portfolio through a detailed review by management 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.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

2. Significant accounting policies (continued)

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 24.

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) Sukuk

Equal value debentures represents common share in the ownership of assets or benefits or services which bears fixed semi-annual profit and matured after 5 years. Such profit will be recognized periodically at the time of its maturity. Sukuk recognized at net value and the related cost will be amortized over the period of maturity (5 years) classified as a separate note in the consolidated financial statements "Sukuk Financing Instruments". (Note 14).

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 29).

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 30).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

2. Significant accounting policies (continued)

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 32).

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.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

3. Financial instruments and related risk management (continued)

b) Fair value of financial instruments (continued) Risk Management (continued)

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 2010

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

Risk Management (continued)

a) Credit Risk (continued)

Gross maximum exposure for credit risk

	2010	2009
Cash and balances with central bank (excluding cash on hand)	1,665,637	1,149,150
Due from and investments with banks and financial institutions	12,431,180	8,902,623
Due from financing activities	29,351,773	22,663,482
Financial investments	5,011,853	3,436,043
Other investments and other assets	2,800,185	2,633,257
Total on balance sheet items	51,260,628	38,784,555
Contingent liabilities	6,929,098	9,963,255
Total off balance sheet items	6,929,098	9,963,255
Total credit risk exposure	58,189,726	48,747,810

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	
	2010	2009	2010	2009	2010	2009
A. Individually impaired						
Substandard	30,793	30,473	-	-	30,793	30,473
Doubtful	46,697	11,964	-	-	46,697	11,964
Bad debts	248,142	252,502	106,976	116,547	355,118	369,049
Gross amount	325,632	294,939	106,976	116,547	432,608	411,486
Suspended profit	(65,576)	(16,013)	-	-	(65,576)	(16,013)
Specific allowance for impairment	(297,809)	(248,232)	(106,976)	(116,547)	(404,785)	(364,779)
Carrying amount	(37,753)	30,694	-	-	(37,753)	30,694
B. Past due but not impaired	160,291	331,752	-	-	160,291	331,752
C. Neither past due nor impaired						
Gross amount	33,260,372	25,107,614	21,913,699	16,132,309	55,174,071	41,239,923
Deferred profit	(4,031,137)	(2,806,578)	(4,844)	(11,236)	(4,035,981)	(2,817,814)
Carrying amount	29,229,235	22,301,036	21,908,855	16,121,073	51,138,090	38,422,109
Total (a+b+c)	29,351,773	22,663,482	21,908,855	16,121,073	51,260,628	38,784,555

Aging analysis of past due but not impaired

2010	Less than 30 days	31 to 60 days	61 to 90 days	Total 2010
Due from financing activities	68,660	51,440	40,191	160,291
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

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 28.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

3. Financial instruments and related risk management (continued)

Risk Management (continued)

a) Credit Risk (continued)

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 33,877 million (2009:QAR 27,300 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 in 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 2010

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

Risk Management (continued)

b) Liquidity Risk (continued)

At 31 December 2010

	Up to 1 month	1-3 months	3-12 months	1 to 5 years	More than 5 years	Total
Assets						
Cash and balances with central bank	523,123	-	-	-	1,351,427	1,874,550
Due from and investments with banks and financial institutions	11,730,060	643,109	58,011	-	-	12,431,180
Due from financing activities	1,266,602	2,132,491	8,441,255	17,511,425	-	29,351,773
Financial investments	-	-	2,001,708	2,279,570	730,575	5,011,853
Other investments	-	-	-	1,114,862	-	1,114,862
Fixed assets	-	-	-	-	370,560	370,560
Other assets	-	-	-	1,685,323	-	1,685,323
Total assets	13,519,785	2,775,600	10,500,974	22,591,180	2,452,562	51,840,101
Liabilities and unrestricted investment accounts						
Due to banks and financial institutions	4,538,708	1,574,681	2,096,100	202,430	-	8,411,919
Customers' accounts	8,730,535	-	-	-	-	8,730,535
Sukuk financing instruments	-	-	-	2,713,290	-	2,713,290
Other liabilities	-	-	-	1,123,966	-	1,123,966
	13,269,243	1,574,681	2,096,100	4,039,686	-	20,979,710
Unrestricted investment accounts	9,865,704	4,189,707	6,899,329	572,436	-	21,527,176
Total liabilities and unrestricted investment accounts	23,134,947	5,764,388	8,995,429	4,612,122	-	42,506,886
Contingent Liabilities	-	-	6,929,098	-	-	6,929,098
Difference	(9,615,162)	(2,988,788)	(5,423,553)	17,979,058	2,452,562	2,404,117

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 2010

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

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)

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

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

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 % 2010	Effect on equity 2010	Change in equity price % 2009	Effect on equity 2009
Qatar exchange	+ / - 10%	7,301	+ / - 10%	5,737
Bahrain stock exchange	+ / - 10%	393	+ / - 10%	978
Syria Bourse	+ / - 10%	12,249	+ / - 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 2010, the Group had the following significant net exposures denominated in foreign currencies.

At 31 December 2010	QAR	USD	EUR	GBP	Others	Total
Assets	38,703,072	12,208,955	532,449	104,233	291,392	51,840,101
Liabilities, minority interest and shareholders' equity	(40,832,074)	(10,281,001)	(519,161)	(80,616)	(127,249)	(51,840,101)
Net balance sheet position	(2,129,002)	1,927,954	13,288	23,617	164,143	-
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	-

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 2010

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3. Financial instruments and related risk management (continued)

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 2010	Effect on income statement 2009
USD	+2	38,559	38,716
EUR	+3	399	(10,182)
GBP	+2	472	3,493
Others	+3	4,924	4,893
USD	-2	(38,559)	(38,716)
EUR	-3	(399)	10,182
GBP	-2	(472)	(3,493)
Others	-3	(4,924)	(4,893)

During 2010, 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 2010.

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	
	2010	2009	2010	2009
Credit risk	30,675,663	34,069,585	30,675,663	34,069,585
Market risk	315,644	246,203	3,945,549	2,462,028
Operational risk	232,166	178,249	2,902,075	1,782,485
Total capital charge/risk weighted assets	31,223,473	34,494,037	37,523,287	38,314,098
Tier 1 capital	6,517,517	6,639,288	17.37%	17.33%
Tier 1+Tier 2 capital	6,517,517	6,639,288	17.37%	17.33%

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 29 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 27.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

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3. Financial instruments and related risk management (continued)

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 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Financial assets				
Cash and balance with central bank	1,874,550	1,874,550	1,338,216	1,338,216
Due from and investments with banks and financial institutions	12,431,180	12,431,180	8,902,623	8,902,623
Due from financing activities	29,351,773	29,351,773	22,663,482	22,663,482
Financial investments	5,011,853	5,011,853	3,436,043	3,436,043
Financial liabilities				
Due to banks and financial institutions	8,411,919	8,411,919	8,690,985	8,690,985
Customers' accounts	8,730,535	8,730,535	6,718,703	6,718,703
*Sukuk financing instruments	2,713,290	2,713,290	-	-
Unrestricted investment accounts	21,527,176	21,527,176	13,642,280	13,642,280

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 (note8).

*Represents the net amount received from the issuance of the financial instruments (sukuk)after deducting the issuance cost which is amortized over the period of the instruments.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

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/sukuks 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

	2010	2009
Cash in vaults	208,913	189,066
Cash reserve with Qatar Central Bank	1,351,427	1,024,983
Other accounts with Qatar Central Bank	314,210	124,167
Total	1,874,550	1,338,216

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

	2010	2009
Current accounts	460,118	89,921
Unrestricted investment deposits	5,621,906	4,102,850
Commodity Murabaha balances	6,354,000	4,721,088
	12,436,024	8,913,859
Unearned profit	(4,844)	(11,236)
	12,431,180	8,902,623

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

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for the year ended 31 December 2010

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7. Due from financing activities

	2010	2009
a) By type:		
Musharaka	58,062	58,095
Murabaha and Musawama	23,536,459	16,475,146
Istisna contracts	3,201,113	2,814,637
Mudaraba financing	981,925	1,149,835
Ijara financing	5,902,428	5,180,925
Other	66,308	55,667
Total Due from financing activities	33,746,295	25,734,305
Unearned profit for future years	(4,031,137)	(2,806,578)
Specific Provision against non performing due from financing activities	(297,809)	(248,232)
Suspended profit	(65,576)	(16,013)
Net due from financing activities	29,351,773	22,663,482

Total of non performing due from financing activities amounted to QAR 326 million at the end of year 2010 (2009: QAR 295 million) which is 0.96% (2009: 1.10 %) of the total due from financing activities.

b) By industry:

	Murabaha and Musawama	Istisna contracts	Mudaraba and Musharaka	Ijara	Others	2010 Total	2009 Total
Government	-	298,837	-	-	-	298,837	493,530
Government and semi-government institutions	3,056,256	-	-	429,438	-	3,485,694	1,971,002
Industry	87,884	-	-	1,184,774	3	1,272,661	47,790
Trading	8,598,033	199,317	88,107	169,433	476	9,055,366	8,616,862
Contracts	1,024,783	13,440	76,833	6,675	323	1,122,054	2,145,583
Consumer financing	4,779,740	17,379	-	765,840	11,183	5,574,142	4,012,449
Housing	5,192,080	2,671,946	-	3,302,026	-	11,166,052	7,890,036
Others	849,564	361	875,047	44,271	2,246	1,771,489	557,053
	23,588,340	3,201,280	1,039,987	5,902,457	14,231	33,746,295	25,734,305
Unearned profits						(4,031,137)	(2,806,578)
Specific provision						(297,809)	(248,232)
Suspended profit						(65,576)	(16,013)
Net due from financing activities						29,351,773	22,663,482

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

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	2010 Total	2009 Total
Retail	4,779,740	17,380	-	765,840	11,183	5,574,143	4,012,449
Corporate	12,385,917	199,317	88,107	1,354,207	480	14,028,028	10,549,869
Small and medium enterprises	324,783	13,440	76,833	6,675	322	422,053	260,366
Finance with real estate mortgage	5,192,080	2,671,946	-	3,302,026	-	11,166,052	7,890,036
Others	905,820	299,197	875,047	473,709	2,246	2,556,019	3,021,585
Total	23,588,340	3,201,280	1,039,987	5,902,457	14,231	33,746,295	25,734,305
Unearned profits						(4,031,137)	(2,806,578)
Specific provision						(297,809)	(248,232)
Suspended profit						(65,576)	(16,013)
Net due from financing activities						29,351,773	22,663,482

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

	2010			2009		
	Specific provision	Suspended profit	Total	Specific provision	Suspended profit	Total
At 1 January	248,232	16,013	264,245	221,611	12,362	233,973
Specific provision made during the year	94,715	58,427	153,142	70,238	30,195	100,433
Recoveries of amounts previously provided	(44,736)	(8,864)	(53,600)	(39,158)	(26,544)	(65,702)
Net additional provisions during the year	49,979	49,563	99,542	31,080	3,651	34,731
Provisions written off during the year	(402)	-	(402)	(4,459)	-	(4,459)
At 31 December	297,809	65,576	363,385	248,232	16,013	264,245

e) Provisions distribution by nature of the customer:

	2010	2009
Retail	158,542	148,806
Corporate	139,267	99,426
Total	297,809	248,232

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

8. Financial investments

	2010	2009
a) Financial investment available-for-sale:		
Quoted	993,497	897,533
Unquoted	2,494,053	921,116
Total financial investments available-for-sale	3,487,550	1,818,649
b) Investments in associates	1,524,303	1,617,394
Total financial investments	5,011,853	3,436,043

a) Financial investments available-for-sale

	2010			2009		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Shares	253,957	677,811	931,768	121,329	534,966	656,295
Sukuk government of Qatar	-	1,250,000	1,250,000	-	-	-
Sukuk others	781,088	136,074	917,162	812,562	151,212	963,774
Other Islamic portfolio and funds	-	466,345	466,345	-	285,876	285,876
Total financial investments	1,035,045	2,530,230	3,565,275	933,891	972,054	1,905,945
Provision for revaluation losses	(41,548)	(36,177)	(77,725)	(36,358)	(50,938)	(87,296)
	993,497	2,494,053	3,487,550	897,533	921,116	1,818,649

Movement in provision for revaluation losses

	2010	2009
At 1 January	87,296	14,334
Charged for the year	36,913	82,572
Recovered during the year	(46,484)	(9,610)
At 31 December	77,725	87,296

b) Investments in associates

	2010	2009
At beginning of year	1,617,394	1,650,436
Additions during the year	73,342	700,020
Disposals during the year	(105,680)	(888,874)
Total Investment	1,585,566	1,461,582
Distribute dividends received from associates	(53,220)	(15,000)
Transfer to fair value reserve during the year	11,773	19,455
Transfer to translation reserve during the year	(1,377)	4,300
Share of annual (loss)/profit for associates	(18,439)	147,057
At the end of the year	1,524,303	1,617,394

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Amounts expressed in thousands of Qatari Riyals

8. Financial investments (continued)

b) Investments in associates (continued)

The investments in associates are being distributed as follows:

By the investment value:

	Country of incorporation	2010		2009	
		Ownership		Ownership	
		Amount	Percentage	Amount	Percentage
Q Invest Bank LTD	Qatar	886,589	35.00%	915,002	35.00%
Al Jazeera Finance Company (S.A.Q)	Qatar	227,445	30.08%	235,883	30.08%
Durat Al Doha LLC	Qatar	161,943	39.90%	162,948	39.90%
Bawabat Al-Shamal LLC (*)	Qatar	-	-	104,191	37.25%
Al Daman Islamic Insurance	Qatar	50,837	25.00%	50,500	25.00%
Arab Finance House	Lebanon	64,770	32.51%	77,870	32.51%
Asian Finance Bank	Malaysia	132,719	33.00%	71,000	21.00%
		1,524,303		1,617,394	

By the financial position

	2010				
	Assets	Liabilities	Revenue	Profit/(losses)	Percentage
Q Invest Bank LTD	1,196,375	309,786	105,295	2,595	35.00%
Al Jazeera Finance Company (S.A.Q)	643,321	415,876	30,541	7,182	30.08%
Durat Al Doha LLC	548,614	386,671	-	(770)	39.90%
Bawabat Al-Shamal LLC (*)	-	-	-	743	
Al Daman Islamic Insurance	55,432	4,595	3,758	337	25.00%
Arab Finance House AFH	460,416	395,646	7,840	(16,518)	32.51%
Asian Finance Bank AFB	824,215	691,496	18,368	(12,008)	33.00%
	3,728,373	2,204,070	165,802	(18,439)	

(*) Represents share of the group in the profit of Bawabat Al-Shamal (as an associate before transfer to financial investment) till the date of the sale of 50% of share of the group on 30 Dec 2010.

	2009				
	Assets	Liabilities	Revenue	Profit/(losses)	Percentage
Q Invest Bank LTD	1,163,003	430,001	72,330	45,826	35.00%
Al Jazeera Finance Company (S.A.Q)	762,110	526,227	80,946	60,073	30.08%
Durat Al Doha LLC	496,902	333,954	-	(7,963)	39.90%
Bawabat Al-Shamal LLC	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	

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8. Financial investments (continued)

b) Investments in associates (continued)

Business combination – Associates

Q Invest Bank

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 equivalents to QAR 656 million against an increase in the share capital. However, the allotment of shares was not completed until the date of issuing the consolidated financial statements.

Goodwill

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

In accordance 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.

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

	Q Invest	Bawabat Al-Shamal*	Al Daman Islamic Insurance	Asian Finance Bank**
2010				
At 1 January – Goodwill	181,620	–	–	–
Movement during the year				
Cash paid during the year	–	–	–	73,342
Share of fair value of net assets acquired	–	–	–	–
Sale 50% Group shares	–	(35,632)	–	–
Net movement during the year	–	(35,632)	–	73,342
At 31 December – Goodwill	181,620	(35,632)	–	73,342

	Q Invest	Bawabat Al-Shamal	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	–	–

* Investment in Bawabat Al-Shamal has been classified as financial investments available for sale as a result of the sale of 50% of the Group's share and reduced its share to 18.63%.

** The movement in Asian Finance Bank represents the acquisition of 10% additional share through purchase of Gulf Finance House shares, amounted to QAR 30,940 thousands at par value in addition to QAR 42,402 thousand, which represents 25% of total amount. The subscription in the first tranche of Asian Finance Bank capital increase by 50 % in addition to the unsubscribed share of Financial Assets company -Bahrain, which represent 2% of the capital added to the share of the bank to become 33%.

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9. Other investments

a) Investments in property and other assets held for leasing

	2010			2009		
	Land	Buildings	Total	Land	Buildings	Total
Cost						
At 1 January	202,115	115,784	317,899	601,481	-	601,481
Additions during the year	-	-	-	-	115,784	115,784
Disposals during the year	-	-	-	(399,366)	-	(399,366)
At 31 December	202,115	115,784	317,899	202,115	115,784	317,899
Net book value as at 31 December	202,115	115,784	317,899	202,115	115,784	317,899

The total market value of the properties and investments held for leasing at 31 December 2010 stands at QAR 388 million (2009: QAR 411 million) according to an independent valuation reports.

b) Investments in property and other assets held for trading

	2010			2009		
	Land	Buildings	Total	Land	Buildings	Total
Cost						
At 1 January	527,481	387,300	914,781	500,956	697,787	1,198,743
Additions during the year	-	-	-	26,525	-	26,525
Disposal during the year	(105,679)	-	(105,679)	-	(310,487)	(310,487)
Net Book value as at 31 December	421,802	387,300	809,102	527,481	387,300	914,781
Provision for impairment						
At 1 January	(17,113)	(12,139)	(29,252)	-	(77,149)	(77,149)
Charge for the year	-	-	-	(17,113)	-	(17,113)
Disposals during the year	17,113	-	17,113	-	65,011	65,011
At 31 December	-	(12,139)	(12,139)	(17,113)	(12,138)	(29,251)
Net book Value as at 31 December	421,802	375,161	796,963	510,368	375,162	885,530
Total Net Book Value for Other Investments as at 31 December (a + b)	623,917	490,945	1,114,862	712,483	490,946	1,203,429

The total market value of the properties and other assets held for trading at 31 December 2010 stands at QAR 808 million (2009: QAR 888 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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for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

10. Fixed assets

	Land and buildings	Computer equipments	Office equipment, furniture and fixtures and leasehold improvements	Motor vehicles	Total
Cost					
At 1 January 2010	209,437	108,666	124,389	3,585	446,077
Additions	52,894	32,905	20,541	–	106,340
Disposals	–	–	(1,561)	–	(1,561)
At 31 December 2010	262,331	141,571	143,369	3,585	550,856
Depreciation					
At 1 January 2010	34,906	70,907	38,970	2,215	146,998
Charge for the year	3,593	13,347	17,287	433	34,660
Disposals	–	–	(1,362)	–	(1,362)
At 31 December 2010	38,499	84,254	54,895	2,648	180,296
Net book value					
At 31 December 2010	223,832	57,317	88,474	937	370,560
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

11. Other assets

	2010	2009
Accrued income	699,277	576,094
Work in progress	46,812	86,447
Due from Bank of Credit and Commerce International (under liquidation)	36,422	36,422
Prepayment and advances	15,243	18,215
Deferred income tax asset	–	11,175
Other receivables	923,991	737,897
	1,721,745	1,466,250
Provisions for due from BCCI	(36,422)	(36,422)
	1,685,323	1,429,828

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

12. Due to banks and financial institutions

	2010	2009
Current accounts	261,545	60,545
Deposits from banks and financial institutions	8,150,374	8,630,440
	8,411,919	8,690,985

13. Customers' Accounts

a) Current Accounts

	2010	2009
Government	1,390,219	658
Corporate	3,623,949	3,839,990
Individual	2,658,040	54,601
	7,672,208	3,895,249

b) Others

Total current accounts and other balances	8,730,535	6,718,703
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14. Sukuk financing instruments

During 2010, through a Sharia'a compliant Sukuk Financing arrangement, and after getting the Sharia'a Board approval, the Bank raised a medium term matured on 7 October 2015 finance amounting to USD 750 million (QAR 2,713,290,000 netted-off of the related issuance cost of QAR 16,710,000 to be amortized over its period of maturity (5 years). The sukuk are listed in London Stock Exchange.

The terms of the arrangement include transfer of certain identified assets ("the Co Owned Assets") including original leased and musharakat assets, Sharia'a compliant authorised investments and any replaced assets of the Bank to a Sukuk company, Qatar Islamic Bank Sukuk financing Limited (L.L.C) – the Issuer, especially formed for the sukuk transaction.

The bank controls the assets and will continue to be serviced by the bank. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at the exercise price of USD 750 Million.

The sukuk bear a fixed profit rate 3.856% payable to the investors based on semi-annually. The issuer will pay the distribution amount from returns received in respect of the Co Owned Assets on Semi-Annually. Such proceeds are expected to be sufficient to cover the distribution amount payable to the sukuk holders on the semi-annually distribution dates.

15. Other liabilities

	2010	2009
Customer advances	370,085	399,575
Manager cheques	130,490	85,698
Accrued expenses	76,307	78,574
Margin deposits	48,948	66,718
Provision for employees' end of service benefits (note 16)	73,188	65,623
Naps and visa settlements	63,825	31,878
Accrued profit distribution to sukuk holders	24,563	-
Provision for potential claims	11,258	11,258
Prior years accrued dividends	8,474	6,088
Customer's participation in funds	4,377	1,092
Pension fund	996	474
Contribution in Social and sport activities	33,363	-
Others	278,092	274,929
	1,123,966	1,021,907

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for the year ended 31 December 2010

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16. Provision for employees' end of service benefits

	2010	2009
Balance at 1 January	65,623	58,904
Charge for the year	11,995	8,632
Amount paid during the year	(4,430)	(1,913)
Balance at 31 December (note 15)	73,188	65,623

17. Unrestricted investment accounts

	2010	2009
a) By type:		
Term deposits	13,363,880	8,403,855
Call accounts	4,059,414	1,964,266
Saving accounts	4,034,503	3,149,319
	21,457,797	13,517,440
Share of unrestricted investment accounts in profit	63,226	145,281
Unrestricted investment account share of fair value reserve	6,153	(20,441)
	21,527,176	13,642,280
b) By sector:		
Individuals	11,074,116	7,743,783
Corporations	9,467,921	5,633,904
Government	822,402	139,753
Government and semi government organizations	93,358	-
	21,457,797	13,517,440
Share of unrestricted investment accounts in profit	63,226	145,281
Unrestricted investment accounts share of fair value reserve	6,153	(20,441)
Unrestricted investment account share of risk reserve	-	-
	21,527,176	13,642,280

Unrestricted invested accounts include QR 275.83 million held as collateral against direct and indirect financing credit facilities (2009: QR 97.7 million).

18. Minority interest

	2010	2009
At 1 January	193,722	225,910
Share of minority in the profit of subsidiary companies	30,258	(100,260)
Net fair value reserve movement of the subsidiaries	1,093	110
Net movement in translation reserve	2,072	4,662
(Decrease)/Increase in capital share	(17,934)	56,100
Increase in legal reserve	-	7,200
At 31 December	209,211	193,722

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

19. Shareholders' equity

a) Share capital

	2010	2009
Authorised, issued and paid-up share capital 216.6 million ordinary shares of QR 10 each (2009: 206.7 million shares of QR 10 each)	2,166,022	2,067,566

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 capital increase 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 has been executed during the year 2010.

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 transfer a portion of the net profits to the general reserve which could be based on the General Assembly Resolution as per recommendation from Board of Directors and after the approval from Qatar Central Bank Approval.

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 Risk reserve will be used in full or partially only after obtaining prior approval from QCB.

f) Fair value reserve

	2010	2009
At 1 January	(44,827)	(76,009)
Revaluation results at year end	64,106	31,940
Charged to income statement during the year	891	27,934
Net change during the year	64,997	59,874
Less: Share of unrestricted investment account holders in the movement in the fair value reserve	(26,594)	(28,692)
At 31 December	(6,424)	(44,827)

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

g) Contribution in Social and Sports activity fund

The Group have created provisions during the year of QR 66.4 Million which presents 2.5% of net profit for two years 2009 and 2010 as per law no. 13 for year 2008 and explanatory notes issued for 2010 (2010: 33.4 Million Qatari Riyals) , (2009: 33 Million Qatari Riyals).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

19. Shareholders' equity (continued)

h) Proposed dividend and bonus shares

The Board of Directors has proposed a cash dividend of 50% of paid up share capital amounting to QR 1,083 million – QR 5 per share (2009 – 60% of paid up capital amounting to QR 1,181 million – QR 6 per share) which is subject to approval at the Annual General Meeting of the shareholders.

20. Income from financing activities

	2010	2009
Murabaha and Musawama	1,256,602	1,040,102
Istisna	244,874	368,950
Mudaraba	86,493	84,879
Ijara muntahiya bitamleek	275,330	321,935
	1,863,299	1,815,866

21. Gains from investing activities

	2010	2009
a) Gain from due from and investments with banks and financial institutions (*)		
Deposit with banks and financial institutions	42,560	28,447
Commodity Murabaha transactions, net	(95,502)	(55,965)
	(52,942)	(27,518)
b) Income from investments		
Financial investments available-for-sale	116,523	226,713
Investment in property and assets held for leasing	26,918	27,150
	143,441	253,863
c) Gain on sale of investments		
Investment in property and assets held for trading	83,606	49,561
	83,606	49,561
	174,105	275,906

(*) this balance is net of profit paid to banks and financial institutions amounting to QAR 188 million (2009: QAR 202 million).

22. Commission and fees income

	2010	2009
Management fee	189,211	144,567
Banking service fees	36,034	34,186
Letters of credit and guarantee	34,536	39,614
Income from investment activities for others	–	9,675
Bank's share of income from unrestricted investments	–	40
Others	48,942	48,116
	308,723	276,198

23. Gains from foreign exchange operations

	2010	2009
Gain on sale of foreign exchange	3,911	5,714
Revaluation gains of foreign exchange	22,276	39,432
Net gains of foreign exchange	26,187	45,146

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for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

24. General and administrative expenses

	2010	2009
Staff salaries and allowances	254,290	250,105
Rent and maintenance	42,211	32,282
Board of Directors' remuneration	27,060	29,071
Advertisements and market promotions	26,017	22,269
Communication, insurance and utilities	21,130	19,681
Legal and professional fee	17,580	13,207
Employees' end of service benefit	11,444	8,760
Training costs	2,659	3,092
Contributions to pension fund	2,996	2,634
Others	39,245	60,147
	444,632	441,248

The number of staff employed by the Group as at 31 December 2010 was 825 (2009: 792).

25. Unrestricted investment account holder's share of profit

	2010	2009
Investment account holders' share in profit before Mudaraba share of the Group	763,690	891,979
Less: Group's share of profit as Mudarib	(317,067)	(522,980)
Unrestricted investment account holders' net share after the group's share of the profit as Mudarib	446,623	368,999
Add: Shareholders support	-	141,367
Unrestricted investment account holders' share after shareholders' support	446,623	510,366

Following are the profit distribution rates for the unrestricted investment account holders during the year:

	2010 (%)	2009 (%)
5 year term	2.73	7.00
3 year term	2.53	6.25
1 year term	2.30	5.75
6 months term	2.10	5.10
3 months term	1.97	4.00
1 month term	1.67	3.52
Savings account	1.57	3.50
Call account	1.57	3.50

26. 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.

	2010	2009
Net profit for the year attributable to the shareholders	1,334,535	1,322,106
Weighted average number of shares for the year (expressed in thousands)	215,145	216,602
Basic and diluted earnings per share (QR per share)	6.20	6.10

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for the year ended 31 December 2010

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27. Contingent liabilities and commitments

a) Contingent or deferred liabilities

	2010			
	Less than 1 year	1-5 years	Over 5 years	Total
Letter of Guarantees	2,691,593	–	–	2,691,593
Unused financing facilities and commitments	2,482,389	–	–	2,482,389
Uncompleted part of Istisna commitment	1,196,556	–	–	1,196,556
Sukuk financing instruments	–	508,799	–	508,799
Letters of credit	448,795	–	–	448,795
Acceptances	109,765	–	–	109,765
	6,929,098	508,799	–	7,437,897
b) Commitments				
Investment portfolios managed for others (note 29)	–	4,441	–	4,441
Restricted investment balances for customers (note 30)	–	178,360	–	178,360
	–	182,801	–	182,801

a) Contingent or deferred liabilities

	2009			
	Less than 1 year	1-5 years	Over 5 years	Total
Letter of Guarantees	6,055,571	–	–	6,055,571
Unused financing facilities and commitments	1,817,558	–	–	1,817,558
Uncompleted part of Istisna commitment	1,673,368	–	–	1,673,368
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 29)	–	4,441	–	4,441
Restricted investment balances for customers (note 30)	–	178,360	–	178,360
	–	182,801	–	182,801

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

28. Geographical distribution of assets and liabilities

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

At 31 December 2010

	Qatar	GCC	Europe	North America	Others	Total
Assets						
Cash and balances with central bank	1,874,550	–	–	–	–	1,874,550
Due from and investments with banks and financial institutions	10,266,613	159,858	1,510,089	433,598	61,022	12,431,180
Due from financing activities	28,456,948	353,381	506,434	–	35,010	29,351,773
Financial investments	2,980,323	1,109,314	403,466	–	518,750	5,011,853
Other investments	756,100	–	358,762	–	–	1,114,862
Fixed assets	370,560	–	–	–	–	370,560
Other assets	1,671,409	–	13,914	–	–	1,685,323
Total assets	46,376,503	1,622,553	2,792,665	433,598	614,782	51,840,101
Liabilities						
Due to banks and financial institutions	2,922,153	3,343,754	212,526	–	1,933,486	8,411,919
Customers' accounts	8,674,490	–	56,045	–	–	8,730,535
Sukuk financing instruments	2,713,290	–	–	–	–	2,713,290
Other liabilities	1,120,284	–	3,682	–	–	1,123,966
Total liabilities	15,430,217	3,343,754	272,253	–	1,933,486	20,979,710
Unrestricted investment Accounts	21,527,176	–	–	–	–	21,527,176
Minority interest	178,256	–	30,955	–	–	209,211
Shareholders' equity						
Share capital	2,166,022	–	–	–	–	2,166,022
Advance paid against increase in share capital	–	–	–	–	–	–
Legal reserve	4,654,922	–	–	–	–	4,654,922
General reserve	666,571	–	–	–	–	666,571
Risk reserve	428,500	–	–	–	–	428,500
Fair value reserve	(6,424)	–	–	–	–	(6,424)
Translation reserve	(53,706)	–	–	–	–	(53,706)
Proposed cash dividends	–	–	–	–	–	–
Retained earnings	1,301,482	–	–	–	–	1,301,482
Total shareholders' equity	9,157,367	–	–	–	–	9,157,367
Total liabilities, unrestricted investment accounts, minority interest and shareholders' equity	46,259,653	3,343,754	303,208	–	1,933,486	51,840,101

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

Amounts expressed in thousands of Qatari Riyals

28. Geographical distribution of assets and liabilities (continued)

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

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29. Investment portfolios

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

	2010	2009
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.

30. Restricted investment balances

	2010			2009		
	Balance	Average profit rate	Bank's share	Balance	Average profit rate	Bank's share
Type of Investment						
Restricted investments for customers	178,360	-	-	178,360	4.25%	40

31. Related party transactions

The Group has transactions in the ordinary course of business with associates, shareholders, directors, officers of the Group and entities of which they are principal owners:

	2010		2009	
	Directors	Associates	Directors	Associates
Consolidated Balance Sheet items				
On Balance Sheet items				
Assets				
Financing	282,623	1,492,386	578,240	1,485,500
Mudaraba investment by associates	-	-	-	40,962
Liabilities				
Deposits	1,451,329	170,819	399,458	422,797
Mudaraba investment in property funds	-	-	-	-
Off Balance sheet items				
Contingent liabilities, guarantees and other commitments	39,795	-	58,773	178,360
Consolidated Income statement items				
Fee and commission	18,539	63,000	37,585	86,943
Profit paid on deposits	12,051	12,953	1,576	17,235

	2010	2009
The Management		
Key management remuneration during the year includes salaries and other benefits	32,244	22,644

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32. Cash and cash equivalents

It includes the following balances with less than 90 days maturity:

	2010	2009
Cash and current account with central banks	523,123	313,233
Due from and investments with banks and financial institutions	12,396,274	8,600,251
	12,919,397	8,913,484

Cash and cash equivalents do not include balance on reserve account with Qatar Central Bank.

33. Parent company

Balance sheet:

	2010	2009
Assets		
Cash and balances with central bank	1,874,454	1,338,212
Due from and investment with banks and financial institutions	12,493,005	8,817,186
Due from financing activities	29,483,392	22,798,739
Financial investments	5,027,418	3,492,000
Other investments	693,060	693,060
Fixed assets	364,854	290,426
Other assets	1,589,336	1,419,755
Total assets	51,525,519	38,849,378
Total liabilities, unrestricted investment accounts and Shareholders' equity		
Due to banks and financial institutions	8,287,791	8,475,697
Customers' accounts	8,674,489	6,717,040
Sukuk financing instruments	2,713,290	-
Other liabilities	1,100,756	957,316
Total liabilities	20,776,326	16,150,053
Unrestricted investment accounts	21,595,433	13,642,015
Shareholders' equity		
Share capital	2,166,022	2,067,566
Advance paid against increase in share capital	-	956,003
Legal reserve	4,638,364	3,780,816
General reserve	664,121	664,121
Risk reserve	428,500	428,500
Fair value reserve	(7,126)	(45,080)
Translation reserve	(19,790)	(18,413)
Proposed cash dividend	1,083,011	1,181,466
Retained earnings	200,658	42,331
Total shareholders' equity	9,153,760	9,057,310
Total liabilities, unrestricted investment accounts and Shareholders' equity	51,525,519	38,849,378

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for the year ended 31 December 2010

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32. Parent company (continued)

Statement of income:

	2010	2009
Income		
Income from financing activities	1,881,750	1,845,442
Gains from investing activities	90,553	270,494
Total income from financing and investment activities	1,972,303	2,115,936
Commission and fees income	280,863	256,264
Commission and fees expenses	(19,475)	(17,493)
Net income from commission and fees	261,388	238,771
Gains from foreign exchange operations, net	26,187	45,146
Other operating income	–	6,075
Operating revenue	2,259,878	2,405,928
Expenses and provisions		
General and administrative expenses	(409,057)	(405,708)
Depreciation of fixed assets	(31,473)	(31,925)
Provision for impairment of receivables and financing activities	(49,979)	(25,799)
Financial investment provision	9,571	(82,572)
Net profit for the year	1,778,940	1,859,924
Less:		
Unrestricted investment account holder's share of profit	(446,623)	(510,366)
Sukuk	(24,563)	–
Net profit for the year attributable to shareholders	1,307,754	1,349,558

Statement of cash flows:

	2010	2009
Cash flows from operating activities		
Net profit for the year before share of profit for unrestricted investment account holders	1,778,940	1,859,924
Adjustments for:		
Depreciation on fixed assets	31,473	31,925
Provision for impairment of due from financing activities	49,979	25,799
Provision for impairment of financial investments	(9,571)	82,572
Share of loss/(profit) from associate	18,439	(147,057)
Foreign exchange fluctuations loss/(gains)	2,767	(6,512)
Gain on sale of fixed assets	199	(88)
Net operating profit before changes in operating assets and liabilities	1,872,226	1,846,563
Net decrease/(increase) in assets:		
Balances with banks and financial institutions	249,204	598,635
Reserve with Qatar Central Bank	(326,444)	(236,033)
Due from financing activities	(6,734,632)	(3,762,418)
Other assets	(169,581)	(759,163)
Net increase/(decrease) in liabilities:		
Due to banks and financial institutions	(187,905)	(38,623)
Customers' accounts	1,957,449	1,620,867
Other liabilities	54,984	101,091
Net cash flows used in operating activities	(3,284,699)	(629,081)

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32. Parent company (continued)

Statement of cash flows (continued):

	2010	2009
Cash flow from investing activities		
Purchase of financial investments	(1,757,495)	(304,410)
Additional investment in associate company	(73,342)	(628,904)
Proceeds from sale of financial investments	218,753	1,414,466
Dividends received from subsidiary companies	–	62,255
Proceeds from sale of associate companies	–	781,888
Proceed from sale of Associate	70,429	–
Purchase of other investments	–	(115,784)
Proceeds from sale of other investments	–	613,464
Dividends received from associate companies	53,220	15,000
Purchase of fixed assets	(106,099)	(72,178)
Proceeds from sale of fixed assets	–	203
Net cash flows (used in)/generated from investing activities	(1,564,618)	1,766,000
Cash flows from financing activities		
Increase in share capital	–	956,003
Advance paid against increase in share capital	–	956,003
Increase in unrestricted investment accounts	7,506,795	1,612,123
Dividend distributed	(1,181,466)	(1,378,377)
Sukuk Financing instruments	2,688,727	–
Net cash flows generated from financing activities	9,014,056	2,145,752
Net increase in cash and cash equivalents	4,134,820	3,282,671
Cash and cash equivalents – Beginning of the year	8,828,043	5,545,372
Cash and cash equivalents – Ending of the year	12,962,863	8,828,043

34. Subsequent event

- On 16 January 2011, QCB issued Sukuk Ijarah with the maturity of 3 years at which QCB invests QAR 9,000 million with a fixed annual profit rate (5%) to be paid semi-annually.
- On 17 January 2011, QIB received QAR 1,912 million representing 10% the value of the remaining share of the contribution of the Qatar Investment Authority for 19,691,100 ordinary shares by a special issuance in accordance with the decision of the shareholders in the General Assembly and the irregular meeting held on 23 December 2008. Shares will be allotment and such amounts will be transferred to the capital after a meeting of the Assembly.

35. 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. 44409409, Fax 44412700

Ladies Branch

Tel. 44879933, Fax 44888655

Corporate Finance & Private Banking Branch

Tel. 44409224, 44409229
Fax 44350293

New Doha Branch

Tel. 44837955, Fax 44837982

Al Fanar Branch

Tel. 44249222, Fax 44313622

Mesaieed Branch

Tel. 44771810, Fax 44770872

Salwa Road Branch

Tel. 44681667, Fax 44680123

Al Mansoura Branch

Tel. 44435752, Fax 44376281

Al Gharafa Branch

Tel. 44866656, Fax 44866056

Al Muntazah Branch

Tel. 44370847, Fax 44371284

Al Sadd Branch

Tel. 44477377, Fax 44478947

Al Shahania Branch

Tel. 44718664, Fax 44719044

Al Khor Branch

Tel. 44721666, Fax 44721888

General Authority of Minors Branch

Tel. 44341147, Fax 44320902

Al Rayyan Branch

Tel. 44809925, Fax 44811612

Al Ghuwairiya Branch

Tel. 44728318, Fax 44728755

Airport Branch

Tel. 44655611, Fax 44676532

City Center Branch

Tel. 44890759, Fax 44834032

Al Wakra Branch

Tel. 44640771, Fax 44676532

Mesaimer Branch

Tel. 44603694, Fax 44604028

Yarmouk Branch

Tel. 44883168, Fax 44883170

Khartiyat Branch

Tel. 44781640, Fax 44790228

Aljazeera Channel Branch

Tel. 44882607, Fax 44862240

Muaither Branch

Tel. 44507891, Fax 44458900

Ras Laffan Branch

Tel. 44748756, Fax 44748755

Dukhan Branch

Tel. 44482777, Fax 44712129

Industrial Area Branch

Tel. 44065777, Fax 44165995

Suhaim Bin Hamad Street Branch

Tel. 44421220, Fax 44131880

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E-mail : info@qib.com.qa
Website : www.qib.com.qa