

Transforming to Perform



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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



Transforming to Perform

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



Transforming to Perform



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

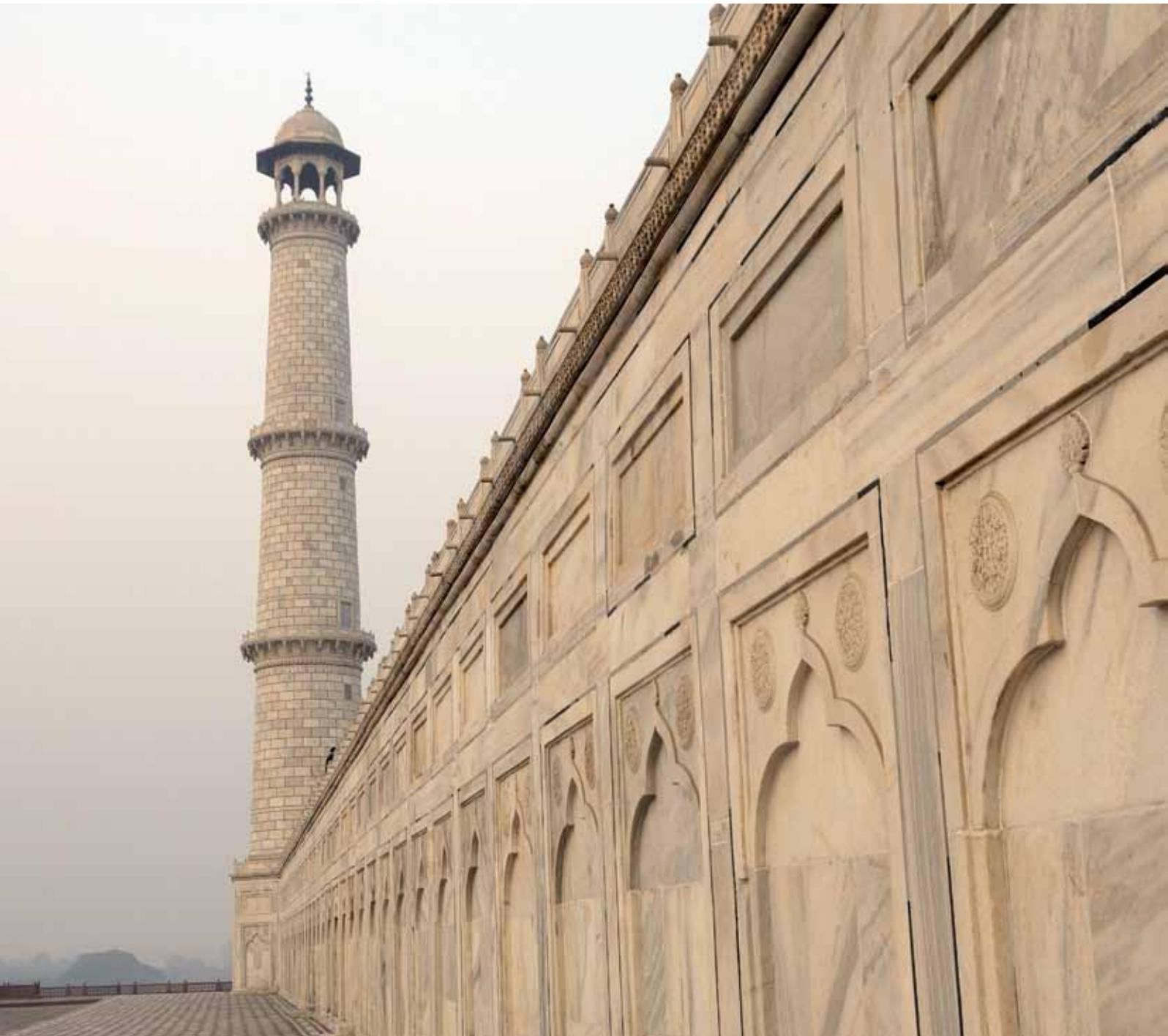


Shari'a Supervisory Board

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

Prof. Abdul Sattar Abou Ghodda
Member

Dr. Mohammed Othman Shabeer
Member



Senior Management



Ahmad Meshari
Acting CEO



Syed Maqbul Quader
Group Chief Risk Officer



Salah Al-Hail
General Manager
Real Estate Group



Dr. Ahmed A. Al Kuwari
General Manager
Human Capital



Dorai Anand
General Manager
Personal Banking



Constantinos Constantinides
Chief Strategy Officer
(Joined in 2012)



Bert de Ruiter
General Manager
Wholesale Banking Group
(Joined in 2012)



Giles Cunningham
Chief International Officer
(Joined in 2012)



Gourang Hemani
Chief Financial Officer
(Joined in 2012)





“In line with the overall growth of the Qatari economy, QIB witnessed enhanced levels of activity in 2011.”



Board of Directors' Report

On behalf of the Board of Directors of Qatar Islamic Bank (QIB), I am pleased to present the annual report for the year ending December 31, 2011.

Overall, the global financial markets remained depressed and volatile during 2011. The government debt crisis in Europe had a significant impact in slowing the pace of growth in a large number of world economies, both developed and emerging. Despite the difficult global economic conditions, the Qatari economy maintained a strong pace of growth.

In line with the overall growth of the Qatari economy, QIB witnessed enhanced levels of activity in 2011, through opening channels of co-operation with big governmental institutions, as well as with semi-governmental companies in the transport, infrastructure and energy industry sectors.

The Bank arranged financing for numerous companies within these sectors, and participated in joint financing projects with other financial institutions. One example of this co-operation being the joint-financing of the Barzan gas project, this was but one project in which QIB had a stake, in addition to infrastructure projects with other companies such as Barwa Real Estate, UDC and numerous others.

QIB has also crafted financing policies for individuals that meet the supervisory authorities' banking requirements. We are continuously working to develop QIB's Islamic products and are targeting and attracting new segments of customers.

We feel that the Bank's natural target is to ensure that QIB is seen as the natural choice for any client seeking superior Islamic Banking services. We've gone a long way towards achieving that target, and this is indicated in the results posted during 2011. QIB's overall assets have increased to QR 58.3 billion against the end-2010 figure of QR 51.8 billion, representing an increase of 12.4%. The Bank's overall investments have seen quite a remarkable growth, with a current figure of QR 16.9 billion invested against last year's figure of QR 6.2 billion – a massive increase of 173.5%. QIB also achieved an operating income of QR 2.68 billion compared to QR 2.28 billion in 2010, representing an increase of 17.6%. Profits were also up, with the 2011 profit of QR 1.37 billion marking a healthy increase of 8.2% over the QR 1.26 billion figure from the previous year.

As part of our commitment to provide superior returns to our shareholders in the long term, the board of directors has decided to distribute

a 45% profit to shareholders. This is the equivalent of a dividend of QR 4.5 per share.

In conclusion, I would like to express, on behalf of the Board of Directors, my sincere gratitude and appreciation to His Highness Sheikh Hamad Bin Khalifa Al Thani, the Emir of Qatar, and His Highness Sheikh Tamim Bin Hamad Bin Khalifa Al Thani, Heir Apparent, for their continued support of QIB.

I would additionally like to extend my sincere thanks and appreciation to His Excellency Sheikh Abdullah Bin Saud Al Thani, Governor of Qatar Central Bank, for his role in building, supporting and strengthening the banking sector in our country.

I would like also to extend my thanks and appreciation to all our customers, investors and shareholders, for their confidence in us and loyalty to our bank. Finally, I would like to thank the Bank's Shari'a Supervisory Board, QIB's management and, of course, our staff for their dedication and hard work.

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





“The bank embarked on a transformation programme to build a powerful and modern bank.”



CEO Message

2011 had been a crucial year for QIB's successful journey. The bank embarked on a transformation programme to build a powerful and modern bank that caters to the needs of the different customer segments and captures the promising growth opportunities in Qatar and beyond. To this end we have restructured our local business by creating the wholesale and personal banking groups.

We have launched a number of initiatives to drive customer experience. Two strategic inter-related projects that will shape the future of personal banking at QIB are the development of a new branch design and sales and service model, and the segmentation of our value propositions to cater to the needs of different client segments. In 2012, we opened three new branches and launched an ambitious branches expansion plan that will see QIB's branches reach 49 by 2015. We also launched the QIB-Qatar Airways co-branded card with unmatched market benefits.

We have also continued to expand our wholesale banking services by supporting cross-sector government and private projects. One of the key initiatives that QIB was proud to be part of is the Barzan Gas project. QIB contributed US\$500 million to finance this colossal gas project in Qatar, which is the biggest portion of the total Islamic tranche of US\$ 850 million. The Contracting & Real Estate Division has been able to achieve a remarkable growth in Total Assets (Financing Volume) of 59%. Moreover, the bank continued to focus on small and medium enterprises and launched, in an unprecedented move, the first programme designed for micro-enterprises.

QIB has also acquired 'Al Yusr', the Islamic corporate portfolio of International Bank of Qatar signalling a commitment to capture new business opportunities and to expand its corporate client portfolio.

We have also stepped up our efforts to make QIB the 'best place to work' for employees because we believe

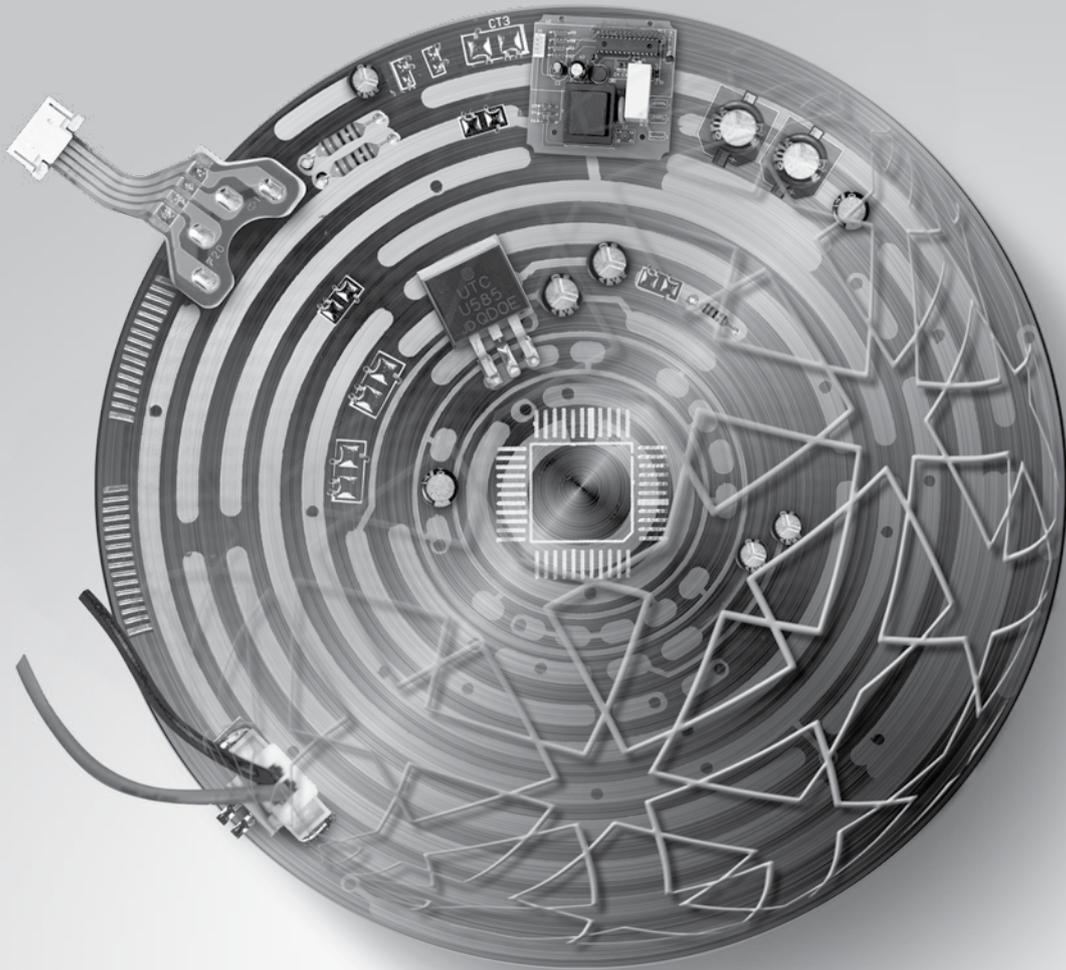
that becoming the 'best place to bank' for our customers starts from creating the best work environment for our employees. In 2011 a fully-fledged Learning & Development team was assembled, with the objective of developing critical competencies among employees. Over 1,500 learning days were delivered across various functions of QIB, involving the majority of employees.

QIB has also continued its focus on Qatarization and the empowerment of Qatari nationals by launching specific programmes designed to this end. This included the Qatari Fast Tracker Programme, Leadership Programme and Branch Managers Programme.

Finally, I would like to sincerely thank the QIB family – employees and executive management as well as HE the Chairman and members of the board and shareholders for their continued support.

Ahmad Meshari
Acting CEO





“2011 saw the implementation of the new sales and service model across all branches.”

Personal Banking Group

During 2011, organizational restructuring saw the creation of the Personal Banking Group, with a focus on delivering a differentiated value proposition to capture growth opportunities and appeal to a wider and more sophisticated cross-section of customers.

Branch Banking

Branches continue to be the principal channel of choice for QIB customers offering all banking, financing and investment services. 2011 saw the implementation of the new sales and service model across all branches which will greatly enhance the service levels within the bank, by making our branches more sales- and service-oriented.

During 2011, three new branches were opened, one each in Barwa Village, Nasriya, and Suhaim Bin Hamad Street. This brings the total number of branches to 29. The bank has embarked on an ambitious plan to expand this number to a total of 49 by 2015.

e-banking

QIB continues to enhance its electronic channels both through expansion, and enriching its functionality.

- During 2011, QIB added 35 new ATM and six new CDM (Cash Deposit Machine) devices to reach a total of 132 ATMs and CDMs
- The call center was expanded and upgraded with introduction of a fully automated IVR (Interactive Voice Response) and CTI (Comput-

er Telephony Integration) applications

- New functionalities were added to the internet banking platform, including online utility bill payments.
- A new, simplified internet banking registration process was introduced
- QIB e-channels (contact center, Internet Banking, Mobile Banking, ATM/CDM) had the unique distinction of being certified ISO/IEC 27001 for Information security.

Cards

QIB launched the QIB-Qatar Airways co-branded card in partnership with Qatar's flag-carrying airline. The card carried has many firsts: Priority Pass, the highest bonus air miles in the country, and Travel Takaful insurance cover wrapped around it. This card has been a huge success, with record numbers of customers signing up.

Another first was a travel pre-paid card launched in association with MasterCard. This card gave a secured means for customers to travel with a secure, personalized means of payment, instead of the inherently risky process of carrying cash.

Financing Products

During the year several promotions were launched for financing products. These included:

- A special campaign during Ramadan, for Auto financing including a tie-up with leading auto dealers in the market

- A special tailor-made offer for people working in different sectors like Government, health, hydrocarbon extraction, and education.

Further, a new direct sales channel was introduced to focus on the delivery of financing products. This channel aims to deliver financing products without a need for the customer to come into the branch.

Takaful

QIB launched a new Takaful savings product in collaboration with Beema. This product was designed to meet the savings and protection needs of customers, be they planning for their retirement, marriage, education and so on.

Private Banking

Private Banking serves the needs of VIPs and high net worth individuals (HNWI). During 2011, Private banking offered a wide range of investment opportunities to its clients, from property to investment portfolios and funds.

Private Banking is embarking on an ambitious initiative to have a dedicated 'next generation' branch up and running soon to better serve the needs of its clients. This branch will provide banking services through a team of dedicated, well-trained Private Banking Relationship Managers in a manner befitting the stature of private banking clients. The launch of the new Private Banking brand will coincide with the opening of the new branch.



Wholesale Banking Group

In 2011, as part of the transformation programme, we have consolidated our corporate activities in the Wholesale Banking Group.

Our mission is to make it easy for our customers to do business with us and view us as true partners and trusted financial advisors for their Islamic Banking needs. We aim to do this through mobilizing our teams of industry experts to the benefit of our customers and through our unwavering professional integrity and efficient execution of our services. Ultimately, it will be the way we do business and we conduct ourselves that will help us realize our objectives of creating value and sustainable growth in our chosen markets.

The group covers the corporate market end-to-end from SMEs to Multinationals through four divisions namely, Institutional Banking, Corporate Banking, Contracting and Real Estate and SMEs.

1. Institutional Banking Division

Institutional Banking division aims to deliver comprehensive financial solutions and premium services to Government, Semi-government and large cap Qatari corporates. Driven by our objective of building sustainable growth; we conduct our business in an open and transparent manner that balances the interests of all stakeholders.

The rationale behind the creation of this division (in its current form) was to help re-focus on QIB's core business and to tap into the fast growing public sector finance market through a "customer-focused infra-structure" and "renewed value proposition".

In spite of the price & low economic activity driven challenges; year 2011 proved a rewarding year for the Institutional Banking Division. The business unit has been able to make significant financial achievements and solid in-roads in terms of market penetration in the various economic sectors in its target markets. Total financing originated by the team amounted to circa QR 4.043 Bn during 2011 whilst generating fee income of circa QR 52 Mn for the year.

Amongst the many successes of the business unit, the highlight of the year would be the successful closing and efficient execution of QP's Barzan Project financing which helped QIB stand out from the crowd through its largest contribution to the syndicated financing and given its role as an Investment Agent for the Islamic tranche. To this end, the division was able to increase its share of wallet of the Government/Semi-government sector by at least 25% during the year. Furthermore, the Business Unit has also helped lay solid foundations for an "Agency Services" business

unit that has to date proven successful in handling and executing complex transactions thereby enhancing the Bank's capabilities in bidding for leading roles in large & complex syndicated transactions.

2. Contracting and Real Estate Division

Since inception, in 1982, QIB has been a strategic partner in the major projects in the state of Qatar. Through its specialized Contracting Finance Sector, QIB has been able to provide technical, professional and financial services to this vital sector. Our Strategy is to become the bank of choice for all international and local contractors.

The division's experience cover projects undertaking, the execution of buildings, residential compounds, electrical & mechanical, infrastructure, civil works, power, roads, transportation etc. With QIB's large underwriting capability and its international network, the bank is able to provide all necessary support to contractors.

During the year 2011, the Contracting & Real Estate Division has been able to achieve a remarkable growth in Total Assets (Financing Volume) of 59%, as the Financing Volume jumped from QR 4,491 M in FY 2010 to record QR 7,174 M as of December 2011. The financing income has improved from QR 361 M in FY10 to reach QR 486 M to record a growth rate of 35%.

The division is maintaining a high-quality assets portfolio, as a result of careful selection of trust-worthy clientele, in addition to close follow up over past dues, which has positively affected the Division's Profitability as there was No Classified accounts, and all the accounts are regular and comply with Central Bank instructions in this regard. Consequently, there was No Non-Profit Generating Assets in our portfolio, which has participated in increasing our profitability as well as the total Wholesale banking Profitability.

Transactions originated by Wholesale Banking for the year ending 31 December 2011:

Client	Transaction Type	Total Facilities (QR millions)
Tadawul Holding	Murabaha Facility	1,000
United development Co. (UDC)	Murabaha Facility	350
Salam International	Murabaha Facility	265
Awqaf	Wakalah/Ijara	66
Turkey Finans Kateilima	Murabaha Facility	36.5
Barzan Project	Syndicated Project Finance	1,825
Barwa	Murabaha Facility	500

Additionally, the Contracting & Real Estate Division has been also able to boost the Trade Finance closing balance from QR 1,691 M in FY 2010 to reach QR 1,873 in FY 2011, with a growth rate of 11%.

The Division has contributed during the year 2010 26% of the total Wholesale Banking profits. This ratio has increased during the year 2011 to around 41%, resulting in a growth of 58% for the division.

3. Corporate Banking

QIB considers 2011 as the 'base year' for developing a strong corporate finance infrastructure.

The Corporate Banking Division is now focused on serving trading and manufacturing businesses with its wide range of Shari'a-compliant products that finance company's working capital or capital expenditure through Musawama, Murabaha, Wakala, and Ijara products, in addition to other contingent facilities of guarantees and letter of credit.

Like our other divisions, the Corporate Banking team focusses on customer satisfaction through relationship management excellence. Through investments in products & people we are confident that this line of business is well positioned to become another growth pillar in our wholesale group.

4. SME Division

The SME (Small and Medium Enterprises) division links the wholesale and retail markets.

The bank uses an extensive portfolio of Islamic Banking tools in order to provide its services to the SME sector, as well as provide a full suite of Shari'a-compliant banking solutions.

Further, QIB has signed an 'Al Dhameen' agreement with Qatar Development Bank in order to finance and help SMEs to develop into bigger and more successful companies through access to investment funding and working capital. The Al Dhameen program is proving instrumental in diversifying income sources for the

Qatari economy and giving the SME sector the finance it needs to survive and thrive.

Going forward into 2012 and beyond, the SME sector will be a main element for the expansion of QIB's customer base and for the growth of QIB's financing portfolio. This is a vital market, an expanding market, a profitable market and one that is hugely important to the future development of Qatar as a nation in line with vision 2030.

QIB initiated a Micro-Finance Program targeting smaller customers in September 2011. Currently, QIB is the only Islamic Financial Institution offering the Micro-Finance Program in Qatar and expects to be the leader in this segment. This new business has been launched based on selective and conservative criteria, and a rigorous credit assessment of the customer. QIB is expecting a sustainable growth in this segment due to economic environment favoring entrepreneurship, growth in population and expectations related to World Cup 2022.

Operations & Information Technology Group

Information Technology Division

2011 was a year of great activity with regard to the bank's use of IT, bringing with it an increased alignment with business initiatives and achieving synergy with the bank's core business. QIB embarked on an operational theme of 'leaner, faster and better' and one of the key initiatives kick-started last year was introducing a core operating platform for the bank with a leading solution on the market. The focus remains on increasing customer value, business agility, consistent cost reduction and improvement across all operating parameters.

QIB automated many new service offerings through channels: utility bill payment through ATMs, multi-currency ATMs, and we enhanced Corporate Internet Banking with many new and interactive features. The bank provided tools to our Marketing Department to reach our customers through email and mobile with the latest product offerings. This year, expect announcements from QIB on our 'next generation' Mobile Banking services. QIB has provided an environment that is secure, and, as a result, achieved the ISO 27001 security certification for a secure alternate channels operation.

For customer convenience, we have upgraded the IVR (Interactive Voice Response) and call center with agent-friendly applications to support their day-to-day operations. This will be further enhanced to provide disruption-free customer service and combined with comprehensive CRM (Customer Relationship Management) initiatives.

To improve the service levels of the ATMs, the bank has entered into a Managed Services agreement for its ATM network, to improve customer service and overall uptime.

Further, the bank has piloted an 'instant issuance' scheme for debit cards in one of our larger branches and the success of this initiative means it will soon be rolled out across the entire bank. We have enhanced the product

offering in our credit card program through Q-Miles, Priority Pass and travel pre-paid cards and enhanced the platform to meet required security and compliance demands.

There has been significant investment in Treasury Technology enablement initiatives, in terms of facilitating our Treasury department to automate their front, middle and back offices. We have also facilitated smoother investment operations through the 'Themar' scheme and QIB has also gone into production mode with Asset Liability Management and Securities/Sukuk Trading.

The bank has virtualized the server environment by removing the servers from the branches and enhanced security controls and uptime for our branches. The network has been upgraded and this resource is now particularly resilient. QIB has also consolidated the storage environment, to ensure the best deployment of technology platforms and have entered into a comprehensive enterprise agreement with Microsoft and Oracle for license renewals and software upgrades.

The Technology department has made comprehensive efforts to complete the PCI compliance process and introduced many security controls in line with best practice in the payment cards industry.

What the Technology section is committed to is constantly working on improving the skill sets for employees within IT, with the help of Learning & Development initiatives sponsored by the Human Capital department. This will be further enhanced throughout 2012 to meet the bank's ambitious business plans.

Operations Division

With the revamp of QIB strategy in 2011, Operations division had to revive and reorganize its structure to be aligned with business prospects. Accordingly, organization structure has been changed to reflect clearer customer segmentation, better uniformity of process designs, and synergy among teams through consolidation.

New units were established to service branches and other customer channels within set SLAs, such as Shared Service Centre, Personal Investment Operations, etc.

In conjunction, efforts have been concentrated in 2011 on strengthening controls and mitigating risk, updating policies and procedures, improving skillset, and rotating staff across various departments, such efforts have improved controls and efficiency in many operational areas.

Moreover, in compliance with the above strategy to boost sales culture and free up the branches from non-customer facing operational activities, and centralizing these tasks under one roof, a complete transformation has been achieved in this regard, whereby all Personal Finance applications processing and credit approvals have been processed centrally in Operations.

With regard to the cost rationalization exercise, OIB has effectively optimized its daily cash limits across its ATM and branch networks, and significantly reduced its daily cash limits. This has generated immediate positive results for the Bank's overall daily cash performance was monitored daily through robust MI.

Part of QIB commitment to provide excellent service to its customers and protecting their accounts and cards against the globally spiking occurrences of hacking cards, a fraud guard system was installed in 2011, which has significantly reduced the number of successful fraudulent hits into customers' accounts as compared to the last three years.

On the other hand, team efforts have been strongly engaged with these of the IT Division, and Personal Banking initiatives, thus resulting in successful implementation of solid system infrastructure such as Prime 3.5, and accordingly successfully launched various competitive Card products in the market, and services through the e-channels such as the multi-currency disbursement.

Risk Group

In a complex and ever-changing world, management of risks has become a top priority for banks. The recent events in the banking sector across the world have clearly shown that the banks that had a disciplined approach to risk management performed well, whereas those that did not performed rather badly. Over the years, Qatar Islamic Bank (QIB) has followed conservative risk policies and procedures in managing its business. As a result, QIB is recognized in the banking industry for the quality of its credit portfolio, a key indicator of strong governance in the management of risk.

QIB has consistently maintained a sound capital base, as reflected by the strong Capital Adequacy ratio of 20.76% as of 31st December 2011, compared to 17.37% as of the prior year. The bank is also preparing to respond to the requirements imposed by Basel-III.

Risk Governance

The overall authority of risk management is vested in the Bank's Board of Directors, through the Audit & Risk Management Committee, for which members are nominated from the Board. The risk management function at QIB is managed by the Risk Group, which is an independent unit within the Bank, reporting directly to the Audit & Risk Management Committee. Regular presentations are made by the Risk Group to the Board of Directors concerning all risk related matters for their review and action, if necessary.

Risk Group

The risk management responsibilities at QIB is broken down and assigned to different sub-units within the Group. These sub-units are organized in a manner such that they are able to effectively meet the challenges of the ever changing marketplace and thereby add value to the organization. Today risk management at QIB is considered as a core competency of the bank.

Credit Risk Management

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

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

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

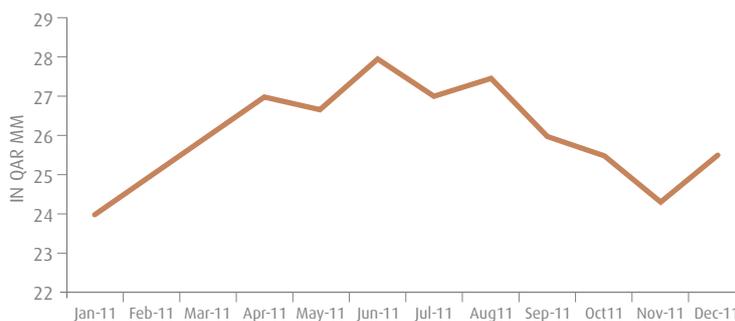
Internal Rating System Development

Sophisticated and automated Internal Rating systems will gradually replace the existing manual processes. This will enable QIB to monitor in a proactive manner its exposure to default risk for both Corporate and Personal Banking customers.

Market Risk Management

Market risk is the risk that an adverse and/or unexpected movement in the market causes a decline in the value of the related exposure. QIB has established conservative limits for the treasury products to manage the risks within an acceptable level. The Market Risk Department and the Treasury Middle Office, both within

Market Risk VaR (99%)



the Risk Group monitor these risks on a daily basis. During the year, the Bank implemented a Treasury Middle-Office system to closely monitor all treasury activities. The bank uses value-at-risk (VaR) methodology to estimate the exposures of the trading portfolios to market risk. The chart below shows the month-end VaR during 2011:

Liquidity Risk Management

The Asset Liability Management Committee (ALCO), comprising of senior managers in the Bank, has developed prudent and conservative policies for managing liquidity risk. QIB's deposit base has been growing and remains very stable. Regular stress testing is done, under different scenarios, to ensure that the Bank is able to meet its obligations even during turbulent market conditions.

During the year, QIB successfully rolled-out an Asset & Liability Management System, which is used to manage the balance sheet risk of the bank.

Operational Risk Management

Operational risk covers a wide spectrum of issues including, but not

limited to, frauds, systems failures, compliance, losses arising from unauthorized activities, omission, legal deficiencies etc. QIB has been making substantial investments in upgrading the skill set of the staff members during the last few years, which is an ongoing process. During the year, QIB has implemented an Operational Risk Management system to document, manage, and enhance the reporting of operational risk events.

Business Continuity Management

QIB became the first bank in Qatar to achieve the coveted BS 25999 Certification, an international standard for Business Continuity Management (BCM). This certification attests to the quality of the business continuity management strategy we have put in place to continue to provide services to our clients when confronted with business disruptions.

Information Security Management

QIB became the first bank in Qatar to achieve the benchmark ISO 27001 Information Security Management System certification for its alternative channels. The certificate outlines

the rules for implementing, operating, and improving an Information Security Management System (ISMS) within the context of an organization's overall business risks.

Our 2012 Priorities

Our work ahead will be focused on a set of core priorities:

- maintaining a high quality asset portfolio,
- ensuring sound management of liquidity and funding risks,
- ensuring capital adequacy by maintaining capital ratios in excess of rating agency and regulatory thresholds,
- maintaining sound management of regulatory compliance risk and operational risk,
- continuing to implement risk management initiatives, enhancing our capabilities and introducing new methodologies to measure, monitor and report risk with transparency and clarity across the organization,
- maintaining a risk rating of "A" or better.

Finance Group

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 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 financial position and profitability and providing high levels of support and direction that the business demands in order to deliver its targets.

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.

Financial group plan adopted in 2011 took advantage of the challenges of 2010 and converted them into opportunities for business development and achieving goals within the framework of realism and alignment with the strategic vision of the Bank to recognize higher rates of achievements in an environment characterized by challenge and persevere in the implementation. The major accomplishments in 2011 is the implementation of the MIS project which has started in 2010 and officially the new MIS reports were sent out from January 2011 to all business units and executive management. The new reports are unique and considered as one the best reporting tools in the banking system and a landmark achievement in the reporting mechanism of the bank catering to the wide range of information requirements of the business. The reports have become a tool for performance management and appraisal by providing detailed insight into the

business allowing them to monitor their growth and business plans.

The MIS reports were flexible enough to face and adapt changes as was evident with the strategic shift that has occurred in July 2011 resulting in the restructuring of the Domestic business group and the International business group into Personal Banking and Wholesale Banking respectively with a view to building a strong regional and global presence, take the initiative in providing Islamic financial solutions to meet the expectations of shareholders, customers, and strategic partners.

The system covers all core and non core activities of the bank and provides a package of performance reports to the business units which are derived from customers' data base 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 providing quantitative indicators to monitor business performance, beside the incorporation of cost and profitability centers and internal pricing methodology.

The Group continues its efforts to exhibit an unwavering commitment towards the establishing the best financial management systems, policies, procedures and practices, and automate the processing environment within the framework of 'straight through processing', thereby minimizing manual intervention by working closely with IT department to develop support systems such as Budget system to become a complementary and effective tool that works in harmony with the MIS reporting system to complete the loop for measuring historical and future performance and take timely corrective actions.

In addition to the implementation of the Bank's Automatic Payment System (QATCH) the group has coordinated with IT to develop other support systems, for the implementation

of the Enterprise Resource Planning (ERP), such as Sybase IQ data store and Basel 2. Also it has reacted positively with systems implementation initiatives in the bank such as ALM, Funds Transfer Pricing (FTP) and Temenos T24 m.

The Group continues to work closely with the 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-ordinate 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. Also S&P will start providing their rating services to the bank commencing from 2012.

The Group played an equally important role in developing AAIQFI standards working closely with the Accounting and Auditing standards Council for Islamic financial.

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 2012. It will continue with its role in 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 realization of the Bank's strategic objectives of achieving sustained business growth and maximize profitability.



Human Capital Group

The Human Capital department of QIB is responsible for overseeing all aspects related to employees, which includes attracting, retaining and developing employees, and ensuring effective management of employee performance. This department provides optimum support to the business by providing quality staffing and management tools, with the aim of optimizing organizational performance. Human Capital is also committed towards training and developing Qatari Nationals to comply with the organization's stated strategic goal of abetting the 'nation building' process.

The year 2011 was a challenging one for the Human Capital team, where the key focus was on driving the organization-wide change as part of the Strategic Transformation Project. Major activities included restructuring the organization and realigning the business model and mobilizing critical Management roles within the organization. In the past year, QIB hired 186 new employees (including 60 Qatari Nationals), and replaced aging and non-performing employees to improve efficiency. Human Capital also played a key role in mobilizing the direct sales team and corporate banking, which contributed substantially in improving overall levels of business. Also implemented was a lucrative incentive scheme for the sales team, to motivate employees to greater achievements in terms of overall sales.

One of the critical focus areas for Human Capital was to develop the

learning capability of the organization, and develop the skill sets across the bank as a whole. In 2011 a fully-fledged Learning & Development team was assembled, with the objective of developing critical competencies among employees across the bank. Over 1,500 learning days were delivered across various functions of QIB, involving the majority of employees. These Learning & Development initiatives covered major skill requirements in areas like Islamic Banking knowledge, the development of Qatari Nationals, Branch Managers' Development Programs, Corporate Banking and Relationship Management, customer service, specialized trainings, and others.

As part of the Human Capital's Strategic Nationalisation plan, QIB achieved 29% Qatarization as of year end and the bank continues to invest strongly in developing National resources. The Human Capital department has also sponsored 37 Qatari National students as part of its National Resource Development Program, who will be joining the bank's workforce upon successful completion of their education. As part of QIB's commitment to nurturing Islamic values and to partner in the concept of social uplifting, the bank hired a Qatari National with special needs in partnership with the Shafallah Centre for Children with Special Needs.

2012 is expected to be another busy year for Human Capital. Initiatives and objectives for the year include mobilizing seven new QIB branches

and meeting the staffing requirements for various functions; the overall number of employees is expected to increase from 794 to 950. Various Qatarisation initiatives are also planned, which includes increasing the Nationalisation percentage from 29 to 33%, and sponsoring an additional 15 Qatari students under the bank's Qatari National Sponsorship program.

As part of the ongoing Organization Development Initiatives, Human Capital will oversee implementing 'best in class' Human Capital Policies and Procedures, automating the Performance Management system and training employees to develop a 'high performance' culture. It will also undertake Conduct Employee Engagement surveys, implement a new compensation and benefits structure and performance reward schemes to ensure competitiveness. The stated aim is for QIB to become the employer of choice in the Qatari banking industry.

Human Capital has also planned various Strategic Learning development programs for employees and senior management to ensure that critical employee skills are enhanced, to support the organization's growth aspirations. The Learning & Development function will also be focusing on developing e-learning capability within the bank and inculcate a self-learning culture across the company. Human Capital will also establish a QIB-specific Leadership Development program based on Islamic values and principles, and internationally-recognised best practice.

Treasury Group

The Treasury plays a key role in managing the liquidity and risk for QIB and its clients. The Financial Institutions section forms part of the Treasury Group, which facilitates the correspondent banking and trade-related activities. The Treasury also works closely with Corporate Banking and Private Banking & Wealth Management. As a custodian of the ALM (Asset Liability Management) function, the Group, through fund transfer pricing, is now responsible for managing the market risk for the bank.

2011 was undoubtedly a very challenging year. The high volatility of the banking market, coupled with events in the Eurozone and credit market, were two scenarios which provided said challenges. Nevertheless, the Group succeeded in providing its partners with high-quality and innovative services throughout the year. Functionally, the Treasury Group comprises four business divisions. These are: Financial Markets, Debt Capital Market, Local Equity, and Financial Institutions.

Financial Markets

This function is primarily responsible for liquidity management, structured investments, treasury sales, assets liability management and fund transfer pricing. While the Financial Market division will continue to look at opportunities and transacting in structured products, the former will

have an expanded role to invest dynamically through own financially engineered investment structures to achieve a new income stream for the bank.

Notable achievements that have made a difference for the bank are the membership of QIB in the committee of the Islamic Benchmark Committee, and introduction of the Islamic derivative product to supplement the product suite of treasury instruments.

Capital Markets

2011 has been both a challenging year, yet a productive one, for the Capital Markets team with regards to positive achievements in performance, market recognition and positioning.

The Debt Capital Markets have consistently played a leading role in primary Sukuk issuances within the region, holding lead mandate positions and providing secondary market-making activities. Participation in global events and forums have shown QIB's commitment to providing added value and support to the strong growth of the Islamic Debt Capital Markets.

In February of 2011 Qatar Islamic Bank was recognized with an 'Award of Excellence for Best Islamic Financial Institution in Qatar' and also nominated for the 'Award of Excel-

lence for Best Sukuk Structuring House in Qatar' by IREF (International Real Estate Finance). These accolades came in addition to EMEA Finance's 'Most Innovative Sukuk Deal Award' for the bank for a successful Sukuk offering that raised \$750 million.

Financial Institutions

Having the advantage of correspondent banking arrangements with more than 500 banks worldwide, the Financial Institutions department has been mandated to facilitate and develop trade finance solutions for its clients. The department also serves as a central point of contact for financial institutions around the world.

QIB is justifiably proud of its commitment to leadership, and have one of the best leadership systems in class. Testimony to this commitment is reflected by JP Morgan's 'Quality Recognition Award' for excellence for the third consecutive year. This award is recognition for achieving 97.69% straight-through processing (STP) on payments between banks (MT103), which includes money transfers and account settlements between correspondent banks all around the world.

Going forward, the function will continue to focus and build on its core strengths and grow its unparalleled dominating position as the largest Shari'a-compliant trade finance handler in Qatar.



Real Estate Group

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

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

Further, through financing and management contracts, the Group oversees the development of those

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

QIB Real Estate Group manages projects worth billions of riyals inside and outside Qatar. In 2011, the size of QIB local and international real estate projects (completed or ongoing) represented QR 5.2 billion. Those projects include:

Five towers on The Pearl-Qatar; the Faisal Holding Tower, the Sheikh Abdullah Bin Khaled Tower, the Silhouette Tower & Intercontinental Hotel, the Al-Rames Tower, the Jumanah Tower, the Al Rifaa Tower, the Sheikh Abdullah Bin Khaled Show Rooms, and many others.

The Real Estate division is also realizing the designs of several macro

projects, namely the Doha Souqs, the QIB IT Center and the QIB Tower (in Lusail Marina district).

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

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

International Investment

QIB international is the result of a substantial internal work to rebrand QIB international activities. Driven by a group expansion strategy validated by QIB Board of Directors, the department's role is to expand the bank's operation beyond borders in order to diversify QIB clientele base and revenue mix and cater for international growth of shari'a-compliant banking activities.

In 2011, QIB continued the restructuring activity for most of its international operations as part of the enforcement of QIB five year strategy mainly driven by objectives to create value and cross-selling activities in the UK, Malaysia and Lebanon in which QIB has strategic investments. In parallel, QIB continued its markets' due diligence efforts which aim at venturing into new potential markets

which offer business opportunities for QIB group such as but not limited to Turkey, Oman, Indonesia.

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

QIB Network

Domestic Network



Al Jazeera Finance:

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



Aqar Real Estate:

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



Damaan Islamic Insurance Company (Beema):

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

Bawabat Al-Shamal Co. W.L.L.:

Established in late 2007 in the State of Qatar. Qatar Islamic Bank, Aqar Real Estate Co., and Al Futtaim Group are the shareholders of the Company. The activities of Bawabat Al Shamal include Real Estate Development and Investment as well as purchasing and selling real estate properties. Currently, Bawabat Al Shamal is working on one of the biggest projects in Doha on the North Road called "Qatar Mall". The project is worth QR 6 billion.

Global Network

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



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.



Asian Finance Bank (AFB):

Asian Finance Bank (AFB) was established in Malaysia during the end of March 2007. 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.



QIB - UK:

Was established in 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.

Corporate Social Responsibility

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

Therefore, our social responsibility vision is based on achieving a set of principles and objectives:

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

QIB ancillary activities during 2011

The bank achieved a number of notable milestones in its program of Corporate Social Responsibility (CSR) during 2011. Here are some of them:

- QIB sponsored the outstanding students honoring ceremony, as organized by the Public Authority for Minors' Affairs

- Training students of the Faculty of Management and Economics at the University of Qatar on its summer break sponsorship program. The training was devoted to the practice of Islamic Banking
- The employment of a number of graduates of the Shafallah Center for children with special needs. This was the first such initiative by a Qatari bank
- Organizing a blood donation campaign to enhance the stock of the Blood Center at HMC
- Organizing a charity campaign 'donation without having to pay' through the bank's ATMs, during the Holy Month of Ramadan, 1432 AH, in order to support charitable works in Qatar
- Organizing a campaign to collect donations from QIB's staff to provide relief for the humanitarian and drought crises in Somalia
- Sponsoring the celebrations for the Qatar National Day
- Sponsoring the Hajj bag for the fifth pillar Hajj and Umrah campaign, and the First Aid bag for pilgrims on behalf of the Qatari Red Crescent
- Supporting Iftar campaigns organized by the Zakat Fund during the Holy Month of Ramadan
- Receiving a group of school students and providing them with information about how an Islamic

bank operates and conducts its business

- Providing around five million Qatari Riyals from QIB's Zakat Committee Fund to the poor, debtors, the sick, students' sponsorships and others due to Zakat banks.

Involvement in local and international conference and events:

QIB sponsored numerous local and international conferences during 2011. These included:

- Sponsoring the Fourth Economic Conference in April 2011
- Platinum Sponsorship of the Qatar International Businesswomen Forum in May 2011
- Platinum sponsorship for the 10th Euromoney Islamic Finance Summit, which was held in London in February 2011
- Sponsoring the Second Islamic Banking Forum, which was held in Washington in September 2011, during meetings of the World Bank
- Sponsoring the Third Accountants Forum organized by the Faculty of Management and Economics at the University of Qatar in November 2011
- Sponsoring the Eighth Islamic Economics International Conference organized by the Faculty of Islamic Studies – member of Qatar Foundation for Education and Community Development.

Ratings and Awards

Awards received by the bank in 2011:

As a result of its achievements in the banking business, QIB received a clutch of international awards and certifications for quality and excellence in 2011. The most prestigious awards received were:

- Best Islamic Bank in Qatar, from Islamic Finance News (IFN)
- The Excellence Award as the best Islamic financial institution in Qatar from the International Real Estate

Forum (IREF), organized in London by the Islamic Conferences Group (ICG)

- Global Finance Magazine Award for the best Islamic financial institution in Qatar
- Arabian Business Award for the Best Islamic Bank in Qatar
- JP Morgan' Elite Award for Quality in operational payments between banks, for the third consecutive year

- BS25999 Certificate for international standards for business continuity by the German accreditation body, TUV SUD

- ISO 27001 Certificate for the alternative channels information security.

Credit ratings:

QIB received a rating of 'A' in 2011 by Fitch and Capital Intelligence Agencies.



Transforming to Perform

Corporate Governance Report

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.

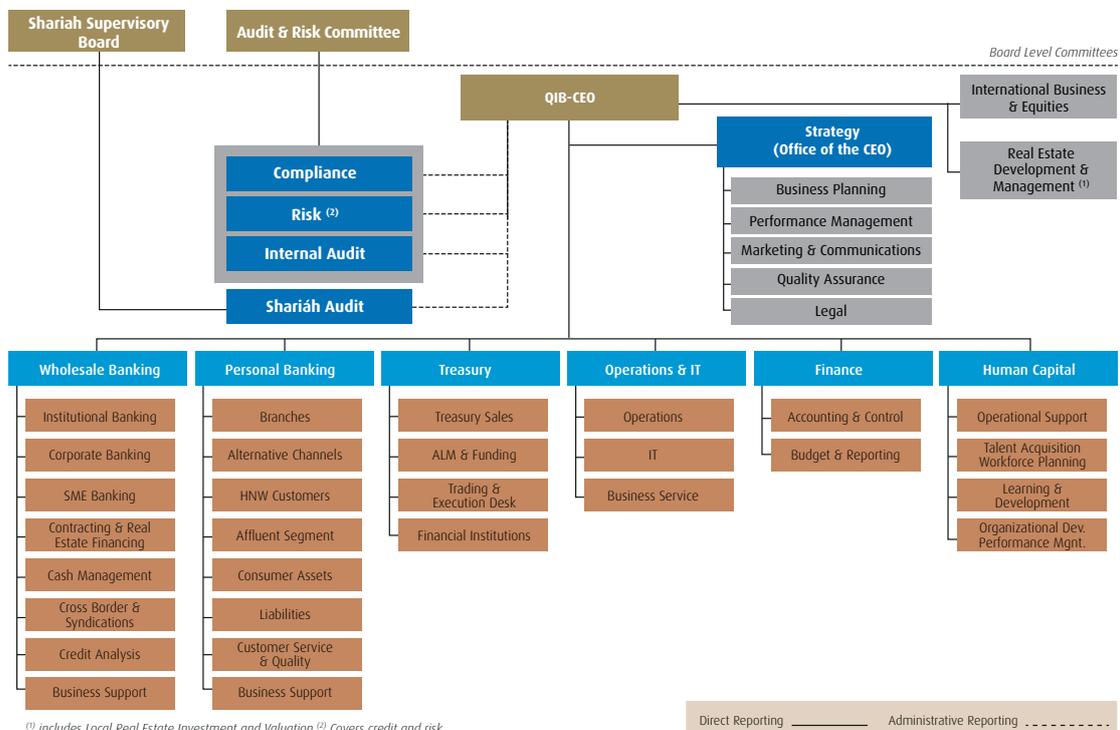
The Bank is committed to applying the rules of sound corporate governance as an integral part of the Bank's culture in the conduct of its strategic and day-to-day activities. In addition to the enhancement of the corporate culture, the Bank's corporate governance practices aim to improve its internal 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 fulfilment of the Bank's responsibilities to its stakeholders, the Bank's Board of Directors approved of the following Corporate Governance standards, ensuring that the CG Report for 2011 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.

2. Corporate Structure



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 judgment 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 Board selection is in accordance with the Bank's Articles of Association and Companies Law. The organisation of the Board shall be: (i) determined from time to time according to the requirements of the Bank, and the mentioned standards. (ii) subject to Board members' 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 Board candidates. According to the criteria specified in the Bank's Articles of Association and Companies Law, the Board of Directors are directly elected from candidate shareholders meeting the candidate's requirements and receiving the majority of the votes.

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 and in accordance with the rules, regulations and procedures issued by the Board from time to time.

3.4 Board of Directors

As of 31 December 2011, the Bank's Board of Directors comprised of the following members:

Director	Designation
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	Board Member
Mr. Abdul Rahman Abdulla Abdul Ghani	Board Member
Mr. Mansour Mohamed A. Fattah Al Muslah	Board Member
Mr. Issa Bin Rabia Al Kuwari	Board Member
Mr. Abdulla Bin Saeed Al Eidah	Board Member
Mr. Nasser Rashid S. Al-Kaabi	Board Member

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani

Chairman of the Board

Member of QIB Board of Directors since 22/06/2004, and became Chairman in April 2005. Graduated from Sandhurst Royal Military College in the United Kingdom, and had a high level leadership training. He is Chairman of Q Invest Bank - the first Islamic investment bank in Qatar, Chairman of QIB-UK (ex-European Finance House), and Chairman of the Aldaman for Islamic Insurance. He is also a board member of several institutions and financial and investment companies such as Qatar Navigation, and Arcapita Bank - Bahrain, and Credit Suisse - Zurich.

Mr. Mohammad Bin Abdullatif Al Mana

Vice Chairman of the Board

Member of QIB Board of Directors since April 1996, and Vice Chairman in April 2005. He graduated from the Faculty of Sharia and Islamic Studies - Qatar University in June 1978, worked at the Ministry of Awqaf and Islamic Affairs and became its Minister until April 2005. He is currently the Chairman of Al Jazeera Finance Company, the CEO of Aqar Real Estate Development & Investment, a Board member of the Syria International Islamic Bank and Chairman of the Board of Arab Finance House - Lebanon. He helped establish the company Ritaj for Real Estate Investment and is the board member of other companies.

Mr. Abdullatif Bin Abdulla Al Mahmmoud

Managing Director

Member of QIB Board of Directors since April 1996. He holds a bachelor's degree in Economics and Business Administration from Seattle Pacific University, USA 1982. He occupied several leadership positions in Qatar Petroleum since his graduation until 2002. He was Head of QIB Audit Committee from 2001 to 2005. He participated in many conferences and scientific meetings in the field of energy production, as well as topics related to Islamic banking. He became General Manager of Dar Al Sharq for Printing, Publishing and Distribution in 1989 till date, and Chief Editor of the Alsharq newspaper from 2003 to 2010. He is also the Chairman of Retaj Marketing & Project Management Company.

Mr. Mohamed Bin Issa Al Mohanadi

Board Member

Member of QIB Board of Directors since 1996, Head of the Audit & Risk Committee and a member of the "Benefits and Compensation Committee". He holds a Bachelor's degree in Business Administration from Cairo University 1977, and had a Master's degree in Management from Seattle University, USA in 1983.

He occupied several managerial positions at Al Diwan Al Emiri, Qatar, and was Minister for Cabinet Affairs from 2002 until 2005. Then he was devoted to his various private business activities. In addition to his QIB responsibilities, he is the Managing Director of Al Jazeera Finance Company, and Board member of Qatar Telecom (Qtel).

Mr. Abdul Rahman Abdulla Abdul Ghani Nasser
Board Member

Member of QIB Board of Directors since April 1996, member of the "Executive Committee and Board" of Al Jazeera Finance Company, and a member of "QIB Policies and Procedures Committee". He holds a bachelor's degree (honor) from Boston University, USA. He was a board member of several national companies, including Qatar Industrial Manufacturing Company and United Development Company. Mr. Abdul Ghani has experience and high efficiency in business management and portfolio investment, and manages one of the leading automotive trade companies in the region, as Chairman of Abdullah Abdul Ghani & Bros. (Toyota) and Abdullah Abdul Ghani & Sons Trading & Contracting group.

Mr. Mansour Mohamed A. Fattah Al Muslah
Board Member

Member of QIB Board of Directors since April 1996 and a member of several committees, including the Executive Committee and Zakat Committee. He holds a bachelor's degree in sociology from Qatar University, and is studying to obtain the Master's degree. He held several positions in the ministries of Interior and Defense and has many real estate activities & investments. He is the Chairman of Aqar Real Estate Development and Investment Company, and Board member of Al Jazeera Finance Company, in addition to representing QIB at Solidarity Board - Bahrain, Al Tadamon International Islamic Bank Board-Sana'a. Besides, he is chairman of Al-Andalus Private schools, and the Board of Trustees of the Islamic Center Mayfair- London.

Mr. Issa Bin Rabia Al Kuwari
Board Member

Member of QIB Board of Directors since April 2002, a member of the Audit and Risk Committee. He has a solid experience in public affairs, and is the Vice President of the Qatari Shura Council, as he has been a member since 1990. He is a member of several official committees at the Ministry of Interior. He is one of the senior staff at the Ministry of Municipal Affairs and Agriculture, and a member of its Compensation and Complaints Committee. He has a remarkable economic activity in the fields of trade, contractors, transport and distribution of Oil products.



Mr. Abdulla Bin Saeed Al Eidah

Board Member

Member of QIB Board of Directors since April 2005, a member of the Audit Committee and a member of the Benefits & Compensation Committee. He has a long experience in management and organization, completed various educational programmes in management at specialized centers in the UK, and is the General Manager of Borouq Investment. He has various experiences in investment and Real Estate activities, and he is the Vice Chairman of Sailya Club.

Mr. Nasser Rashid S. Al-Kaabi

Board Member

Member of QIB Board of Directors since March 2008, and is a member at several committees such as the Executive Committee and head of the Benefits & Compensation Committee. He has gained a big experience in business and establishment of companies since early seventies, and founder and owner of Al -Saree Holding Group, which includes several companies specialized in different fields. He has been a member of the Shoura Council (National Advisory Council) since 1995, and is a member of the Consultative Body of the GCC Supreme Council, as well as numerous boards and specialized committees related to his activity in business and Real Estate Development.

3.5 Board Meetings

The Board holds meetings at least once every two months pursuant to either (i) written notice from the Chairman, or (ii) written request submitted by at least two thirds of the Directors on emergencies. Notice of the meetings shall include the meeting agenda approved by the Chairman.

Directors make every effort to attend, in person, all scheduled board meetings and meetings of the Board committees to which they belong. Directors may request that an issue be included on the meeting agenda. A board meeting shall be valid if not less than 50% of Board members are in attendance including the Chairman or his deputy, provided that the attendees are not less than five.

Voting in board meetings shall be in accordance with the Bank's Articles of Association and the absolute majority of attendees. All issues discussed and resolutions taken should be recorded in the meeting minutes, kept by the Secretary to the Board & a copy thereof provided to the Companies Department – Ministry of Business & Commerce 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 six Board Members with the CEO participation, and senior executives of the Bank who bear the responsibility of information under discussion. The Executive Committee serves as a tool to coordinate the 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 credit decisions, within its delegated authorities. The Board Executive Committee works to develop the Bank's business plan to be presented to the Board.

ii. Audit and Risk Committee

The primary objective of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities related to the Bank. This includes financial reporting, 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 to the Board.

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

The Committee has unlimited access to both the internal and external auditors and to the

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

iii. Policies and Procedures Committee

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

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

iv. Compensation & Benefits Committee

Compensation & Benefits Committee consists of three Board Members, GM Financial Group and GM Human Capital. It's main responsibility is to select & evaluate applicants for Senior executive posts, and provides

recommendations thereof to the Board of Directors. In addition, it determines senior staff rewards and privileges, and distributes the same as per performance appraisals. Besides, the Committee looks into recommendations of promotions and salary increments to verify their alignment to the approved budget.

v. Zakat Committee

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

3.7 Meetings of Board of Directors and Board Committees

The Board of Directors meetings are held regularly, according to the Bank's Articles of Association and Companies Law, upon an invitation from chairman or based on a request of two of its members. The Board had eleven (11) meetings during 2011 with the Chairman attending and presiding at all meetings. The number of meetings held by the Board and its Committees are detailed below:

Board and Board Committees	Number of Meetings during 2011
Board of Directors	11
Board Executive Committee	7
Audit and Risk Committee	5
Policy and procedures Committee	1
Nomination and Remuneration Committee	10
Zakat Committee	5



4. Shari'a Supervision

4.1 Shari'a Supervisory Board

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

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

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

Shari'a Executive Committee	Position
His Eminence Sheikh Walid Bin Hadi	Head of Executive Committee
Prof. Abdul Sattar Abou Ghodda	Member
Prof. Mohamed Othman	Member

5. Segregation of Duties & Responsibilities

A balance between the roles and responsibilities of the Board of Directors and Management is achieved through Duty & Responsibilities segregation. The Board of Directors has provided general strategic resolutions that helped achieve the required business plans to ensure segregation between duties and re-

sponsibilities that are related to the Executive Management and Board of Directors. This includes the standards and procedures taken to keep information away from unauthorized staff through communication, so as to ensure the credibility and reliability of such communications.

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, reporting directly to the CEO and Senior Executives.

The Executive Management of the Bank is comprised of the following persons:

Name	Designation
Ahmad Meshari Muhaidi	Acting CEO
Syed Maqbul Quader	GM Risk Group
Murtada K. Abuzaid	GM Finance Group
Ahmed A. Al-Kuwari	GM Human Capital Group
Salah Al-Hail	GM Real Estate Group
Anand Dorai	GM Personal Banking Group
Suresh Rajagopalan	Acting COO
Tariq Rahmat	Head of Treasury
Salah Al-Saikh	Head of Legal Division
Adil Hassan	Head of Corporate Banking Division
Atef Abdelkhalek	Head of Internal Audit
Samir 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 in the Bank's aspirations to grow its domestic business while cutting costs.

Prior to joining QIB, Mr. Ahmad Meshari worked as a Senior Vice President (Corporate Banking) at Sharjah Islamic Bank, where he worked on various projects including internal restructuring, strategy formation and instituting an achievements-based awards program. Before his post at Sharjah Islamic Bank, he worked on various other ventures including the Ministry of Interior in Kuwait and managing 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 Qader

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

Mr. Qader began his career with Chase Manhattan Bank in Hong Kong in 1971, and subsequently served

the Bank for over eighteen years in New York, London and Bahrain, where he was Vice President and Regional Credit Officer.

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

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

Mr. Anand Dorai

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

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 dedicate 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 fun-

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

vi. Information Technology Committee – IT Committee

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

vii. Human Resources Committee:

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

8. Risk Management

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

Conservative Credit Policy

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

Improved Liquidity Ratios

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

Enterprise-wide Risk Management System

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

Operational Risk

To minimize potential losses from operational risks, the Bank has developed and implemented policies and procedures to methodically identify, assess, control, manage and report system vulnerabilities. Con-



trols 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.

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 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 ap-

plicable regulations and standards and continues to provide a wide range of advisory services, including studies, comments, suggestions, recommendations and appropriate reviews.

11. External Audit

Ernest & Young was the appointed external auditors to audit the financial statements of Qatar Islamic Bank for the financial year 2011 inclusive, to report on the outcome of these audits to the Board of Directors and to provide an audit opinion on the financial statements, also audit and report on the effectiveness of internal control over financial reporting in 2011. The external auditors attended the meetings of the Audit Committee and the Shareholders' Meeting held in 2011.

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

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

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

12. Corporate Social Responsibility

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

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

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 QAR 65000 were imposed on the Bank in 2011 by QCB 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.





Transforming to Perform

Statement of the Shari'a Supervisory Board for the fiscal year 2011

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

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

The QIB Shari'a Supervisory Board, in the production of its report, has reviewed the bank's contracts, answered questions posed by management on topics relating to Shari'a compliance, and contributed towards developing solutions to practical difficulties in the implementation stage that may or may not arise.

Over the course of the year, the Executive Committee and the Shari'a Supervisory Board oversaw the bank's work, and checked on the correct application of the bases as determined by the Shari'a Supervisory Board itself.

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

The Bank's financial statements and profit and loss accounts for the financial year 2011 have been seen by the Shari'a Supervisory Board, which is now confident that neither are in conflict with the terms of Sharia' compliance.

The Shari'a Supervisory Board further stresses that the responsibility of ap-

plying such compliance lies with QIB management itself, while the Supervisory Board's role is primarily to give 'fatwa' (advisory opinion) and supervise the transactions submitted, through Shari'a auditing within the means available.

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

"Praise be to Allah"

His Eminence Sheikh Walid Ben Hadi

Chairman, Shari'a Supervisory Board

Prof. Abdul Sattar Abou Ghodda

Member

Dr. Mohammed Othman Shabeer

Member



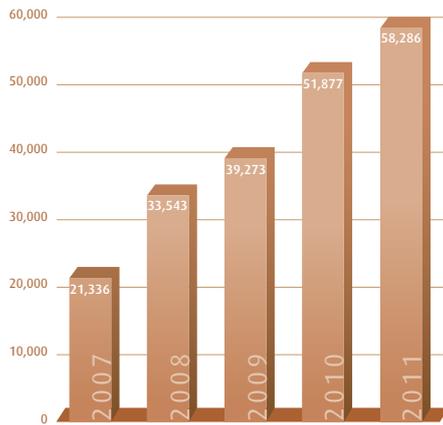
Financial Highlights – 2011

(Amount in QR million)

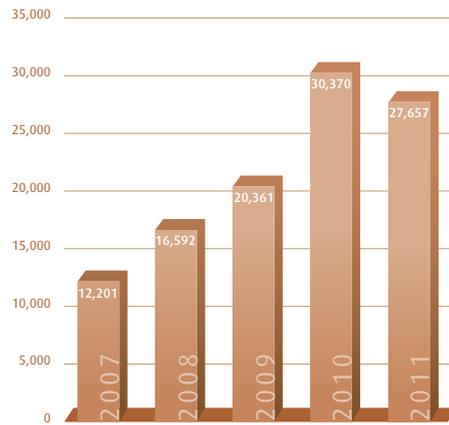
	2011	2010	2009	2008	2007
Total assets	58,286	51,877	39,273	33,543	21,336
Deposits	27,657	30,370	20,361	16,592	12,201
Financing & Investments	46,821	35,531	27,303	25,155	15,882
Operating income	2,682	2,280	2,412	2,555	1,694
Net profit	1,365	1,262	1,322	1,643	1,255
Earnings per share (QR)	5.87	5.87	6.10	8.49	6.85
Total shareholders' equity	11,202	9,052	9,005	7,143	4,629
Share capital	2,363	2,166	2,068	1,969	1,193
Time deposits	10,571	13,433	8,529	6,577	3,576
Saving & investment deposits	8,083	8,206	5,113	4,918	4,241
Customers' accounts	9,003	8,731	6,719	5,097	4,384

Key Performance Indicators

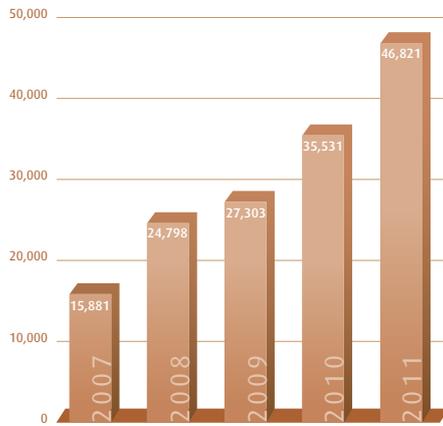
Assets
(in QR Million)



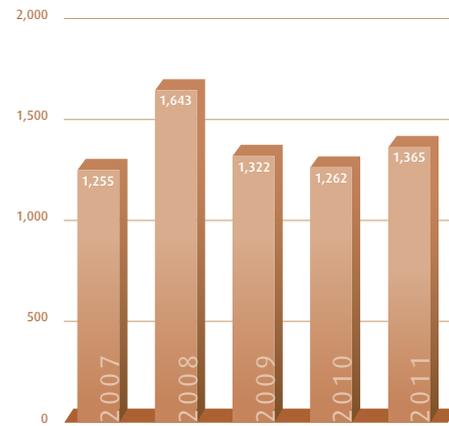
Deposits
(in QR Million)



Financing & Investments
(in QR Million)



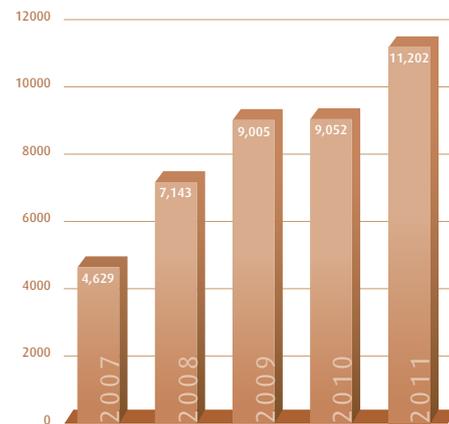
Net Profit
(in QR Million)

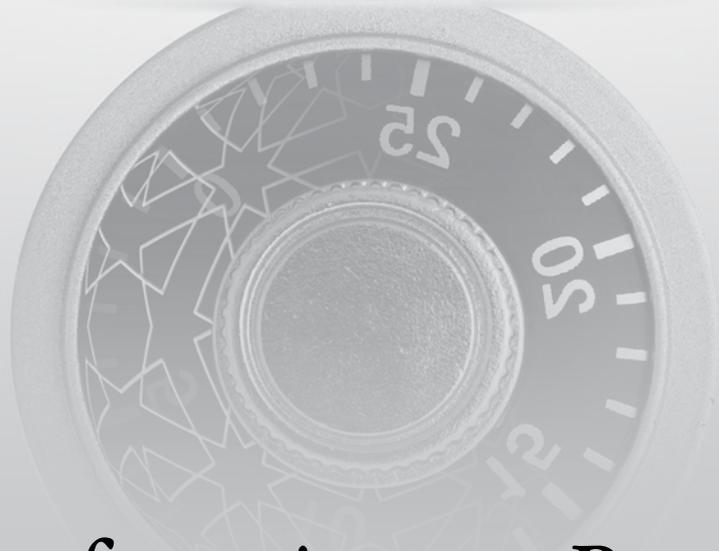


Earnings Per Share
(in QR)



Shareholders' Equity
(in QR Million)





Transforming to Perform

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Qatar Islamic Bank (S.A.Q.) ("QIB" or the "Bank") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2011, consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, the Islamic Shari'a Rules and Principles and related regulations of Qatar Central Bank, and for such internal control as board of directors' determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors', as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group and related regulations of Qatar Central Bank.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 15 February 2011.

Report on other legal and regulatory matters

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

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

18 January 2012
Doha, State of Qatar



Consolidated Statement of Financial Position

as at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

	Notes	2011	2010 (Restated)
Assets			
Cash and balances with central bank	5	1,832,513	1,874,550
Due from and investments with banks and financial institutions	6	7,368,705	12,431,180
Due from financing activities	7	29,595,870	29,351,773
Financial investments	8	14,810,188	3,433,088
Assets of a subsidiary held for sale	9	324,505	-
Other investments	10	1,206,119	1,114,862
Investment in associates	11	884,917	1,631,259
Other assets	12	1,645,076	1,669,910
Fixed assets	13	402,195	370,560
Goodwill	14	216,056	-
Total assets		58,286,144	51,877,182
Liabilities, equity of unrestricted investment account holders, non-controlling interest and shareholders' equity			
Liabilities			
Due to banks and financial institutions	15	13,342,262	8,411,919
Customers' accounts	16	9,003,462	8,730,535
Liabilities of a subsidiary held for sale	9	195,282	-
Other liabilities	17	1,524,186	1,123,965
Sukuk financing instruments	18	2,716,691	2,713,290
Total liabilities		26,781,883	20,979,709
Equity of unrestricted investment account holders	20	18,653,837	21,639,141
Non-controlling interest	21	1,648,005	206,684
Shareholders' equity			
Share capital	22	2,362,932	2,166,022
Legal reserve	22	6,370,016	4,654,922
General reserve	22	666,571	666,571
Risk reserve	22	428,500	428,500
Fair value reserve	22	(30,514)	(6,424)
Translation reserve		(38,856)	(53,706)
Proposed cash dividend	22	1,063,319	1,083,011
Retained earnings		380,451	112,752
Total shareholders' equity		11,202,419	9,051,648
Total liabilities, equity of unrestricted investment account holders, non-controlling interest and shareholders' equity		58,286,144	51,877,182

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani
Chairman

Mr. Ahmad Meshari
Acting Chief Executive Officer

The notes from 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

for the year ended 31 December 2011

Amounts expressed in thousands of Qatari Riyals

	Notes	2011	2010 (Restated)
Income from financing activities, net	23	1,775,466	1,751,334
Income from investing activities, net	24	631,348	213,714
Total income from financing and investing activities, net		2,406,814	1,965,048
Commission and fees income	25	323,134	308,723
Commission and fees expenses		(23,131)	(19,475)
Income from commission and fees, net		300,003	289,248
(Loss) gain from foreign exchange, net	26	(25,265)	26,187
Net operating income		2,681,552	2,280,483
General and administrative expenses	27	(700,820)	(444,632)
Depreciation of fixed assets	13	(50,235)	(34,660)
Impairment losses on due from financing activities	7	(13,001)	(49,979)
Impairment (losses) reversals on financial investments and other receivables		(181,963)	9,571
Net profit before tax from continuing operations		1,735,533	1,760,783
Income tax expenses		(2,282)	-
Net profit from continuing operations		1,733,251	1,760,783
Loss from assets held for sale	9	(1,919)	-
Net profit for the year		1,731,332	1,760,783
Less:			
Equity of unrestricted investment account holders' share from net profit	28	(409,615)	(446,623)
Non-controlling interest	21	149,286	(27,418)
Sukuk holders' share of profit		(105,854)	(24,563)
Net profit for the year attributable to shareholders		1,365,149	1,262,179
Basic and diluted earnings per share (in Qatari Riyals per share)	29	5.87	5.87

The notes from 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2011

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
2011										
At 1 January 2011	2,166,022	-	4,654,922	666,571	428,500	(6,424)	(53,706)	1,083,011	112,752	9,051,648
Shares issued to QIA (Note 22 a)	196,910	-	1,715,094	-	-	-	-	-	-	1,912,004
Cash dividends paid for 2010	-	-	-	-	-	-	-	(1,083,011)	-	(1,083,011)
Net profit for 2011	-	-	-	-	-	-	-	-	1,365,149	1,365,149
Fair value reserve, net	-	-	-	-	-	(24,090)	-	-	-	(24,090)
Translation reserve, net	-	-	-	-	-	-	14,850	-	-	14,850
Proposed cash dividends	-	-	-	-	-	-	-	1,063,319	(1,063,319)	-
Contribution in social and sport activities (Note 22 g)	-	-	-	-	-	-	-	-	(34,131)	(34,131)
At 31 December 2011	2,362,932	-	6,370,016	666,571	428,500	(30,514)	(38,856)	1,063,319	380,451	11,202,419

The notes from 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2011

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 22 a)	98,456	(956,003)	857,547	-	-	-	-	-	-	-
Cash dividends paid for 2009	-	-	-	-	-	-	-	(1,181,466)	-	(1,181,466)
Net profit for 2010	-	-	-	-	-	-	-	-	1,262,179	1,262,179
Fair value reserve, net	-	-	-	-	-	38,403	-	-	-	38,403
Translation reserve, net	-	-	-	-	-	-	(6,155)	-	-	(6,155)
Proposed cash dividends	-	-	-	-	-	-	-	1,083,011	(1,083,011)	-
Contribution in social and sport activities (Note 22 g)	-	-	-	-	-	-	-	-	(66,416)	(66,416)
At 31 December 2010 (Restated)	2,166,022	-	4,654,922	666,571	428,500	(6,424)	(53,706)	1,083,011	112,752	9,051,648

The notes from 1 to 40 form an integral part of these consolidated financial statements.



Consolidated Statement of Cash Flows

for the year ended 31 December 2011

Amounts expressed in thousands of Qatari Riyals

	Notes	2011	2010 (Restated)
Cash flows from operating activities			
Net profit for the year		1,731,332	1,760,783
Adjustments:			
Depreciation of fixed assets	13	50,235	34,660
Losses from foreign exchange		58,471	2,767
Gain (loss) on sale of financial investments		(22,301)	199
Impairment losses on due from financing activities	7 (d)	13,001	49,979
Impairment losses on financial investments		181,963	(9,571)
Profit on sale of other investments		(5,265)	(17,113)
Loss from investments revaluation		2,560	-
Sukuk amortization		(102,453)	-
Loss from sale of fixed assets		450	-
Income tax expenses		2,282	-
Net operating profit before changes in operating assets and liabilities		1,910,275	1,821,704
Net decrease/(increase) in assets:			
Balances with banks and financial institutions		307,244	267,466
Cash reserve with Qatar Central Bank		128,872	(326,444)
Due from financing activities		(257,098)	(6,738,270)
Other assets		229,598	(240,080)
Net increase/(decrease) in liabilities:			
Due to banks and financial institutions		4,912,329	(279,066)
Customers' accounts		272,927	2,011,831
Other liabilities		460,518	(39,297)
Net cash from (used in) operating activities		7,964,665	(3,522,156)
Cash flow from investing activities			
Purchase of financial investments		(13,647,511)	(1,845,637)
Proceeds from sale of financial investments		3,274,010	281,262
Net cash acquired with the subsidiary	14	231,188	-
Additional investment in associate company		(501,862)	(122,787)
Proceeds from sale of fixed assets		101	-
Proceeds from sale of associate companies		198,438	105,171
Purchase of other investments		(295,594)	-
Proceeds from sale of other investments		209,602	105,680
Dividends received from associate companies		108,931	53,220
Purchases of fixed assets		(82,421)	(106,340)
Net cash used in investing activities		(10,505,118)	(1,529,431)
Cash flows from financing activities			
Increase in share capital	22 (a)	1,912,004	-
(Decrease) increase in equity of unrestricted investment account holders		(3,394,919)	7,550,239
Dividends paid to shareholders	22 (h)	(1,083,011)	(1,181,466)
Sukuk financing instruments		-	2,688,727
Net cash (used in) from financing activities		(2,565,926)	9,057,500
Net (decrease) increase in cash and cash equivalents		(5,106,379)	4,005,913
Cash and cash equivalents at 1 January		12,919,397	8,913,484
Cash and cash equivalents at 31 December	36	7,813,018	12,919,397

The notes from 1 to 40 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

at 31 December 2011

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, Ijarah, Istisna'a agreements and others. It also carries out investment activities for its own account or on behalf of its customers. The activities of the Group are conducted in accordance with the Islamic shari'a rules and principles, as determined by the shari'a supervisory board of the Group and in accordance with the provisions of its Memorandum and Articles of Association of the Bank.

The Bank operates through its head office located in Grand Hamad Street, Doha, and 29 branches in the State of Qatar. The Bank's shares are listed for trading on the Qatar Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 18 January 2012.

2. Basis of preparation and significant accounting policies

a) Basis of preparation

The consolidated financial statements of the Bank and its subsidiaries (together known as "the Group") for the year ended 31 December 2011 have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, related regulations of Qatar Central Bank and applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. For matters which are not covered by AAOIFI standards, the Group uses the International Financial Reporting Standards (the "IFRSs").

b) Accounting convention

The consolidated financial statements have been prepared under the historical cost convention except for financial investments classified as "Investments at fair value through equity", "Investments at fair value through statement of income" and investment in properties held for

trading and leasing that have been measured at fair value.

c) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amendments to accounting standards and framework effective for the annual period beginning on or after 1 January 2011.

New and amended standards and interpretations

During 2010, AAOIFI amended its conceptual framework and issued new Financial Accounting Standard (FAS 25) "Investment in sukuk, shares and similar instruments", which are effective as of 1 January 2011.

Statement of financial accounting no.1: conceptual framework for the financial reporting by Islamic financial institutions

The amended conceptual framework provides the basis for the financial accounting standards issued by AAOIFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework states that it is necessary that information, transaction and other events are accounted for and presented in accordance with its substance and economic reality as well as the legal form.

The adoption of this standard did not have any impact on the accounting policies, financial position or performance of the Group.

Financial accounting standard (FAS 25) "Investment in sukuk, shares and similar instruments"

The Group has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions.

The adoption of FAS 25 had an effect on the classification and measurement of the Groups' financial assets. As a result of the application of this new standard, the classification of the investment portfolio were revisited and changes were made in these classification in line with FAS 25.



Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

IAS 24, 'Related Party Disclosures (Revised)'

The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities. For these entities, the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring: (a) The name of the government and the nature of its relationship with the reporting entity (b) The nature and amount of individually significant transactions (c) A qualitative or quantitative indication of the extent of other transactions that are collectively significant. This amendment did not give rise to any changes to the Group's financial statements.

IAS 32, 'Financial Instruments: Presentation - Classification of rights issues (Amendment)'

The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if: (a)

The rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments and (b) In order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment provide reliefs to entities that issue rights (fixed in a currency other than their functional currency), from treating the rights as derivatives with fair value changes recorded in profit or loss. Rights issued in foreign currencies that were previously accounted for as derivatives will now be classified as equity instruments. This amendment did not give rise to any changes to the Group's financial statements.

Improvements to IFRS (issued May 2010)

'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

The following amendments, interpretations became effective in 2011, but did not have any impact on the accounting policies, financial position or performance of the Group:

Standard/ Interpretation	Content
IFRIC 13	Customer Loyalty Programmes (determining the fair value of award credits)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

IASB Standards and Interpretations issued but not adopted

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

Standard/ Interpretation	Content	Effective date
IFRS 9	Financial Instruments: Classification & Measurement (Part 1)	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group.

Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as of the Bank, using consistent accounting policies.

Subsidiaries are all entities (including special purpose entities) over which the Group has a control. Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group

obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interest represents the portion of net income and net assets not held, directly or indirectly, by the Group and are presented separately in the consolidated statement of income and in the consolidated statement of financial position.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The following are the Group's significant subsidiaries as at 31 December 2011

	Country of Incorporation	Principal Business Activity	Effective Percentage of Equity
Aqar Real Estate Development and Investment ("AQAR") - (i)	Qatar	Property Investments	49%
QIB (UK)	United Kingdom	Investment banking	70%
QIB Sukuk Funding Limited	Qatar	Financing Company	100%
QInvest LLC - (i)	Qatar	Investment Banking	46.67%
Verdi - (ii)	Luxembourg	Real estate	46.67%
QWest - (ii)	France	Equity Investment	46.67%
QInvest Saudi Arabia - (ii)	Saudi Arabia	Investment Banking	44.80%
Polymer Holding - (ii)	Cayman Islands	Investment holding company	46.67%
Q Business Services - (ii)	Cayman Islands	Investment holding company	46.67%
Q Liquidity Limited - (ii)	Cayman Islands	Placements	46.67%
Q Saudi Alpha - (ii)	Cayman Islands	Investment holding company	46.67%
Q Saudi Beta - (ii)	Cayman Islands	Investment holding company	46.67%
Q Saudi Gamma - (ii)	Cayman Islands	Investment holding company	46.67%
Q Shipping Investments - (ii)	Cayman Islands	Shipping fund investment	46.67%
Q Shipping Services - (ii)	Cayman Islands	Investment holding company	46.67%
QInvest Holding Mauritius - (ii)	Mauritius	Investment holding company	46.67%
QInvest Luxembourg SARL - (ii)	Luxembourg	Investments	46.67%
QInvest Partners LLC - (ii)	Qatar (QFC)	Investment holding company	46.67%
QWMB Investment WLL - (ii)	Bahrain	Investment holding company	46.44%
Q Equity - (ii)	Cayman Islands	Equity Investments	46.67%
Q Green - (ii)	Cayman Islands	Investment holding company	46.67%
Q Finance - (ii)	Cayman Islands	Investment holding company	46.67%
Q Tamwil Mauritius - (ii)	Mauritius	Investment holding company	46.67%

Notes:

- (i) The Group has the power to cast majority of the votes in the Board of Directors meetings of these subsidiaries by virtue of representing highest number of members in the Board.
- (ii) The Group has the power, indirectly through QInvest LLC, as these entities are fully owned by QInvest LLC and accordingly, these entities have been considered as subsidiaries of the Group.

Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in consolidated statement of income or as a change in the equity. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to bene-

fit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

f) Investment in associate

The Group's investment in associate is accounted for under the equity method of accounting. An Associate is an entity in which the Group exercises significant influence. Significant influence is presumed to exist if the Group holds, directly or indirectly through its subsidiaries, 20% or more of the voting rights in an entity, unless it can be clearly demonstrated otherwise. Conversely, the significant influence may also exist through agreements with the entity's other shareholders or the entity itself regardless of the level of shareholders that the Bank has in the said entity.

Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated statement of income reflects the Group's share of the results of its associates. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes in the consolidated statement of changes in shareholders' equity.

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

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

g) Foreign currencies and transactions

Functional and presentation currency

The consolidated financial statements are presented in Qatari Riyals, which is the functional and presentation currency of the Group.

Transactions and balances

Transactions in foreign currencies are translated into Qatari Riyals at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and any differences are taken to consolidated statement of changes in shareholders' equity under "fair value reserve".

Group companies

The results and financial position of all the Group's subsidiaries (none of which has the currency of a hyper-inflationary economy) are translated into the presentation currency of the Group as follows:

- I. assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- 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 consolidated statement of changes in shareholders' equity under "translation reserve".

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 consolidated statement of income as part of the gain or loss on sale.

h) Revenue recognition

Murabaha and Musawama

Profit from Murabaha and Musawama 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 statement of income on declaration by the Mudarib.

Ijarah and Ijarah Muntahia Bittamleek

Ijarah 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 as a Mudarib

The Group's share as a Mudarib is accrued based on the terms and conditions of the related Mudaraba agreements.

Istisna'a

Income on Istisna'a financing is recognized using the percentage of completion method. The percentage of completion is determined based on the surveys of work performed.



Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

h) Revenue recognition (continued)

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.

Income from short-term placements and sukuk investments

Income from short-term placements and sukuk investments is recognized on a time-apportioned basis over the period of the contract using the effective profit rate method. The effective profit rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of a financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective profit rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Dividends

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

Placement fees

Placement fees for arranging a financing between a borrower and investor are recognized as income when the financing has been arranged.

Income from investments

Income from investments is recognized when earned.

Rental income

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

Sale of completed property

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

i) Financial investments

Financial Investments comprise of investment at fair value through income statement, Invest-

ments carried at amortised cost and investment at fair value through equity. All investments excluding investment carried at fair value through income statement are initially recognized at cost, being the fair value of the consideration given including transactions costs associated with the investment.

Investments carried at amortised cost

Investments which have fixed or determinable payments that the Group has both the intention and ability to hold to maturity are classified as "Investments carried at amortised cost". Such investments are initially recognised and subsequently carried at cost, less impairment in value. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is derecognised or impaired.

Investments at fair value through income statement

These are initially recognised at cost, being the fair value of the consideration given and are subsequently re-measured at fair value. All related realised and unrealised gains or losses are reported in the consolidated statement of income.

Investment at fair value through equity

These are initially recognised at cost, being the fair value of the consideration given and transaction costs. After initial recognition, investments that are classified as "Investment at fair value through equity" are re-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 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 account holders is included in the consolidated statement of income.

j) Fair value

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

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

Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

j) Fair value (continued)

- ii) For unquoted investments, the fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation method.
- iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- iv) Investments which cannot be measured to fair value using any of the above techniques are carried at cost less impairment.

k) 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.

l) Investment in properties and other assets held for leasing and trading

Investments in properties and other assets acquired for leasing and trading are carried at fair value in the consolidated statement of financial position. Gains or losses on sale of these investments are recognised upon sale. The current market values of all the properties and other assets are determined based on valuation performed by independent and qualified valuer.

m) Due from financing activities

Due from financing activities which consist of Murabaha and Musawama, Mudaraba, Musharaka, Ijarah and Istisna'a, are stated at their gross principal amounts less amounts received on account of these transactions, provision for impairment, suspended profit and deferred profit relating to future years.

Murabaha and Musawama

Murabaha and Musawama receivables are stated net of unearned profit, any amounts written off and provision for doubtful debts, if any.

Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a murabaha transaction by buying a commodity (which represents the object of the murabaha) and then resells this commodity to Murabeh (beneficiary) after computing a margin of profit over cost. The sale price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period.

Mudaraba

Mudaraba is stated at the fair value of consideration given less any impairment.

Mudaraba is a form of partnership between work and capital in which the Group contributes capital. Mudaraba capital provided by the Group at inception in kind (if other than cash) is measured at the fair value of the assets. If the valuation of assets results in difference between fair value and book value, such difference is recognized in the consolidation statement of income.

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

Musharaka

Musharaka is stated at the fair value of consideration given less any impairment.

Musharaka is a form of capital partnership. These are stated at the fair value of consideration given less any impairment. Musharaka capital provided by the Group at inception in kind (if other than cash) is measured at the fair value of the assets. If the valuation of assets results in difference between fair value and book value, such difference is recognized consolidation statement of income.

Istisna'a

Istisna'a is an agreement between the Group and a customer whereby the Group sells to the customer an asset which is either manufactured or acquired by the purchaser on behalf of the Group according to agreed upon specifications for an agreed upon price.

Istisna'a contracts represent the disbursements made as of the reporting date against the assets acquired for Istisna'a projects plus income recognised, less repayments received.



Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

m) Due from financing activities (continued)

Istisna'a (continued)

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.

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.

n) Properties acquired against settlement of receivables

Properties 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 reporting date are included in the consolidated statement of income. In the case of an increase in the fair value of such properties in the future, unrealised gain is recognised in the consolidated statement of income to the extent of unrealised losses previously recognised.

o) Fixed assets

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

Buildings	20
Computer and electrical equipments	3-5
Office equipment, furniture, fixture and leasehold improvements	5-7
Motor vehicles	5

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

Repairs and maintenance expenses are charged to the consolidated statement of income when incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated statement of income.

p) Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets 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. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted. Impairment is determined as follows:

- i) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated statement of income;
- ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- iii) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

p) Impairment of financial assets (continued)

For equity investments which are classified as "Investment at fair value through equity", any impairment losses previously recognised in the consolidated statement of income shall not be reversed through the consolidated statement of income and should be recorded as increases in cumulative changes in fair value through equity.

q) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been deter-

mined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

r) 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 reporting 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 Bank's operations are not subject to income tax in the State of Qatar.

s) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i) the rights to receive cash flows from the asset have expired;
- ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement'; or
- iii) the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

s) Derecognition of financial assets and financial liabilities (continued)

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

t) 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 reporting date. For the Qatari employees, the Group pays its share in the pension fund in accordance with the Qatari Pension law.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated statement of income when they are due.

u) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding

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

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

v) 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.

w) Sukuk

Equal value debentures represent common share in the ownership of assets or benefits or services which bears fixed semi-annual profit and matures after 5 years. Such profit will be recognized periodically at the time of its maturity. Sukuk is recognized at net value and the related cost will be amortized over the period of maturity and shown as in the consolidated financial statements under "Sukuk Financing Instruments".

Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

x) 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.

y) Equity of restricted investment account holders

Equity of restricted investment account holder balances are those where the depositors instruct the Group to invest the funds in specific investments or at predetermined terms. These funds are invested by the Group in its own name under the terms of a specific Mudaraba contract entered into with the customer. The assets funded by these funds are managed in a fiduciary capacity by the Group for which the Group earns Mudarib fee are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these assets except within the conditions laid down in the Mudaraba contract.

z) Assets held for sale

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

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

The Group has classified the assets of its subsidiary 'Verdi SA', a limited liability company incorporated under the laws of Luxembourg, as held for sale. All the assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements. If the criteria for held for sale is no longer met, the Group shall cease to classify the asset (or disposal group)

as held for sale and shall measure the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group) not been classified as held for sale and its recoverable amount at the date of subsequent decision not to sell. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

aa) Wakala payables

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

bb) Profit distribution between shareholders and equity of unrestricted investment account holders

Net profit for the year is distributed among equity of unrestricted investment 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 equity of unrestricted investment account holders and shareholders. The share of profit of the equity of unrestricted investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba 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 equity of unrestricted investment account holders. Such matter is subject to Qatar Central Bank's decision.



Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

bb) Profit distribution between shareholders and equity of unrestricted investment account holders (continued)

Where the Group's results at the end of a financial year is net losses, the equity of 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 Group's Management for such losses, and in compliance with Islamic Shari'a rules and principles.

The equity of unrestricted investment account holders 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.

cc) Cash and cash equivalent

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash, balances 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.

dd) Zakat

The responsibility of payment of Zakat is on individual shareholders of the Group, equity of unrestricted investments account holders and the other account holders.

ee) Shari'a Supervisory Board

The Group's activities are subject to the supervision of a Shari'a supervisory board consisting of five members appointed by the general assembly of shareholders.

ff) Earnings prohibited by Shari'a

The Group is committed to avoid recognizing any income generated from non-Islamic source. Consequently, all non-Islamic income is credited to a charity account and the Group uses these funds for various social welfare activities including Shari'a studies and researches.

gg) Financial guarantees

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

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

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

hh) Contingent liabilities

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

ii) Offsetting

Financial assets and financial liabilities should not be offset unless there is an enforceable or legal right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

The Group is party to a number of arrangements, including master netting agreements, which give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts on net basis, the respective assets and liabilities are presented on a gross basis.

jj) Derivative financial instruments

The Group enters into certain Islamic derivative financial instruments to manage the exposure to foreign exchange rate risks, including unilateral promise to buy/sell currencies. Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Notes to the Consolidated Financial Statements

at 31 December 2011

2. Basis of preparation and significant accounting policies (continued)

jj) Derivative financial instruments (continued)

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

kk) Placements with banks and other financial institutions

Placements with banks and other financial institutions are stated at amortised cost net of any amounts written off and provision for impairment.

3. Financial instruments and related risk management

Financial instruments

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

Risk Management

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

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

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

Risk management framework

The bank views risk as an integral part of its core competency. The purpose of sound risk management is to provide reasonable assurance that incurred risks do not exceed acceptable threshold and that the risk-

taking contributes to the creation of value to depositors and shareholders. For the bank, this means striking a healthy balance between return and risk.

The authority of risk management is vested in the Audit & Risk Committee, whose members are nominated by the Board. The risk management function at QIB is managed by the Risk Group, which is an independent unit within the Bank, reporting directly to the Audit & Risk Committee. Risk Group communicates to the Board of Directors periodically all risk related matters for their review and action, if necessary. Further, QIB's management routinely promotes risk management culture through internal communication with a constant emphasis for sound risk management.

QIB created different Committees at the Management Level such as the Assets and Liabilities Committee (ALCO), the Credit Committee, the Investment Committee and the Management Committee, which are responsible for developing and monitoring Group's risk management policies in their specified areas.

The Group's Risk management policies are established to identify and analyze 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 will 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 and investments with banks and financial institutions.

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



Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

Financial instruments (continued)

a) Credit risk (continued)

The Group's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval and renewal of financing activities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Renewals and reviews of financing activities 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 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 statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross Maximum Exposure For Credit Risk	
	2011	2010
Cash and balances with central bank (excluding cash on hand)	1,641,738	1,665,637
Due from and investments with banks and financial institutions	7,368,705	12,431,180
Due from financing activities	29,595,870	29,351,773
Financial investments	14,810,188	3,433,088
Other investments and other assets	2,851,195	2,784,772
Total on statement of financial position items	56,267,696	49,666,450
Contingent liabilities	7,696,693	6,929,098
Total off balance sheet items	7,696,693	6,929,098
Total credit risk exposure	63,964,389	56,595,548

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

a) Credit risk (continued)

Exposure to credit risk

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

	Due from financing activities		Others		Total	
	2011	2010	2011	2010	2011	2010
a. Individually impaired						
Substandard	38,687	30,793	-	-	38,687	30,793
Doubtful	34,200	46,697	-	-	34,200	46,697
Bad debts	298,565	359,334	73,053	106,976	371,618	466,310
Gross amount	371,452	436,824	73,053	106,976	444,505	543,800
Suspended profit	(51,880)	(65,576)	-	-	(51,880)	(65,576)
Specific allowance for impairment	(310,745)	(297,809)	(73,053)	(106,976)	(383,798)	(404,785)
Carrying amount	8,827	73,439	-	-	8,827	73,439
b. Past due but not impaired	568,178	2,853,207	-	-	568,178	2,853,207
c. Neither past due nor impaired						
Gross amount	32,920,049	30,456,264	26,676,443	20,319,521	59,596,492	50,775,785
Deferred profit	(3,901,184)	(4,031,137)	(4,617)	(4,844)	(3,905,801)	(4,035,981)
Carrying amount	29,018,865	26,425,127	26,671,826	20,314,677	55,690,691	46,739,804
Total (a + b + c)	29,595,870	29,351,773	26,671,826	20,314,677	56,267,696	49,666,450

Aging analysis of past due but not impaired

2011	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
Due from financing activities	24,003	35,300	45,460	463,415	568,178
2010	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
Due from financing activities	68,660	51,440	70,191	2,662,916	2,853,207

The Group monitors concentrations of credit risk by sector and by geographic location.

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related 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, 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 statement of financial position date.

Management estimates the fair value of collateral and other security enhancements held against the total financing activities to reasonably approximate QAR 62,129 million (2010: QAR 33,877 million) at the reporting date.

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. The Group maintains statutory reserves with Qatar Central Bank. 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., total 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 statement of financial position 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

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

b) Liquidity risk (continued)

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.

2011	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	609,958	-	-	-	1,222,555	1,832,513
Due from and investments						
with banks and						
financial institutions	4,054,340	2,594,138	390,347	329,880	-	7,368,705
Due from financing activities	1,314,329	2,966,902	6,972,852	18,341,787	-	29,595,870
Financial investments	1,092,171	91,855	65,460	3,542,519	10,018,183	14,810,188
Investment in associates	-	-	-	-	884,917	884,917
Assets of a subsidiary						
held for sale	-	-	324,505	-	-	324,505
Other investments	-	-	-	1,206,119	-	1,206,119
Fixed assets	-	-	-	-	402,195	402,195
Goodwill	-	-	-	-	216,056	216,056
Other assets	81,536	47,491	101,931	1,310,090	104,028	1,645,076
Total assets	7,152,334	5,700,386	7,855,095	24,730,395	12,847,934	58,286,144
Liabilities and equity of unrestricted investment account holders						
Due to banks and						
financial institutions	3,839,265	2,897,129	1,823,312	4,782,556	-	13,342,262
Customers' accounts	9,003,462	-	-	-	-	9,003,462
Sukuk financing instruments	-	-	-	2,716,691	-	2,716,691
Liabilities of a subsidiary						
held for sale	-	-	195,282	-	-	195,282
Other liabilities	111,684	175,064	444,905	792,533	-	1,524,186
	12,954,411	3,072,193	2,463,499	8,291,780	-	26,781,883
Equity of unrestricted investment account holders	3,631,325	5,856,972	8,664,967	500,573	-	18,653,837
Total liabilities and equity of unrestricted investment account holders	16,585,736	8,929,165	11,128,466	8,792,353	-	45,435,720
Contingent liabilities	-	-	7,696,693	-	-	7,696,693
Difference	(9,433,402)	(3,228,779)	(10,970,064)	15,938,042	12,847,934	5,153,731

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

b) Liquidity risk (continued)

2010 (Restated)	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	648,309	783,071	3,433,088
Investment in associates	-	-	-	-	1,631,259	1,631,259
Other investments	-	-	-	1,114,862	-	1,114,862
Fixed assets	-	-	-	-	370,560	370,560
Other assets	-	-	-	1,669,910	-	1,669,910
Total assets	13,519,785	2,775,600	10,500,974	20,944,506	4,136,317	51,877,182
Liabilities and equity of unrestricted investment account holders						
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	-	-	-	1,123,965	-	1,123,965
	13,269,243	1,574,681	2,096,100	4,039,685	-	20,979,709
Equity of unrestricted investment account holders						
	9,977,669	4,189,707	6,899,329	572,436	-	21,639,141
Total liabilities and equity of investment account holders						
	23,246,912	5,764,388	8,995,429	4,612,121	-	42,618,850
Contingent liabilities	-	-	6,929,098	-	-	6,929,098
Difference	(9,727,127)	(2,988,788)	(5,423,553)	16,332,385	4,136,317	2,329,234

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

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.

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 % 2011	Effect on equity 2011	Change in equity price % 2010	Effect on equity 2010
Qatar Exchange	+/- 10%	37,991	+/- 10%	7,301
Bahrain Stock Exchange	+/- 10%	2,299	+/- 10%	393
Syria Bourse	+/- 10%	12,250	+/- 10%	12,249
Saudi	+/- 10%	12,114		
Dubai Stock Exchange	+/- 10%	5,440		
Hong Kong	+/- 10%	246		
US	+/- 10%	26,475		
France	+/- 10%	20,411		

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.

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

c) Market risk for financial investments (continued)

Profit rate risk (continued)

The following table summarises the repricing profile of the Group's assets, liabilities and contingent liability expenses

2011	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-rate sensitive	Total
Assets							
Cash and balances with central banks	-	-	-	-	-	1,832,513	1,832,513
Due from and investments with banks and financial institutions	4,054,340	2,594,138	390,347	329,880	-	-	7,368,705
Due from financing activities	1,314,329	2,966,902	6,972,852	18,341,787	-	-	29,595,870
Sukuk investments	-	-	-	-	-	12,071,147	12,071,147
Total assets	5,368,669	5,561,040	7,363,199	18,671,667	-	13,903,660	50,868,235
Liabilities							
Due to banks and financial institutions	3,839,265	2,897,129	1,823,312	4,782,556	-	-	13,342,262
Customer Accounts	-	-	-	-	-	9,003,462	9,003,462
Sukuk financing instruments	-	-	-	-	-	2,716,691	2,716,691
Total liabilities	3,839,265	2,897,129	1,823,312	4,782,556	-	11,720,153	25,062,415
Equity of unrestricted investment account holders	3,631,325	5,856,972	8,664,967	500,573	-	-	18,653,837
Total liabilities and equity of unrestricted investment account holders	7,470,590	8,754,101	10,488,279	5,283,129	-	11,720,153	43,716,252
Profit rate sensitivity gap	(2,101,921)	(3,193,061)	(3,125,080)	13,388,538	-	2,183,507	7,151,983
Cumulative gap	(2,101,921)	(5,294,982)	(8,420,062)	4,968,476	4,968,476	7,151,983	-

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

c) Market risk for financial investments (continued)

Profit rate risk (continued)

2010 (Restated)	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-rate sensitive	Total
Assets							
Cash and balances with central banks	-	-	-	-	-	1,874,550	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	-	-	-	-	-	2,167,160	2,167,160
Total assets	12,996,662	2,775,600	8,499,266	17,511,425	-	4,041,710	45,824,663
Liabilities							
Due to banks and financial institutions	4,538,708	1,574,681	2,096,100	202,430	-	-	8,411,919
Customer Accounts	-	-	-	-	-	8,730,535	8,730,535
Sukuk financing instruments	-	-	-	-	-	2,713,290	2,713,290
Total Liabilities	4,538,708	1,574,681	2,096,100	202,430	-	11,443,825	19,855,744
Equity of unrestricted investment account holders	9,977,669	4,189,707	6,899,329	572,436	-	-	21,639,141
Total liabilities and equity of unrestricted investment account holders	14,516,377	5,764,388	8,995,429	774,866	-	11,443,825	41,494,885
Profit rate sensitivity gap	(1,519,715)	(2,988,788)	(496,163)	16,736,559	-	(7,402,115)	4,329,778
Cumulative gap	(1,519,715)	(4,508,503)	(5,004,666)	11,731,893	11,731,893	4,329,778	-

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

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 2011, the Group had the following significant net exposures denominated in foreign currencies.

2011	QAR	USD	EUR	GBP	Others	Total
Assets	40,010,296	15,886,969	1,851,632	355,295	181,952	58,286,144
Liabilities, non-controlling interest and shareholders' equity	(40,310,647)	(14,179,427)	(2,254,979)	(352,404)	(1,188,687)	(58,286,144)
Net position	(300,351)	1,707,542	(403,347)	2,891	(1,006,735)	-
2010 (Restated)	QAR	USD	EUR	GBP	Others	Total
Assets	38,740,153	12,208,955	532,449	104,233	291,392	51,877,182
Liabilities, non-controlling interest and shareholders' equity	(40,869,155)	(10,281,001)	(519,161)	(80,616)	(127,249)	(51,877,182)
Net position	(2,129,002)	1,927,954	13,288	23,617	164,143	-

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 to mitigate the other currency risks, specifically for EURO.

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 statement of income 2011	Effect on statement of income 2010
USD	+2	34,151	38,559
EUR	+3	12,100	399
GBP	+2	58	472
Others	+3	30,202	4,924
USD	-2	(34,151)	(38,559)
EUR	-3	(12,100)	(399)
GBP	-2	(58)	(472)
Others	-3	(30,202)	(4,924)

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

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	
	2011	2010	2011	2010
Credit risk	33,387,615	30,675,663	33,387,615	30,675,663
Market risk	350,581	315,644	4,382,268	3,945,549
Operational risk	266,248	232,166	3,328,105	2,902,075
Total capital charge/risk weighted assets	34,004,444	31,223,473	41,097,988	37,523,287
Tier 1 capital	7,636,272	6,517,517	% 18.58	17.37%
Tier 1+Tier 2 capital	7,636,272	6,517,517	% 18.58	17.37%

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.

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

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.

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

3. Financial instruments and related risk management (continued)

i) Fair value of financial assets and liabilities (continued)

	Carrying amount 2011	Fair value 2011	Carrying amount 2010 (Restated)	Fair value 2010 (Restated)
Financial assets				
Cash and balance with central bank	1,832,513	1,832,513	1,874,550	1,874,550
Due from and investments with banks and financial institutions	7,368,705	7,368,705	12,431,180	12,431,180
Due from financing activities	29,595,870	29,595,870	29,351,773	29,351,773
Financial investments	14,810,188	14,810,188	3,433,088	3,433,088
Financial liabilities				
Due to banks and financial institutions	13,342,262	13,342,262	8,411,919	8,411,919
Customers' accounts	9,003,462	9,003,462	8,730,535	8,730,535
Sukuk financing instruments*	2,716,691	2,716,691	2,713,290	2,713,290
Equity of unrestricted investment account holders	18,653,837	18,653,837	21,639,141	21,639,141

The fair value of due from and investments with banks, due to banks and financial institutions, 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.

* 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.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

2011	Fair value	Level 1	Level 2	Level 3
Financial investments				
Investment at fair value through equity	1,181,832	62,969	1,118,863	-
Investment at fair value through income statement	1,104,394	290,475	813,919	-
Total	2,286,226	353,444	1,932,782	-
2010				
Financial investments				
Investment at fair value through equity	393,444	112,625	280,819	-
Investment at fair value through income statement	290,475	290,475	-	-
Total	683,919	403,100	280,819	-

Notes to the Consolidated Financial Statements

at 31 December 2011

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 judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 consolidated 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 are in line with the Qatar Central Bank regulations. The actual loss is not materially different from the estimated impairment.

b) Impairment of Investment at fair value through equity

The Group determines that equity investments at fair value through equity are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates amongst other factors, the normal volatility in share price. In addition, impairment may be relevant when there is evidence of deteriora-

tion in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. If any such evidence of impairment for Investment at fair value through equity exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in statement of income is removed from equity and recognized in the consolidated statement of income.

c) Impairment of held to maturity investments

For held-to-maturity investments, the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of income. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the 'Impairment losses on financial investments and other assets'.

d) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

e) Useful lives of fixed assets

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



Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

4. Critical accounting estimates and judgements (continued)

f) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management

is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

5. Cash and balances with central bank

	2011	2010
Cash	190,832	208,913
Cash reserve with Qatar Central Bank	1,222,555	1,351,427
Other balances with Qatar Central Bank	419,126	314,210
Total	1,832,513	1,874,550

Note: 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

	2011	2010
Current accounts	744,597	460,118
Unrestricted investment deposits	954,118	5,621,906
Commodity Murabaha balances	5,673,902	6,354,000
	7,372,617	12,436,024
Deferred profit	(3,912)	(4,844)
Total	7,368,705	12,431,180

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

7. Due from financing activities

	2011	2010
a) By type:		
Musharaka	58,015	58,062
Murabaha and Musawama	24,055,202	23,536,459
Istisna'a contracts	3,199,987	3,201,113
Mudaraba financing	860,487	981,925
Ijarah financing	5,663,900	5,902,428
Other	22,088	66,308
Total due from financing activities	33,859,679	33,746,295
Deferred profit	(3,901,184)	(4,031,137)
Specific provision against non-performing due from financing activities	(310,745)	(297,809)
Suspended profit	(51,880)	(65,576)
Net due from financing activities	29,595,870	29,351,773

Note: Non-performing due from financing activities amounted to QAR 371 million at 31 December 2011 (2010: QAR 437 million) which is 1.1% (2010: 1.3 %) of the total due from financing activities.

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

7. Due from financing activities (continued)

b) By industry:

	Murabaha and Musawama	Istisna'a contracts	Mudaraba and Musharaka	Ijarah	Others	2011 Total	2010 Total
Government	-	298,837	-	-	-	298,837	298,837
Government and semi-government institutions	1,581,224	-	-	389,366	-	1,970,590	3,485,694
Industry	163,381	-	-	146,484	69	309,934	1,272,661
Trading	8,948,605	315,891	6,450	208,607	1,006	9,480,559	9,055,366
Contracts	1,463,753	11,671	201,037	20,046	526	1,697,033	1,122,054
Consumer financing	3,273,501	117,726	-	925,853	16,584	4,333,664	5,574,142
Housing	7,731,392	2,455,862	-	3,972,357	-	14,159,611	11,166,052
Others	893,346	-	711,015	1,187	3,903	1,609,451	1,771,489
Total	24,055,202	3,199,987	918,502	5,663,900	22,088	33,859,679	33,746,295
Deferred profit						(3,901,184)	(4,031,137)
Specific provision						(310,745)	(297,809)
Suspended profit						(51,880)	(65,576)
Net due from financing activities						29,595,870	29,351,773

c) By customer:

	Murabaha and Musawama	Istisna'a contracts	Mudaraba and Musharaka	Ijarah	Others	2011 Total	2010 Total
Retail	4,737,255	129,398	58,015	945,899	17,110	5,887,677	5,574,143
Corporate	8,948,605	315,891	860,487	208,607	1,006	10,334,596	14,028,028
Small and medium enterprises	163,381	-	-	146,484	69	309,934	422,053
Finance with real estate mortgage	7,731,392	2,455,862	-	3,972,357	-	14,159,611	11,166,052
Other	2,474,569	298,836	-	390,553	3,903	3,167,861	2,556,019
Total	24,055,202	3,199,987	918,502	5,663,900	22,088	33,859,679	33,746,295
Deferred profit						(3,901,184)	(4,031,137)
Specific provision						(310,745)	(297,809)
Suspended profit						(51,880)	(65,576)
Net due from financing activities						29,595,870	29,351,773

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

7. Due from financing activities (continued)

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

	2011			2010		
	Specific Provision	Suspended Profit	Total	Specific Provision	Suspended Profit	Total
At 1 January	297,809	65,576	363,385	248,232	16,013	264,245
Provided during the year	67,918	50,006	117,924	94,715	58,427	153,142
Recovered during the year	(54,917)	(63,702)	(118,619)	(44,736)	(8,864)	(53,600)
Net movement	13,001	(13,696)	(695)	49,979	49,563	99,542
Amounts written off	(65)	-	(65)	(402)	-	(402)
At 31 December	310,745	51,880	362,625	297,809	65,576	363,385

e) Provisions distribution by nature of the customer:

	2011	2010
Retail	138,436	158,542
Corporate	172,309	139,267
Total	310,745	297,809

8. Financial investments

	2011			
	At fair value through statement of income	At fair value through Equity	At amortised cost	Total
Financial investment in:				
- Equity type instruments:				
Quoted	165,913	901,013	-	1,066,926
Unquoted	619,750	1,052,364	-	1,672,114
Total	785,663	1,953,377	-	2,739,040
- Debt-type instruments:				
Quoted	-	-	1,063,124	1,063,124
Unquoted	-	-	11,008,024	11,008,024
Total	-	-	12,071,148	12,071,148
Grand total	785,663	1,953,377	12,071,148	14,810,188

Notes to the Consolidated Financial Statements

at 31 December 2011

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8. Financial investments (continued)

	2010 (Restated)			Total
	At fair value through statement of income	At fair value through Equity	At amortised cost	
Financial investment in:				
- Equity type instruments:				
Quoted	117,252	126,427	-	243,679
Unquoted	-	1,053,519	-	1,053,519
Total	117,252	1,179,946	-	1,297,198
- Debt-type instruments:				
Quoted	-	-	749,817	749,817
Unquoted	-	-	1,386,073	1,386,073
Total	-	-	2,135,890	2,135,890
Grand total	117,252	1,179,946	2,135,890	3,433,088

Note: At 31 December 2011, certain unquoted equity investments amounting to QR 708 million (2010: QR 660 million) are carried at cost less impairment due to non-availability of quoted market prices or other reliable measures of their fair value.

9. Assets of a subsidiary and liabilities directly associated with such assets classified as held for sale

Assets		
Cash and cash equivalents		11,135
Investment property		293,550
Other assets		19,820
Total assets		324,505
Liabilities		
Murabaha financing		192,338
Other liabilities		2,944
Total liabilities		195,282
Loss for the year		1,919

10. Other investments

a) Investment in properties and other assets held for leasing

	2011			2010		
	Land	Buildings	Total	Land	Buildings	Total
At 1 January	202,115	115,784	317,899	202,115	115,784	317,899
At 31 December	202,115	115,784	317,899	202,115	115,784	317,899

Note: The total market value of the properties and investments held for leasing at 31 December 2011 and 31 December 2010 are equivalents to the fair value of the properties according to a valuation performed by qualified and independent valuer.

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at 31 December 2011

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10. Other investments (continued)

b) Investment in properties and other assets held for trading

	2011			2010		
	Land	Buildings	Total	Land	Buildings	Total
At 1 January	421,802	375,161	796,963	510,368	375,161	885,529
Additions during the year	45,740	249,854	295,594	-	-	-
Disposals during the year	(74,483)	(129,854)	(204,337)	(88,566)	-	(88,566)
At 31 December	393,059	495,161	888,220	421,802	375,161	796,963
Total net value at 31 December (a + b)	595,174	610,945	1,206,119	623,917	490,945	1,114,862

Note: The total market value of the properties and other assets held for trading at 31 December 2011 stands at QAR 888 million (2010: QAR 808 million) according to an independent valuation report, which has been determined having regard to market price of similar properties at similar locations.

11. Investment in associates

	2011	2010 (Restated)
At 1 January	1,631,259	1,617,394
Acquisition of subsidiary	446,915	-
Additions during the year	86,882	180,062
Disposals during the year	(1,143,327)	(104,934)
Total Investment	1,021,729	1,692,522
Distributed dividends received from associates	(108,930)	(53,220)
Transfer to fair value reserve during the year	(3,224)	11,773
Transfer to translation reserve during the year	14,133	(1,377)
Share of annual loss of associates	(38,791)	(18,439)
At 31 December	884,917	1,631,259

The investments in associates are being distributed as follows:

By investment percentage:

			2011 Effective Ownership Percentage	2010 Effective Ownership Percentage
	Main Activity	Country of Incorporation		
Q Invest Bank LTD	Investment	Qatar	-	35.00%
Al Jazeera Finance Company (S.A.Q)	Financing	Qatar	30.00%	30.00%
Durat Al Doha LLC	Real Estate	Qatar	39.90%	39.90%
Al Daman Islamic Insurance	Insurance	Qatar	25.00%	25.00%
Retaj Marketing and Project Management	Real Estate	Qatar	9.80%	9.80%
Panmure Gordon & Co. Plc	Brokerage	U.K.	21.26%	-
Arab Finance House	Banking	Lebanon	37.00%	32.51%
Asian Finance Bank	Banking	Malaysia	41.67%	33%

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

11. Investment in associates (continued)

By financial position:

	2011			
	Assets	Liabilities	Revenue	Profit/(Losses)
QInvest Bank LTD	-	-	-	(7,513)
Al Jazeera Finance Company (S.A.Q)	548,023	316,057	34,312	14,827
Durat Al Doha LLC	823,300	625,084	140	(669)
Al Daman Islamic Insurance	81,652	30,318	5,703	1,232
Retaj Marketing and Project Management	25,262	-	-	(6,576)
Panmure Gordon & Co. Plc	237,545	143,866	104,467	(39,190)
Arab Finance House (AFH)	475,400	414,518	10,902	(10,971)
Asian Finance Bank (AFB)	1,190,787	967,209	26,876	10,069
	3,381,969	2,497,052	182,400	(38,791)

	2010 (Restated)			
	Assets	Liabilities	Revenue	Profit/(Losses)
QInvest Bank LTD	1,196,375	260,832	105,295	2,595
Al Jazeera Finance Company (S.A.Q)	643,321	426,793	30,541	7,182
Durat Al Doha LLC	548,614	349,591	-	(770)
Bawabat Al-Shamal LLC	-	-	-	743
Al Daman Islamic Insurance	55,432	4,595	3,758	337
Retaj Marketing and Project Management	31,839	-	-	-
Arab Finance House (AFH)	460,416	395,646	7,840	(16,518)
Asian Finance Bank (AFB)	824,215	691,496	18,368	(12,008)
	3,760,212	2,128,953	165,802	(18,439)

Notes:

- i) On 1 March 2011, the Group acquired additional 11.67% of the voting shares of QInvest LLC and obtained control over the financial and operating activities of QInvest LLC with 46.67% of voting shares. This result in the change in the status of QInvest from associate to subsidiary. Consequently QInvest LLC has been consolidated in the books of the Group since 1 March 2011.
- ii) The Group's equity accounted investees are not publicly listed entities and consequently do not have published price quotations, except for Panmure Gordon & Co. Plc. which is listed on the Alternative Investment Market (AIM) in the UK. Based on its closing share price of 10.75 pence at 31 December 2011, the fair value of the Group's investment is US\$ 11 million (QR 40 million).
- iii) During the year, 66.7% shares in one of subsidiary's joint controlled entities, QWest, were transferred in the subsidiary name making the total shareholding of the subsidiary in QWest to 100%. This result in the change in the status of QWest from associate to subsidiary. Consequently QWest has been consolidated in the books of the subsidiary since March 2011. No goodwill or premium has arisen in the subsidiary's books due to this change as the cost of acquisition and fair values of net assets of QWest did not change as a result of this change in status.

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12. Other assets

	2011	2010 (Restated)
Accrued income	939,945	699,277
Work in progress	55,953	46,812
Due from Bank of Credit and Commerce International (BCCI) (under liquidation)	36,422	36,422
Prepayment and advances	42,398	15,243
Deferred income tax asset	91,052	-
Other receivables	515,728	908,578
	1,681,498	1,706,332
Provisions for due from BCCI	(36,422)	(36,422)
	1,645,076	1,669,910

13. Fixed assets

	Land & Buildings	Computer & Electrical Equipments	Office Equipment, Furniture- Fixtures & Leasehold Improvements	Motor Vehicles	Total
Cost					
At 1 January 2011	262,331	141,571	143,369	3,585	550,856
Acquisition of subsidiary	-	13,919	26,150	1,372	41,441
Additions	280	44,097	10,806	372	55,555
Disposals	-	(3,593)	(2,160)	-	(5,753)
At 31 December 2011	262,611	195,994	178,165	5,329	642,099
Depreciation					
At 1 January 2011	38,499	84,254	54,895	2,648	180,296
Acquisition of subsidiary	-	9,970	3,890	715	14,575
Charge for the year	5,670	21,062	22,950	553	50,235
Disposals	-	(3,497)	(1,705)	-	(5,202)
At 31 December 2011	44,169	111,789	80,030	3,916	239,904
Net book value					
At 31 December 2011	218,442	84,205	98,135	1,413	402,195

	Land & Buildings	Computer & Electrical Equipments	Office Equipment, Furniture- Fixtures & 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

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14. Business combination

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

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

Assets

Cash and bank balances	231,188
Placements with financial institutions	444,289
Investment securities	1,563,335
Assets of a subsidiary held for sale	358,958
Investments in associates	446,915
Other assets	207,046
	3,251,731

Liabilities

Liabilities of a subsidiary held for sale	(220,084)
Due to banks	(18,014)
Other liabilities	(25,465)
	(263,563)

Net assets	2,988,168
Non-controlling interest (53.33%)	(1,593,590)

Total net asset acquired	1,394,578
Goodwill arising from acquisition	216,056

Cost of business combination	1,610,634
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Consideration

Cash consideration	656,110
Fair value of QIB's equity interest in QInvest held before the business combination	954,524
	1,610,634

Notes:

The initial accounting for the above acquisition is only provisional at the period end as the fair value to be assigned to the acquiree's identifiable assets and liabilities could be determined only provisionally. The Group will recognize any adjustments to those provisional values after performing the fair value exercise by the end of first quarter of 2012.

The Group recognised a gain of QAR 49 million as a result of measuring at fair value its 35% equity interest in QInvest LLC before the business combination in addition to a reduction of QAR 33 million and QAR 16 million in available for sale fair value reserve and translation reserve respectively which were transferred to consolidated statement of income. The gain and loss are included in "Income from investing activities" in the Group's consolidated statement of income for the year ended 31 December 2011.

From the date of acquisition, QInvest LLC has contributed QAR 70 million of operating income and QAR 284 million losses to the net profit of the Group. If the combination had taken place at the beginning of the year, operating income would have been QAR 2,659 million instead of QR 2,681 million and the net profit for the Group would have been QAR 1,349 million instead of QR 1,365 million.

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15. Due to banks and financial institutions

	2011	2010
Current accounts	63,628	261,545
Deposits from banks and financial institutions	13,278,634	8,150,374
	13,342,262	8,411,919

16. Customers' accounts

a) Current Accounts

	2011	2010
Government	130,165	1,390,219
Corporate	4,060,747	3,623,949
Individuals	4,642,450	2,658,040
	8,833,362	7,672,208

b) Others

	170,100	1,058,327
Total current accounts and other balances	9,003,462	8,730,535

17. Other liabilities

	2011	2010
Customer advances	441,606	370,085
Others	270,597	278,091
Manager cheques	236,973	130,490
Accrued expenses	186,758	76,307
Naps and visa settlements	122,160	63,825
Margin deposits	87,562	48,948
Provision for employees' end of service benefits (Note 19)	84,551	73,188
Contribution to Social and sport activities	34,131	33,363
Accrued profit distribution to sukuk holders	25,148	24,563
Provision for potential claims	23,708	11,258
Prior years accrued dividends	8,903	8,474
Customers' participation in funds	2,070	4,377
Pension fund	19	996
	1,524,186	1,123,965

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18. 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 , maturing 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 sukuku 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 Group to a Sukuk company, Qatar Islamic Bank Sukuk financing Limited (L.L.C) – the Issuer, especially formed for the sukuk transaction.

The Group controls the assets which will continue to be serviced by the bank. Upon maturity of the sukuku, the Bank has undertaken to repurchase the assets at the exercise price of USD 750 million.

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

19. Provision for employees' end of service benefits

	2011	2010
At 1 January	73,188	65,623
Additions	26,070	11,995
Amount paid during the year	(14,707)	(4,430)
At 31 December (Note 17)	84,551	73,188

20. Equity of unrestricted investment account holders

a) By Type:

	2011	2010 (Restated)
Term deposits	10,451,897	13,363,880
Call accounts	2,542,372	4,171,379
Saving accounts	5,540,883	4,034,503
	18,535,152	21,569,762
Share of equity of unrestricted investment account holders in profit	145,219	63,226
Share of equity of unrestricted investment account holders in fair value reserve	(26,534)	6,153
	18,653,837	21,639,141

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20. Equity of unrestricted investment account holders (continued)

b) By sector:

	2011	2010 (Restated)
Individuals	11,063,328	11,074,116
Corporate	5,829,447	9,579,886
Government	1,529,804	822,402
Government and semi government organizations	112,573	93,358
	18,535,152	21,569,762
Share of equity of unrestricted investment account holders in net profit	145,219	63,226
Share of equity of unrestricted investment account holders in fair value reserve	(26,534)	6,153
	18,653,837	21,639,141

Note: Equity of unrestricted investment account holders include QR 377 million held as collateral against direct and indirect financing credit facilities (2010: QR 275 million).

21. Non-controlling interest

	2011	2010 (Restated)
At 1 January	206,684	193,722
Acquisition of non-controlling interest	1,593,590	(17,934)
Share of the (loss) profit	(149,286)	27,418
Net movement in fair value reserve	22,838	1,093
Net movement in translation reserve	(25,821)	2,385
At 31 December	1,648,005	206,684

22. Shareholders' equity

a) Share capital

	2011	2010
Authorised, issued and paid-up share capital 236.3 million ordinary shares of QR 10 each (2010: 216.6 million shares of QR 10 each)	2,362,932	2,166,022

In the extraordinary general meeting held on 23 December 2008, the shareholders approved to issue additional share capital to Qatar Investment Authority ("QIA"), which represents 20% of the total issued capital as of that date at price of QAR 97.10 per share.

On 17 January 2011, the Group received QAR 1,912 million representing the value of the remaining 10% share of the contribution of the Qatar Investment Authority for 19,691,100 ordinary shares by a special issuance in accordance with the decision of the shareholders in the General Assembly and the extraordinary meeting held on 23 December 2008. Shares allotment of the amount above has been transferred to capital QAR 197 million and legal reserve QAR 1,715 million.

(2010: the Group issued additional shares to QIA equivalent to 9.84 million shares at a price of QAR 97.1 per share).

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22. Shareholders' equity (continued)

b) Advance received for capital increase

On 30 December 2009, the Bank received QR 956 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.

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 statement of financial position 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 Qatar Central Bank.

f) Fair value reserve

	2011	2010
At 1 January	(6,424)	(44,827)
Net movement during the year	2,444	32,250
Less: Share of equity of unrestricted investment account holders in the movement in the fair value reserve	(26,534)	6,153
At 31 December	(30,514)	(6,424)

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

g) Contribution to Social and Sports activity fund

The Group have created provisions during the year of 2011 by QR 34 million which presents 2.5% of net profit as per law no. 13 for year 2008 and explanatory notes issued for 2010 (2010: QR 33.4 million)

h) Proposed cash dividend

The Board of Directors has proposed a 45% of paid up share capital amounting to QR 1,063 million – QR 4.5 per share (2010 - 50% of paid up capital amounting to QR 1,083 million – QR 5 per share) which is subject to approval at the Annual General Meeting of the shareholders.

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23. Income from financing activities, net

	2011	2010 (Restated)
Murabaha and Musawama	1,106,462	1,144,637
Istisna'a	291,374	244,874
Mudaraba	60,613	86,493
Ijarah Muntahia Bittamleek	317,017	275,330
	1,775,466	1,751,334

24. Income from investing activities, net

	2011	2010
a) Income from due from and investments with banks and financial institutions - (i)		
Deposits with banks and financial institutions	36,398	42,560
Commodity Murabaha transactions, net	(109,829)	(95,502)
Total	(73,431)	(52,942)
b) Income from investments		
Financial investments		
– Equity- type instruments	66,480	80,640
– Debt-type instruments	553,370	75,492
	619,850	156,132
Investments in properties and assets held for leasing	33,940	26,918
Total	653,790	183,050
c) Income on sale of investments		
Financial investments	22,302	–
Investment in properties and assets held for trading	28,687	83,606
Total	50,989	83,606
Total (a + b + c)	631,348	213,714

Note: (i) - This balance is net of profit paid to banks and financial institutions amounting to QAR 132 million (2010: QAR 188 million).

25. Commission and fees income

	2011	2010
Management fees	114,174	189,211
Banking service fees	42,764	36,034
Letters of credit and guarantee	43,597	34,536
Others	122,599	48,942
	323,134	308,723

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26. (Loss) gain from foreign exchange, net

	2011	2010
Income on sale of foreign exchange	9,723	3,911
Revaluation (losses) gains of foreign exchange	(34,988)	22,276
(loss) gain from foreign exchange, net	(25,265)	26,187

27. General and administrative expenses

	2011	2010
Staff salaries and allowances	372,482	254,290
Rent and maintenance	53,679	42,211
Board of Directors' remuneration	27,720	27,060
Advertisements and market promotions	31,278	26,017
Communication, insurance and utilities	13,208	21,130
Legal and professional fee	36,386	17,580
Employees' end of service benefit	26,070	11,995
Training costs	3,601	2,659
Contributions to pension fund	8,017	2,996
Others	128,379	38,694
	700,820	444,632

Note: The number of staff employed by the Group as at 31 December 2011 was 998 (2010: 825).

28. Equity of unrestricted investment account holder's share from net profit

	2011	2010
Equity of unrestricted investment account holders' share in profit		
before Mudaraba share of the Group	831,200	763,690
Less: Group's share of profit as Mudarib	(421,585)	(317,067)
Equity of unrestricted investment account holders' share of profit	409,615	446,623

The following are the profit distribution rates for the equity of unrestricted investment account holders during the year:

	(%) 2011	(%) 2010
5 years term	2.82	2.73
3 years term	2.59	2.53
1 year term	2.35	2.30
6 months term	2.12	2.10
3 months term	1.88	1.97
2 months term	1.77	-
1 month term	1.65	1.67
Saving account	1.65	1.57
Call account	1.65	1.57

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29. Basic and diluted earnings per share

Earnings per share are 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.

	2011	2010
Net profit for the year attributable to the shareholders	1,365,149	1,262,179
Weighted average number of shares for the year (expressed in thousands)	232,409	215,145
Basic and diluted earnings per share (QAR per share)	5.87	5.87

30. Contingent liabilities and commitments

a) Contingent or deferred liabilities

	2011			Total
	Less than 1 year	1-5 years	Over 5 years	
Letter of Guarantees	3,358,006	-	-	3,358,006
Unused financing facilities and commitments	3,470,466	-	-	3,470,466
Uncompleted part of Istisna'a commitment	248,106	-	-	248,106
Letters of credit	460,398	-	-	460,398
Acceptances	159,717	-	-	159,717
	7,696,693	-	-	7,696,693

	2010			Total
	Less than 1 year	1-5 years	Over 5 years	
Letter of Guarantees	2,691,593	-	-	2,691,593
Unused financing facilities and commitments	2,482,389	-	-	2,482,389
Uncompleted part of Istisna'a commitment	1,196,556	-	-	1,196,556
Letters of credit	448,795	-	-	448,795
Acceptances	109,765	-	-	109,765
	6,929,098	-	-	6,929,098

b) Commitments

	2011			Total
	Less than 1 year	1-5 years	Over 5 years	
Investment portfolios managed for others (Note 33)	-	4,441	-	4,441
Equity of restricted investment account holders (Note 34)	-	432,466	-	432,466
	-	436,907	-	436,907

	2010			Total
	Less than 1 year	1-5 years	Over 5 years	
Investment portfolios managed for others (Note 33)	-	4,441	-	4,441
Equity of restricted investment account holders (Note 34)	-	178,360	-	178,360
	-	182,801	-	182,801

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

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

2011	Qatar	GCC	Europe	North America	Others	Total
Assets						
Cash and balances						
with central bank	1,832,513	-	-	-	-	1,832,513
Due from and investments with						
banks and financial institutions	4,670,894	1,447,149	922,276	222,892	105,494	7,368,705
Due from financing activities	28,233,238	219,086	1,134,027	-	9,519	29,595,870
Financial investments	12,044,394	924,570	835,992	264,744	740,488	14,810,188
Investment in associates	506,777	-	93,679	-	284,461	884,917
Assets of a subsidiary held for sale	-	-	324,505	-	-	324,505
Other investments	847,357	-	358,762	-	-	1,206,119
Fixed assets	398,543	-	3,652	-	-	402,195
Goodwill	216,056	-	-	-	-	216,056
Other assets	1,470,731	-	159,436	-	14,909	1,645,076
Total assets	50,220,503	2,590,805	3,832,329	487,636	1,154,871	58,286,144
Liabilities						
Due to banks and						
financial institutions	5,125,453	5,396,904	821,668	-	1,998,237	13,342,262
Customers' accounts	9,002,865	-	597	-	-	9,003,462
Sukuk financing instruments	2,716,691	-	-	-	-	2,716,691
Liabilities of a subsidiary						
held for sale	-	-	195,282	-	-	195,282
Other liabilities	1,503,428	-	17,940	2,621	197	1,524,186
Total liabilities	18,348,437	5,396,904	1,035,487	2,621	1,998,434	26,781,883
Equity of unrestricted investment account holders	18,653,837	-	-	-	-	18,653,837
Non-controlling interest	1,618,998	-	29,007	-	-	1,648,005
Shareholders' equity						
Share capital	2,362,932	-	-	-	-	2,362,932
Legal reserve	6,370,016	-	-	-	-	6,370,016
General reserve	666,571	-	-	-	-	666,571
Risk reserve	428,500	-	-	-	-	428,500
Fair value reserve	(30,514)	-	-	-	-	(30,514)
Translation reserve	(38,856)	-	-	-	-	(38,856)
Proposed cash dividends	1,063,319	-	-	-	-	1,063,319
Retained earnings	380,451	-	-	-	-	380,451
Total shareholders' equity	11,202,419	-	-	-	-	11,202,419
Total liabilities, equity of unrestricted investment account holders, non-controlling interest and shareholders' equity	49,823,691	5,396,904	1,064,494	2,621	1,998,434	58,286,144

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31. Geographical distribution of assets and liabilities (continued)

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

2010 (Restated)	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	1,667,015	1,109,314	403,466	-	253,293	3,433,088
Investment in associates	1,433,770	-	-	-	197,489	1,631,259
Other investments	756,100	-	358,762	-	-	1,114,862
Fixed assets	370,560	-	-	-	-	370,560
Other assets	1,655,996	-	13,914	-	-	1,669,910
Total assets	46,481,552	1,622,553	2,792,665	433,598	546,814	51,877,182
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	1,120,283	-	3,682	-	-	1,123,965
Total liabilities	15,430,216	3,343,754	272,253	-	1,933,486	20,979,709
Equity of unrestricted investment account holders						
	21,639,141	-	-	-	-	21,639,141
Non-controlling interest	175,729	-	30,955	-	-	206,684
Shareholders' equity						
Share capital	2,166,022	-	-	-	-	2,166,022
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	1,083,011	-	-	-	-	1,083,011
Retained earnings	112,752	-	-	-	-	112,752
Total shareholders' equity	9,051,648	-	-	-	-	9,051,648
Total liabilities, equity of unrestricted investment account holders, non-controlling interest and shareholders' equity						
	46,296,734	3,343,754	303,208	-	1,933,486	51,877,182

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32. Equity settled share based payments

The subsidiary established a Key Executive Long-Term Incentive Plan ("KELTIP") to incentivize and retain senior executives. Under the KELTIP, selected individuals were granted a conditional share award which vests in equal tranches at the end of 2010, 2011 and 2012 based on continuity of employment and the achievement of a pre-determined share price target. The number of share awards is as follows:

As at 1 January 2011	21,450,000
Granted during the year	10,925,000
Exercised/lapsed during the year	(275,000)
As at 31 December 2011	32,100,000

Grants awarded in 2011 are as follows:

Grant date	Number of share awards granted	Contractual life of options
8 Feb 2011	3,641,667	2 - 4 years
8 Feb 2011	3,641,667	2 - 4 years
8 Feb 2011	3,641,666	2 - 4 years
	10,925,000	

All the share awards granted during 2011 had vesting conditions of a 10% increase in the share price each year ("market performance condition") and continuing employment till the vesting date ("service condition"). If the market performance condition is not met for the relevant financial year(s), the vesting of the share awards will be rolled over to the following financial year and will vest only if the cumulative share price target for the relevant financial year is attained ("re-test feature"). The re-test feature has been incorporated into the fair value of the share awards at grant date(s).

The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Monte Carlo simulation model, with the following inputs:

Fair value at measurement date	QAR 1.38 - 2.07
Share price on dates of grant	QAR 3.82
Exercise price	QAR Nil
Expected volatility	40%
Expected life	2 - 4 years
Dividend yield	6.5%
Risk free rate	0.41%

Expense for share-based payments

Equity settled share based payments	15,215
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33. Investment portfolio

The Group manages the following investment portfolio, which is invested on behalf of customers:

	2011	2010
Solidarity Fund	4,441	4,441

The Group'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 Group does not guarantee the portfolios liabilities other than operational risk represented by the non-compliance with investment conditions as well as reputation risk.

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at 31 December 2011

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34. Equity of restricted investment account holders

	2011			2010		
	Balance	Average profit rate	Group's share	Balance	Average profit rate	Group's share
Type of Investment						
Restricted investments for customers	432,466	-	-	178,360	-	-

35. Related party transactions

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

	2011		2010	
	Directors	Associates	Directors	Associates
Consolidated statement of financial position items:				
On financial position items				
Assets				
Financing	209,714	2,221,692	282,623	1,492,386
Receivables	-	105,039	-	-
Liabilities				
Deposits	152,402	172,460	1,451,329	170,819
Off balance sheet items				
Contingent liabilities, guarantees and other commitments	26,495	829,562	39,795	-
Consolidated statement of income items:				
Fee and commission	6,966	41,234	18,539	63,000
Profit paid on deposits	23,373	1,508	12,051	12,953
			2011	2010
Key management remuneration during the year			67,756	32,244

36. Cash and cash equivalents

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

	2011	2010
Cash and current account with central banks	609,958	523,123
Due from and investments with banks and financial institutions	7,203,060	12,396,274
	7,813,018	12,919,397

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

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

37. Segment reporting

For management purposes, the Group is organised into four operating segments based on business lines and subsidiaries companies which are as follows:

Wholesale banking – Wholesale Banking includes services offered to institutional investors, corporate, other banks, and investment vehicles such as mutual funds or pensions.

Personal banking – Personal banking includes services that are offered to individual customers through local branches of the bank which includes checking and savings accounts, credit cards, personal lines of credit, mortgages, and so forth.

Group function – Treasury, Investment, finance and other central functions.

Local & international subsidiaries – Local and international subsidiaries include the Groups local and international subsidiaries all of which are consolidated in the group financial statements.

Management monitors the operating results of the operating segments separately to make decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis. No income from transactions with a single external customer or counterparty amounted to 10% or more of the Groups total revenue in 2011 or 2010.

The following table presents income and profit and assets and liabilities information regarding the Group's operating segments.

2011	Wholesale banking	Personal banking	Group function	Local & international subsidiaries	Total
Income from financing activities, net	1,279,119	501,081	-	(4,734)	1,775,466
Income from investing activities, net	-	-	517,061	261,654	778,715
(Loss) Gains from foreign exchange, net	-	-	30,645	(55,910)	(25,265)
Equity of unrestricted investment account holders' share from net profit	(85,353)	(325,051)	-	789	(409,615)
Sukuk holders' share of profit	-	-	(105,854)	-	(105,854)
Income from commission and fees, net	170,060	46,651	11,456	71,836	300,003
Net operating income	1,363,826	222,681	453,308	273,635	2,313,450
General and administrative expenses	(31,102)	(133,776)	(359,343)	(229,116)	(753,337)
Impairment losses	-	-	(20,434)	(174,530)	(194,964)
Segmental profit	1,332,724	88,905	73,531	(130,011)	1,365,149
Assets	22,511,020	7,044,312	24,954,058	3,776,754	58,286,144
Liabilities	6,565,287	21,034,478	16,501,029	1,334,926	45,435,720

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

37. Segment reporting (continued)

2010	Wholesale banking	Personal banking	Group function	Local & international subsidiaries	Total
Income from financing activities, net	1,309,668	460,118	-	(18,452)	1,751,334
Income from investing activities, net	-	-	127,599	58,697	186,296
Gains from foreign exchange, net	-	-	26,187	-	26,187
Equity of unrestricted investment account holders' share from net profit	(100,098)	(346,525)	-	-	(446,623)
Sukuk holders' share of profit	-	-	(24,563)	-	(24,563)
Income from commission and fees, net	220,743	29,603	11,042	27,860	289,248
Net operating income	1,430,313	143,196	140,265	68,105	1,781,879
General and administrative expenses	(37,156)	(103,740)	(299,634)	(38,762)	(479,292)
Impairment losses	-	-	(40,408)	-	(40,408)
Segmental profit	1,393,157	39,456	(199,777)	29,343	1,262,179
Assets	23,179,684	6,303,708	22,042,127	351,663	51,877,182
Liabilities	9,738,828	20,705,165	12,039,732	135,125	42,618,850

38. Comparative amounts

Certain amounts in the 2010 financial statements and supporting note disclosures have been reclassified to conform with the current year's presentation. Such reclassifications do not have an impact on the previously reported net profit or retained earnings except for those items discussed in Note 39.

39. Prior year restatements

The consolidated financial statements for the year ended 31 December 2010 have been restated to account for the results of the associates and subsidiaries as per their audited financial statements, to correct an error in calculation of profit from financing activities and due to change as a result of the implementation of FAS 25. The effect of the restatement on the consolidated financial statements is summarised below:

	Effect on 31 December 2010
Net increase in financial investments	13,506
Net increase in investment in associates	38,990
Increase in equity of unrestricted investment account holders	(111,965)
Net decrease in other assets and liabilities	(15,415)
	(74,884)
Decrease in minority interest	(2,527)
Net decrease in retained earnings	(72,357)
	(74,884)

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

40. Parent company

Statement of financial position

	2011	2010 (Restated)
Assets		
Cash and balances with central bank	1,832,456	1,874,454
Due from and investment with banks and financial institutions	6,480,994	12,493,005
Due from financing activities	29,557,804	29,483,392
Financial investments	14,529,901	3,548,749
Investment in associates	693,541	1,526,701
Other investments	813,060	693,060
Other assets	1,236,176	1,589,336
Fixed assets	365,458	364,854
Total assets	55,509,390	51,573,551
Liabilities, equity of unrestricted investment account holders, non-controlling interest and shareholders' equity		
Due to banks and financial institutions	12,299,759	8,287,791
Customers' accounts	9,002,865	8,674,489
Sukuk financing instruments	2,716,691	2,713,290
Other liabilities	1,446,422	1,100,756
Total liabilities	25,465,737	20,776,326
Equity of unrestricted investment account holders	18,669,186	21,707,399
Shareholders' equity		
Share capital	2,362,932	2,166,022
Legal reserve	6,353,459	4,638,364
General reserve	664,121	664,121
Risk reserve	428,500	428,500
Fair value reserve	(26,646)	(7,128)
Translation reserve	(5,656)	(19,790)
Proposed cash dividend	1,063,319	1,083,011
Retained earnings	534,438	136,726
Total shareholders' equity	11,374,467	9,089,826
Total liabilities, equity of unrestricted investment account holders, non-controlling interest and shareholders' equity	55,509,390	51,573,551

Notes to the Consolidated Financial Statements

at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

40. Parent company (continued)

Statement of income

	2011	2010 (Restated)
Income		
Income from financing activities, net	1,780,200	1,769,785
Gains from investing activities, net	517,061	138,585
Total income from financing and investment activities, net	2,297,261	1,908,370
Commission and fees income	251,299	280,863
Commission and fees expenses	(23,131)	(19,475)
Income from commission and fees, net	228,168	261,388
Gain from foreign exchange, net	30,645	26,187
Net operating income	2,556,074	2,195,945
Expenses		
General and administrative expenses	(481,483)	(409,057)
Depreciation of fixed assets	(42,738)	(31,473)
Impairment losses on due from financing activities	(13,001)	(49,979)
Impairment (losses) reversal on financial investments and other receivables	(7,432)	9,571
Net profit for the year before profit of equity of unrestricted investment account holders and sukuk holders' shares of profit	2,011,420	1,715,007
Less:		
Equity of unrestricted investment account holders' share from net profit	(410,404)	(446,623)
Sukuk holders' share of profit	(105,854)	(24,563)
Net profit for the year	1,495,162	1,243,821

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at 31 December 2011

Amounts expressed in thousands of Qatari Riyals

40. Parent company (continued)

Statement of cash flows

	2011	2010 (Restated)
Cash flows from operating activities:		
Net profit for the year	2,011,420	1,715,007
Adjustments for:		
Depreciation on fixed assets	42,738	31,473
Impairment losses on due from financing activities	13,001	49,979
Impairment losses on financial investments	7,433	(9,571)
Loss from investments revaluation	2,560	-
Losses from foreign exchange	-	2,767
Sukuk Amortization	(102,454)	199
Loss from sale of fixed assets	145	-
Net operating profit before changes in operating assets and liabilities	1,974,843	1,789,854
Net decrease/(increase) in assets:		
Balances with banks and financial institutions	(118,784)	249,204
Cash reserve with Qatar Central Bank	128,872	(326,444)
Due from financing activities	(199,378)	(6,734,632)
Other assets	353,160	(169,581)
Net increase/(decrease) in liabilities:		
Due to banks and financial institutions	4,011,967	(187,905)
Customers' accounts	328,376	1,957,449
Other liabilities	299,809	64,949
Net cash from (used in) operating activities	6,778,865	(3,357,106)
Cash flow from investing activities		
Purchase of financial investments	(11,779,445)	(1,748,099)
Additional investment in associate company	(101,517)	(122,299)
Proceeds from sale of financial investments	774,797	218,753
Proceeds from sale of associate companies	954,524	70,429
Purchase of other investments	(249,855)	-
Proceeds from sale of other investments	129,855	-
Dividends received from associate companies	-	53,220
Purchase of fixed assets	(43,488)	(106,099)
Net cash used in investing activities	(10,315,129)	(1,634,095)
Cash flows from financing activities		
Increase in share capital	1,912,004	-
Increase in equity of unrestricted investment account holders	(3,336,651)	7,618,761
Dividends paid to shareholders	(1,083,011)	(1,181,466)
Sukuk financing instruments	-	2,688,727
Net cash (used in) from financing activities	(2,507,658)	9,126,022
Net (decrease) increase in cash and cash equivalents	(6,043,922)	4,134,821
Cash and cash equivalents at January 1	12,962,864	8,828,043
Cash and cash equivalents at 31 December	6,918,942	12,962,864

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Head Office

(Grand Hamad Street)
Tel. 44409409
Fax 44412700 (General Fax)

Ladies Branch

Tel. 44595790
Fax 44888655

Corporate Finance & Private Banking Branch

Tel. 44409409
Fax 44350293

New Doha Branch

Tel. 44267666
Fax 44837982

Al Fanar Branch

Tel. 44249222
Fax 44312953

Mesaieed Branch

Tel. 44771810
Fax 44770872

Salwa Road Branch

Tel. 44484000
Fax 44680123

Al Mansoura Branch

Tel. 44435752
Fax 44376281

Al Gharafa Branch

Tel. 44349333
Fax 44866056

Barwa Branch

Tel. 44630380
Fax 44631219

Supreme Council for Health (opening soon)

Tel. 44872981
Fax 44659290

Al Muntazah Branch

Tel. 44370847
Fax 44371284

Al Sadd Branch

Tel. 44289666
Fax 44478947

Al Shahania Branch

Tel. 44718664
Fax 44719044

Al Khor Branch

Tel. 44721666
Fax 44721888

General Authority of Minors Branch

Tel. 44341147
Fax 44320902

Al Rayyan Branch

Tel. 44597777
Fax 44811612

Al Ghuwairiya Branch

Tel. 44728318
Fax 44728755

Airport Branch

Tel. 44349222
Fax 44676532

City Center Branch

Tel. 44930758
Fax 44834032

Al Wakra Branch

Tel. 44640771
Fax 44644197

Mesaimer Branch

Tel. 44603694
Fax 44604028

Yarmouk Branch

Tel. 44883168
Fax 44883170

Khartiyat Branch

Tel. 44482666
Fax 44790228

Aljazeera Channel Branch

Tel. 44882607
Fax 44862240

Muaither Branch

Tel. 44489888
Fax 44458900

Ras Laffan Branch

Tel. 44748756
Fax 44748755

Dukhan Branch

Tel. 44482777
Fax 44712129

Industrial Area Branch

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