

**QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)  
DOHA - QATAR**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

For the year ended December 31, 2010

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders  
Qatar International Islamic Bank (Q.S.C.)  
Doha – Qatar**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Qatar International Islamic Bank (Q.S.C) (the "Bank") which comprise the statement of financial position as at December 31, 2010 and the statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions "AAOIFI" in accordance with the Islamic Shari'a Rules and Principles and Qatar Central Bank regulations. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with both the International Standards on Auditing and Auditing Standards for Islamic Financial Institutions. Those standards require that we comply with the relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bank's preparation and fair presentation of the 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of Qatar International Islamic Bank (Q.S.C) as of December 31, 2010 and of 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 Bank and Qatar Central Bank regulations.

### **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 Bank and that we are not aware of any contraventions by the Bank of its Articles of Association, the Qatar Commercial Companies Law No. 5 of 2002, Qatar Central Bank regulations and Qatar Central Bank Law No.3 3 of 2006, during the financial year, that would materially affect its activities or its financial position.

**For Deloitte & Touche**

**January 30, 2011**

**Muhammad Bahemia  
License No. 103**

**QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)****STATEMENT OF FINANCIAL POSITION**

As at December 31, 2010

		<b>2010</b>	<b>2009</b>
	<i>Notes</i>	<i>QR'000</i>	<i>QR'000</i>
<b>ASSETS</b>			
Cash and balances with Qatar Central Bank	4	<b>954,630</b>	642,377
Balances and investments with banks and other financial institutions	5	<b>5,148,012</b>	3,900,502
Receivables and balances from financing activities	6	<b>9,177,747</b>	9,070,011
Financial investments	7	<b>1,694,264</b>	657,877
Investment in associates	8	<b>227,864</b>	343,379
Investment properties held for leasing	9	<b>74,764</b>	49,091
Investment properties held for trading	10	<b>343,044</b>	304,223
Property and equipment	11	<b>216,147</b>	219,946
Other assets	12	<b>342,469</b>	333,505
<b>TOTAL ASSETS</b>		<b>18,178,941</b>	15,520,911
<b>LIABILITIES, HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Current accounts from banks and financial institutions		<b>100,110</b>	22,090
Customers' current accounts		<b>2,836,131</b>	2,451,729
Other liabilities	13	<b>227,651</b>	146,180
<b>TOTAL LIABILITIES</b>		<b>3,163,892</b>	2,619,999
<b>HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS</b>	15	<b>11,197,751</b>	9,101,563
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	<b>1,387,546</b>	1,387,546
Legal reserve	16	<b>1,651,369</b>	1,651,369
Fair value reserve	16	<b>66,074</b>	54,772
Risk reserve	16	<b>152,869</b>	126,869
Foreign currency translation reserve		<b>(1,866)</b>	(1,790)
Other reserves	16	<b>40,800</b>	20,787
Proposed cash dividends	16	<b>520,330</b>	529,791
Retained earnings		<b>176</b>	30,005
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,817,298</b>	3,799,349
<b>TOTAL LIABILITIES, HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY</b>		<b>18,178,941</b>	15,520,911

These financial statements were approved by the Board of Directors on January 30, 2011 and signed on its behalf by the following:-

.....  
Dr. Khalid Bin Thani Al Thani  
Chairman and Managing Director

.....  
Abdul Basit Ahmad Al Shaibei  
Chief Executive Officer

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## STATEMENT OF INCOME

For the year ended December 31, 2010

	Notes	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Income from Financing activities	17	<b>855,020</b>	782,971
Income from Investing activities	18	<b>127,638</b>	86,594
<b>Total income from financing and investing activities</b>		<b>982,658</b>	869,565
Commission and fees income		<b>99,756</b>	88,131
Commission and fees expense		<b>(6,208)</b>	(5,509)
<b>Net commission and fees income</b>	19	<b>93,548</b>	82,622
Gain from foreign exchange operations	20	<b>9,175</b>	5,753
<b>NET OPERATING INCOME</b>		<b>1,085,381</b>	957,940
General and administrative expenses	21	<b>(153,513)</b>	(149,175)
Depreciation and amortisation	9,11	<b>(11,690)</b>	(10,047)
Impairment of financial investments		<b>(41,045)</b>	--
Impairment of receivables and financing activities	6	<b>(16,064)</b>	(16,500)
Other income	22	<b>25,228</b>	--
<b>NET PROFIT FOR THE YEAR BEFORE SHARE OF HOLDERS OF UNRESTRICTED INVESTMENTS' ACCOUNTS</b>		<b>888,297</b>	782,218
Less: Share of holders of unrestricted investment accounts in net profit	23	<b>(329,470)</b>	(270,881)
<b>NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>558,827</b>	511,337
<b>BASIC/DILUTED EARNINGS PER SHARE (QR)</b>	24	<b>4.03</b>	3.89

THE ACCOMPANYING NOTES(1-29) ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2010

	<i>Note</i>	<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Fair value reserve QR'000</i>	<i>Risk reserve QR'000</i>	<i>Foreign currency translation reserve QR'000</i>	<i>Other reserves QR'000</i>	<i>Proposed cash dividends QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total QR'000</i>
<b>Balance at January 1, 2010</b>		<b>1,387,546</b>	<b>1,651,369</b>	<b>54,772</b>	<b>126,869</b>	<b>(1,790)</b>	<b>20,787</b>	<b>529,791</b>	<b>30,005</b>	<b>3,799,349</b>
Dividends paid		--	--	--	--	--	--	(529,791)	--	(529,791)
Social and sport activities support paid		--	--	--	--	--	--	--	(8,342)	(8,342)
Profit for the year		--	--	--	--	--	--	--	558,827	558,827
Transfers to other reserves	<b>16</b>	--	--	--	--	--	<b>20,013</b>	--	(20,013)	--
Translation difference		--	--	--	--	(76)	--	--	--	(76)
Net fair value movements		--	--	<b>11,302</b>	--	--	--	--	--	<b>11,302</b>
Transfer to risk reserve		--	--	--	<b>26,000</b>	--	--	--	(26,000)	--
Contribution to social and sport activities support for the year		--	--	--	--	--	--	--	(13,971)	(13,971)
Proposed of dividends for 2010		--	--	--	--	--	--	<b>520,330</b>	(520,330)	--
<b>Balance at December 31, 2010</b>		<b><u>1,387,546</u></b>	<b><u>1,651,369</u></b>	<b><u>66,074</u></b>	<b><u>152,869</u></b>	<b><u>(1,866)</u></b>	<b><u>40,800</u></b>	<b><u>520,330</u></b>	<b><u>176</u></b>	<b><u>3,817,298</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2010

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Risk reserve</i>	<i>Foreign currency translation reserve</i>	<i>Other reserves</i>	<i>Proposed cash dividends</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Balance at January 1, 2009	1,261,408	850,246	(32,041)	114,369	--	13,182	504,562	68,564	2,780,290
Dividends paid	--	--	--	--	--	--	(504,562)	--	(504,562)
Increase in share capital	63,069	400,498	--	--	--	--	--	--	463,567
Proceeds from sale of fractions share	--	127	--	--	--	--	--	--	127
Net fair value movements	--	--	86,813	--	--	--	--	--	86,813
Translation differences	--	--	--	--	(1,790)	--	--	--	(1,790)
Profit for the year	--	--	--	--	--	--	--	511,337	511,337
Transfer to reserves (note 16)	--	--	--	12,500	--	7,605	--	(20,105)	--
Proposed dividends for 2009	--	--	--	--	--	--	529,791	(529,791)	--
Increase in share capital	63,069	400,498	--	--	--	--	--	--	463,567
Balance at December 31, 2009	<u>1,387,546</u>	<u>1,651,369</u>	<u>54,772</u>	<u>126,869</u>	<u>(1,790)</u>	<u>20,787</u>	<u>529,791</u>	<u>30,005</u>	<u>3,799,349</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	Note	2010 QR'000	2009 QR'000
<b>CASH FROM OPERATING ACTIVITIES</b>			
Profit for the year		558,827	511,337
Adjustments for:			
Depreciation and amortisation		11,688	10,047
Provision for impairment of receivables and financing activities		16,064	16,500
Loss from impairment of financial investments		41,045	--
Recovery of loss from valuation of investment properties held for trading		(2,479)	--
Share of associates companies profit		(24,538)	(10,793)
Gain on sale investment property for trading		(4,786)	(943)
Loss/ (gain) on sale of financial investments		1,890	(2,828)
Operating profit before changes in operating assets and liabilities		597,711	523,320
Cash reserve with Qatar Central Bank		(170,904)	(27,410)
Receivables and balances from financing activities		(123,800)	(1,863,820)
Other assets		(289)	(134,351)
Current accounts from banks and financial institutions		78,020	(3,004)
Customers' current accounts		384,402	124,862
Other liabilities		199,487	273,543
<b>Net cash flows from (used in) operating activities</b>		<b>964,627</b>	<b>(1,106,860)</b>
<b>CASH FROM INVESTING ACTIVITIES</b>			
Purchase of financial investments		(1,479,089)	(97,213)
Proceeds from repayment and sale of financial investments		391,863	461,599
Purchase of investment properties		(46,436)	(9,625)
Proceeds from sale of investment properties		7,000	--
Dividends received from investment in associates		4,525	3,188
Purchase of property and equipment		(7,391)	(20,966)
Proceeds from sale of property and equipment		661	--
Purchase of investments in associates		(9,800)	(61,250)
Proceeds from sale of investment in associate		10,500	--
<b>Net cash (used in) from investing activities</b>		<b>(1,128,167)</b>	<b>275,733</b>
<b>CASH FROM FINANCING ACTIVITIES</b>			
Net increase in holders of unrestricted investment accounts		2,082,189	2,202,469
Proceeds from issuance of shares		--	927,134
Proceed from sale shares fractions		--	127
Dividends paid		(529,791)	(504,562)
<b>Net cash from financing activities</b>		<b>1,552,398</b>	<b>2,625,168</b>
Net increase in cash and cash equivalents during the year		1,388,858	1,794,041
Balance of cash and cash equivalents at January 1,		4,091,814	2,297,773
<b>Balance of cash and cash equivalents at December 31,</b>	25	<b>5,480,672</b>	<b>4,091,814</b>

# **QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

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### **1. LEGAL STATUS AND MAIN ACTIVITIES**

Qatar International Islamic Bank (Q.S.C.) (“the Bank”) was incorporated under Amiri Decree No. 52 of 1990. The Bank operates through its head office located on Grand Hamad Street in Doha and (14) local branches. The Bank is listed and its shares are traded on the Qatar Exchange.

The Bank is engaged in banking, financing and investing activities in accordance with its Articles of Incorporation, Islamic Shari’a principles and regulations of Qatar Central Bank.

The financial statements have been approved by the Board of Directors on January 30, 2011.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below:

#### **Basis of preparation**

The financial statements have been prepared under the historical cost basis, except for the available-for-sale and investment properties held for trading that are measured at fair value.

The financial statements of the Bank have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), International Financial Reporting Standards where no AAOIFI standards and guidance exist, and relevant laws and instructions issued by the Qatar Central Bank and the Articles of the Qatar Commercial Companies Law.

All values are rounded to the nearest Qatari Riyal (QR) thousands, except when otherwise indicated.

#### **Foreign Currency Transactions**

These financial statements are stated in Qatari Riyal which is the functional and presentation currency of the Bank. Foreign currency transactions during the year are translated at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Qatari Riyals at the rates of exchange prevailing at the year end. Any differences are taken to the income statement as currency exchange gains or losses.

Investments in Associated Companies are translated into Qatari Riyals at the rates ruling at the reporting date. The statement of income is translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to the translation reserve within shareholders’ equity.

#### **Revenue recognition**

- Income on financing contracts of Murabaha, Musawama and Istesna are recognised following the accrual basis using the reducing rate method. When receivable from financing activities become non-performing and where collectibility is doubtful, income is suspended as per the instructions of Qatar Central Bank.
- Ijarah income is recognised following the accrual basis and is determined 6 months in advance upon agreement of all parties.
- Income from Musharaka is recognised at the end of the Musharaka.

## **QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Revenue recognition (continued)**

- Income from dividends and investment funds are recognised when the right to receive the income is established.
- Other investments income is recognised on an accrual basis.
- Fees and commission income is recognised when earned.
- Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib.
- Income is allocated proportionately between unrestricted investment accounts and the shareholders on the basis of the average balances outstanding during the year, after deduction of the bank Mudaraba share.

### **Financial Investments**

Available-for-sale investments are valued at fair value on an individual basis. Unrealised gains or losses arising from a change in fair value is recognised directly in the fair value reserve which is distributed between shareholders' equity and unrestricted investments deposits accounts, until the investment is sold, collected or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in shareholders' equity and the unrestricted investments deposit accounts is included in the statement of income. In cases where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognised in the statement of income under provision for impairment of financial investments.

### **Investment held to maturity**

Held to maturity investments are measured at amortised cost less provision for impairment. In case where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognised in the income statement as a provision for impairment of financial investments.

### **Fair values**

For investments traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business at the reporting date. For investments, where there is no quoted market price, an estimate of the fair value is determined by one of the following methods:

- Cost
- Comparison with the current market value of a similar financial instrument

### **Investment properties held for leasing purpose**

Investments properties held for leasing purposes are stated at cost less depreciation and impairment. Depreciation is provided in accordance with the rates of depreciation applied to property and equipment.

## **QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Investment properties held for trading**

Investment properties held for trading purposes are recognized at fair value on an individual aggregated basis. Unrealized gain over the change in fair value is included in fair value reserve in equity and unrestricted investments account, until the investment is sold or waived, collected or impaired at which time, the Bank will then convert profits or losses previously included within the rights of shareholders and unrestricted investment accounts to the statement of income.

### **Receivables and balances from financing activities**

Receivables and balances from financing activities are stated at their gross principal amounts less amounts received on account of these transactions, provision for impairment and deferred income relating to future years. The specific provision for impairment of financing receivables is estimated upon a detailed review by management in accordance with Qatar Central Bank instructions.

The loss arising from impairment of receivables and balances from financing activities are recognized in the statement of income in 'Provision for impairment of receivables and balances from financing activities'. Receivables and balances from financing activities are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted. Recoveries from previously written off receivables and balances from financing activities are written back to the statement of income.

### **Property and equipment**

Property and equipment are stated at cost net of accumulated depreciation. Freehold land is not depreciated. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as per QCB instructions, as follows:

Buildings	5%
Leasehold improvements	20%
Computer software and hardware	33.33%
Furniture, fixtures and office equipment	15%
Motor vehicles	20%

Repairs and maintenance expense is charged to the statement of income when incurred.

Renewals and improvement expenses concerning the Bank's rented building are amortized during the estimated life, or to the end of leasing contract, whichever is earlier.

### **Cost of software upgrading**

The cost of updating computer software is recognised under expenses when incurred. The expenses incurred in upgrading the software and extending its useful life is capitalised and added to the original cost of the software. Maintenance costs of existing software are recognised under expenses when incurred.

### **Impairment of the Bank assets**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of 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 statement of income.

## **QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Employees' end of service benefits and pension fund**

- The Bank provides for end of service benefits in accordance with the regulations of the Bank and Labour Law of Qatar. The provision is calculated based on the period of service for each staff at the year end. This provision is included in other liabilities.
- The Bank also provides for its contribution to the pension fund in accordance with the Retirement and Pension Law No. 24 of 2002, which is included under general and administrative expenses.

### **Other provisions**

The Bank recognises provisions in the statement of income for any expected liabilities or claims based on its best estimates and the probability of realisation at the reporting date (Note 13).

### **Off balance sheet items**

Funds managed by the Bank on behalf of clients are included in contracts and other commitments:

Restricted investment funds, invested by the Bank on behalf of clients under Wakala or Mudaraba contracts, are in accordance with the terms and investment products determined by the clients. Results of such investments are not included in the statement of income, but paid directly to the clients when accrued after deducting the Bank's commission or share of profit, as Mudarib or agent, which is recognised in the statement of income (Note 25 (b)).

### **Distribution of profit between holders of unrestricted investment accounts and the shareholders**

The Bank complies with the directives of QCB as follows:

- Net gains on all items of income and expenses at the year end are the net profit distributable between the shareholders and the holders of unrestricted investment accounts.
- The share of the holders of unrestricted investment accounts is calculated out of the net profit on the basis of daily closing balances of their balances after deducting the Bank's Mudaraba percentage agreed upon and declared.
- In case any expense or loss incurred is proved to be resulting from negligence by the Bank due to violation of the directives of QCB or proper banking conventions, the holders of unrestricted investment accounts shall not be charged with these losses, subject to the discretion of QCB.
- In case that the result of the Bank at the year end is a net loss, then QCB, being the authority responsible for determining the Bank's accountability for the loss, shall decide how the loss shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of unrestricted investment funds with the Bank funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

### **Cash and cash equivalents**

Cash and cash equivalents for the purpose of statement of cash flows represent cash and bank balances maturing within three months and comprise cash, balances with central banks excluding cash reserve and balances with banks and financial institutions (Note 26).

## **QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Investments in associates**

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not control or have joint control over those policies. The Bank's investments in associates are accounted for under equity method of accounting.

The Bank's share of its associate's post-acquisition profit or loss is recognized in the statement of income; and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

### **Financial guarantee**

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

### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined its Board of Directors as its chief operating decision maker. Income and expenses directly associated with each segment are included in determining operating segment performance.

### **Significant accounting judgments and estimates**

In the process of applying Bank's accounting policies, management has used its judgments and estimates in determining the amounts recognized in the financial statements. The most significant judgments and estimates used are as follows:

#### *Fair values of financial instruments*

The fair value of financial assets traded in an organized financial market is determined by reference to quoted market bid prices at the close of business at the reporting date. Where the fair value of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows from the asset, or internal pricing 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.

# **QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *Impairment losses on financing activities*

The Bank reviews its non-performing financing activities at each reporting date to assess whether an allowance for impairment should be recorded in the statement of income. In determining the level of allowance required, management considers the past due instalments on the financing activities and the estimated amount and timing of future cash flows. Such estimates are necessarily based on the assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to the allowance.

#### *Impairment of equity investments*

The Bank treats available for sale equity investments as impaired when there is objective evidence that the estimated future cash flows of the investment will be impacted leading to a permanent decline in the fair value of the investment. In deciding on permanent impairments and in light of the recent and unprecedented levels of volatility in the financial markets, the Bank evaluates many factors. These include an analysis of normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities, along with a comprehensive analysis of the strength of the underlying fundamentals of the investments and the macro economic environments in which they operate.

### **3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT**

#### **3.1 Financial Instruments**

##### **(a) Definition and classification**

The Bank's financial instruments represent the financial assets and liabilities. Financial assets comprise cash and balances with Qatar Central Bank, balances and investments with banks and other financial institutions, financial investments, receivables and balances from financing activities. Financial liabilities comprise current accounts from banks and financial institutions, customer's current accounts and other liabilities. Financial instruments also include balances due to holders of unrestricted investment accounts and commitments under "off-balance sheet items".

Note 2 to the financial statements explain the accounting policies used to recognise and measure the major financial instruments and related income and expenses.

##### **(b) Fair value of financial instruments**

Based on the methods used to determine fair value of financial instruments as detailed in the notes to the financial statements, the carrying values of financial assets and liabilities, are not materially different from their fair values.

**3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)**

**3.2 Risk management**

**3.2.1 Introduction**

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit, liquidity, market, including trading and non-trading, and operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

***Risk Management Structure***

The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

***Board of Directors***

The Board of Directors is responsible for the risk management methodology and approving the strategic plans and risk management principles.

***Risk Management Function***

The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Bank. Each business group has a decentralised department which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This function also ensures the complete capture of the risks in risk measurement and reporting systems.

***Bank Management***

Bank Management is responsible for managing the Bank's assets and liabilities and the overall financial structure and is also responsible for the Bank's credit and liquidity risk.

***Internal audit***

Risk management processes throughout the Bank are audited annually by the Internal Audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.



**3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)**

***Risk measurement and reporting systems***

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. The models make use of probabilities derived from historical experience, adjusted to reflect the current economic environment. The Bank also runs analysis based on worst case scenarios that would arise in the event that extreme events which are unlikely to occur do in fact occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business departments is examined and processed in order to analyse, control and identify risks early. This information is presented and explained to the Board of Directors, and the head of each business division.

The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

***Excessive risk concentration***

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

**3.2.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

The main types of collateral obtained are as follows:

- For securities lending, cash or securities.
- For commercial and corporate lending, mortgages over real estate properties, inventory, cash and securities.
- For retail lending, mortgages over residential properties and securities.

Management monitors the market value of collateral.

The Bank also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

Details of the composition of the receivables and balances from financing activities to customers are set out in Note 6.

The geographical distribution of assets, liabilities and commitments on behalf of customers are set out in Note 27.

#### (a) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

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

	<i>Gross maximum exposure</i>	
	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>
Due from banks and other financial institutions	5,148,012	3,900,502
Receivables and balances from financing activities	9,177,747	9,070,011
Financial investments	1,694,264	657,877
<b>Total</b>	<b>16,020,023</b>	<b>13,628,390</b>
Contingent liabilities	1,001,277	963,982
Commitments	395,415	233,626
<b>Total</b>	<b>1,396,692</b>	<b>1,197,608</b>
<b>Total credit risk exposure</b>	<b>17,416,715</b>	<b>14,825,998</b>

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

#### 3.2 Risk management (continued)

##### 3.2.2 Credit risk (continued)

##### (b) Credit quality per category of financial assets

The table below shows the credit quality by category of financial assets, based on the Bank's credit rating system:

	<i>Neither past due nor impaired</i>	<i>Watch list or impaired grade</i>	<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<b><u>At December 31, 2010</u></b>			
Due from banks and other financial institutions	<b>5,148,012</b>	--	<b>5,148,012</b>
Receivables and balances from financing activities:-			
Retail	<b>2,998,989</b>	<b>125,745</b>	<b>3,124,734</b>
Corporate	<b>5,819,553</b>	<b>233,460</b>	<b>6,053,031</b>
	<b>13,966,554</b>	<b>359,205</b>	<b>14,325,759</b>
Financial investments	<b>1,604,133</b>	<b>90,131</b>	<b>1,694,264</b>
<b><u>At December 31, 2010</u></b>	<b><u>16,723,008</u></b>	<b><u>449,336</u></b>	<b><u>17,172,344</u></b>
	<i>Neither past due nor impaired</i>	<i>Watch list or impaired grade</i>	<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<b><u>At December 31, 2009</u></b>			
Due from banks and other financial institutions	3,900,502	--	3,900,502
Receivables and balances from financing activities			
Retail	2,318,973	105,364	2,424,337
Corporate	6,561,351	84,323	6,645,674
	12,780,826	189,687	12,970,513
Financial investments	636,295	21,582	657,877
<b><u>At December 31, 2009</u></b>	<b><u>13,417,121</u></b>	<b><u>211,269</u></b>	<b><u>13,628,390</u></b>

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This focuses management on the applicable risks and facilitates the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

**QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)****NOTES TO THE FINANCIAL STATEMENTS**For the year ended December 31, 2010

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**3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)****3.2 Risk management (continued)****3.2.2 Credit risk (continued)****(c) Age analysis of past due but not impaired receivables and balances from financing activities**

Past due receivables and balances from financing activities to customers less than 90 days are not considered to be impaired. An analysis of past due an installment, by age, is provided below:

	<i>Less than 60 days 2010</i>	<i>61 to 90 days 2010</i>	<i>Total 2010</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Receivables and balances from financing activities:-			
Retail	2,383	--	2,383
Corporate	6,451	--	6,451
Commercial Financing	20,519	13,450	33,969
	<u>29,353</u>	<u>13,450</u>	<u>42,803</u>
	<i>Less than 60 days 2009</i>	<i>61 to 90 days 2009</i>	<i>Total 2009</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Receivables and balances from financing activities to customers:			
Retail	3,053	47	3,100
Corporate	3,241	4,097	7,338
Commercial Financing	6,231	694	6,925
	<u>12,525</u>	<u>4,838</u>	<u>17,363</u>

As of December 31, 2010 the Bank did not obtain any additional collaterals against the past due but not impaired receivables and balances from financing activities to customers.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

#### 3.2 Risk management (continued)

##### 3.2.3 Concentration analysis

The distribution of assets, liabilities and contingent liabilities by geographic region and industry sector is as follows:

	2010	2009		2008		
		Liabilities and shareholders' equity	Contingent liabilities		Liabilities and shareholders' equity	Contingent liabilities
	Assets			Assets		
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
By geographic region:						
Qatar	16,972,736	17,687,831	1,001,277	14,341,732	15,352,538	897,192
GCC countries	838,939	387,752	--	928,332	162,409	11,040
Others	367,266	103,358	--	277,847	5,964	55,750
Total	18,178,941	18,178,941	1,001,277	15,520,911	15,520,911	963,982
By industry sector:						
Government	2,748,904	1,398,225	--	1,667,369	963,011	--
Industry/Manufacturing	154,519	--	372	93,308	--	146,139
Commercial	527,812	--	12,465	2,171,964	--	646,165
Real estate	4,976,766	--	189,451	3,203,259	--	--
Banks	6,007,899	875,688	--	4,501,097	1,948,141	--
Consumption	3,247,662	13,105,626	5,174	3,303,467	9,491,109	--
Other	515,379	2,799,941	793,815	580,447	3,118,650	171,678
Total	18,178,941	18,178,941	1,001,277	15,520,911	15,520,911	963,982

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

#### 3.2 Risk management (continued)

##### 3.2.4 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates might affect the value of financial instruments or the future profitability of the Bank. The Board of Directors and Policies and Development Committee measure and manage profit rate risk by establishing the level of risk and setting limits on the profit rate gaps for stipulated periods.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Bank's statement of income.

The sensitivity of the statement of income is the effect of the assumed changes in profit rates on the net income for one year, based on the floating rate of financial assets and liabilities held at December 31, 2010.

	<i>Changes in basis points</i>	<i>Sensitivity of profit income</i>	
		<i>2010</i> <i>QR '000</i>	<i>2009</i> <i>QR '000</i>
Change in net income	+/- 25	<u>278</u>	<u>3,955</u>

##### 3.2.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank takes an exposure to the effect of fluctuation in prevailing foreign currency exchange rates on its financial position. The Board of Directors have set maximum limits on the level of currency exposure, which are monitored daily.

The table below indicates the effect of a reasonably possible movement of the currency rate against the Qatar Riyal on the income statement, with all other variables held constant:

<b>Currency</b>	<b>Change in currency rate 2010</b>	<b>Effect on statement of income 2010</b>	<b>Effect on statement of income 2009</b>
	<b>%</b>	<b>QR'000</b>	<b>QR'000</b>
Euro	+/- 10%	2,087	11,966
Sterling Pounds	+/- 10%	107	5,836
Others	+/- 10%	36,636	31,991

The Bank manages its currency exposures within limits laid down by the Board of Directors. Limits are laid down for each currency individually and in total at the beginning of each year. The Qatar Riyal is pegged to the US Dollar. Although the Bank is not exposed to any currency risk due to the peg, limits are set for US Dollar exposures. All other currency exposures are limited and the Bank is not significantly exposed to the other currencies exposures.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

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### 3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

#### 3.2 Risk management (continued)

##### 3.2.6 Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. The Board has set limits on the amount and type of investments that may be accepted. This is monitored on an ongoing basis by the Bank's Investment Committee.

The effect on equity, (as a result of a change in the fair value of equity instruments held as available-for-sale investments as of December 31, 2010), due to change in equity indices, with all other variables held constant, is as follows:

	<i>Change in equity price %</i>	<i>Effect on equity 2010 QR '000</i>	<i>Effect on equity 2009 QR '000</i>
<b><i>Market indices</i></b>			
Qatar Exchange Market index	+/-10%	<b>4,906</b>	2,500
New York Stock Exchange	+/-10%	<b>393</b>	493
London Stock Market index	+/-10%	<b>5,054</b>	2,158

##### 3.2.7 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities and Metal and Commodities.

In addition, the Bank maintains a mandatory deposit with Qatar Central Bank.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

#### 3.2 Risk management (continued)

##### 3.2.7 Liquidity risk (continued)

The maturity profile of the assets and liabilities at December 31, 2010 is as follows:

<b>At December 31, 2010</b>	<b><i>Up to 1 month</i></b>	<b><i>1-3 months</i></b>	<b><i>3-12 months</i></b>	<b><i>1-5 years</i></b>	<b><i>Over 5 years</i></b>	<b><i>Total</i></b>
	<b><i>QR '000</i></b>	<b><i>QR '000</i></b>	<b><i>QR '000</i></b>	<b><i>QR '000</i></b>	<b><i>QR '000</i></b>	<b><i>QR '000</i></b>
<b>ASSETS</b>						
Cash and balances with Qatar Central Bank	954,630	--	--	--	--	954,630
Due from banks and other financial institutions	4,548,012	600,000	--	--	--	5,148,012
Receivables and balances from financing activities to customers	264,960	718,983	2,740,853	4,281,103	1,171,848	9,177,747
Financial investments	202,877	--	--	185,115	1,306,272	1,694,264
Investment in associates	--	--	--	--	227,864	227,864
Investment properties for trading	--	--	--	--	74,764	74,764
Investment properties for leasing	--	--	--	343,044	--	343,044
Property and equipment	--	--	--	26,565	189,582	216,147
Other assets	18,497	12,007	310,230	1,735	--	342,469
<b>Total assets</b>	<b>5,988,976</b>	<b>1,330,990</b>	<b>3,051,083</b>	<b>4,837,562</b>	<b>2,970,330</b>	<b>18,178,941</b>
<b>LIABILITIES</b>						
Current accounts from banks and financial institutions	100,110	--	--	--	--	100,110
Customers' current accounts	2,836,131	--	--	--	--	2,836,131
Other liabilities	25,378	48,399	77,316	76,558	--	227,651
Unrestricted investment accounts	3,968,783	887,388	3,487,467	2,854,113	--	11,197,751
Shareholders equity	--	52,103	520,506	--	3,244,689	3,817,298
<b>Total liabilities and shareholders' equity</b>	<b>6,930,402</b>	<b>987,890</b>	<b>4,085,289</b>	<b>2,930,671</b>	<b>3,244,689</b>	<b>18,178,941</b>
<b>Net liquidity gap</b>	<b>(941,426)</b>	<b>343,100</b>	<b>(1,034,206)</b>	<b>1,906,891</b>	<b>(274,359)</b>	<b>--</b>



# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

#### 3.2 Risk management (continued)

##### 3.2.7 Liquidity risk (continued)

At December 31, 2009	<i>Up to 1 month</i> <i>QR '000</i>	<i>1-3 months</i> <i>QR '000</i>	<i>3-12 months</i> <i>QR '000</i>	<i>1-5 years</i> <i>QR '000</i>	<i>Over 5 years</i> <i>QR '000</i>	<i>Total</i> <i>QR '000</i>
<b>ASSETS</b>						
Cash and balances with Qatar Central Bank	642,377	--	--	--	--	642,377
Due from banks and other financial institutions	3,727,546	172,956	--	--	--	3,900,52
Receivables and balances from financing activities to customers	233,654	1,262,505	3,317,054	4,256,798	--	9,070,011
Financial investments	249,907	161,909	36,415	144,497	65,149	657,877
Investment in associates	--	--	--	--	343,379	343,379
Investment properties for trading	--	--	--	304,223	--	304,223
Investment properties for leasing	--	--	--	--	49,091	49,091
Property and equipment	--	--	--	29,144	190,802	219,946
Other assets	12,742	41,167	277,848	1,748	--	333,505
<b>Total assets</b>	<b>4,866,226</b>	<b>1,638,537</b>	<b>3,631,317</b>	<b>4,736,410</b>	<b>648,421</b>	<b>15,520,911</b>
<b>LIABILITIES</b>						
Current accounts from banks and financial institutions	22,090	--	--	--	--	22,090
Customers' current accounts	2,451,729	--	--	--	--	2,451,729
Other liabilities	17,746	97,284	--	12,701	18,449	146,180
Unrestricted investment accounts	4,003,665	834,642	2,709,577	1,553,679	--	9,101,563
Shareholders equity	--	54,772	559,923	--	3,184,654	3,799,349
<b>Total liabilities and shareholders' equity</b>	<b>6,495,230</b>	<b>986,698</b>	<b>3,269,500</b>	<b>1,566,380</b>	<b>3,203,103</b>	<b>15,520,911</b>
<b>Net liquidity gap</b>	<b>(1,629,004)</b>	<b>651,839</b>	<b>361,817</b>	<b>3,170,030</b>	<b>(2,554,682)</b>	<b>--</b>

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

#### 3.2 Risk management (continued)

##### 3.2.7 Liquidity risk (continued)

*Analysis of financial and contingent liabilities by remaining contractual maturities*

The table below summarizes the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations:

<u>At December 31, 2010</u>	<u>Up to 1 month</u> <u>QR '000</u>	<u>1-3 months</u> <u>QR '000</u>	<u>3-12 months</u> <u>QR '000</u>	<u>1-5 years</u> <u>QR '000</u>	<u>Over 5 years</u> <u>QR '000</u>	<u>Total</u> <u>QR '000</u>
<b>Financial liabilities</b>						
Current accounts from banks and financial institutions	100,110	--	--	--	--	100,110
Customers' current accounts	2,836,131	--	--	--	--	2,836,131
Unrestricted investment accounts	4,349,449	887,388	3,487,467	2,473,447	--	11,197,751
<b>Total</b>	<b>7,285,690</b>	<b>887,388</b>	<b>3,487,467</b>	<b>2,473,447</b>	<b>--</b>	<b>14,133,992</b>
<b>Contingent liabilities and commitments</b>						
Unused credit facilities	395,415	--	--	--	--	395,415
Acceptances	6,771	12,892	--	--	--	19,663
Letter of guarantees	43,335	71,407	399,499	166,813	--	681,054
Documentary credit	49,401	112,835	114,255	14,437	--	290,928
Collection notes	--	9,632	--	--	--	9,632
<b>Total</b>	<b>494,922</b>	<b>206,766</b>	<b>513,754</b>	<b>181,250</b>	<b>--</b>	<b>1,396,692</b>

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

#### 3.2 Risk management (continued)

##### 3.2.7 Liquidity risk (continued)

*Analysis of financial and contingent liabilities by remaining contractual maturities (continued)*

<u>At December 31, 2009</u>	<u>Up to 1 month QR '000</u>	<u>1-3 months QR '000</u>	<u>3-12 months QR '000</u>	<u>1-5 years QR '000</u>	<u>Over 5 years QR '000</u>	<u>Total QR '000</u>
<b>Financial liabilities</b>						
Current accounts from banks and financial institutions	22,090	--	--	--	--	22,090
Customers' current accounts	2,451,729	--	--	--	--	2,451,729
Unrestricted investment accounts	4,003,665	834,642	2,709,577	1,553,679	--	9,101,563
<b>Total</b>	<u>6,477,484</u>	<u>834,642</u>	<u>2,709,577</u>	<u>1,553,679</u>	<u>--</u>	<u>11,575,382</u>
<b>Contingent liabilities and commitments</b>						
Unused credit facilities	--	--	233,626	--	--	233,626
Acceptances	3,424	4,375	--	--	--	7,799
Letter of guarantees	--	--	--	603,604	--	603,604
Documentary credit	13,551	17,077	10,056	299,616	--	340,300
Collection notes	--	--	12,280	--	--	12,280
<b>Total</b>	<u>16,975</u>	<u>21,452</u>	<u>255,962</u>	<u>903,220</u>	<u>--</u>	<u>1,197,609</u>

# **QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

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### **3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)**

#### **3.2 Risk management (continued)**

##### **3.2.7 Liquidity risk (continued)**

The above contractual maturities of assets and liabilities have been determined by the management on the basis of the remaining period at the reporting date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

##### **3.2.8 Market risk**

Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and equity prices. The Bank manages its market risks within the framework of limits defined by the Qatar Central Bank. Setting the internal framework for the management of market risks and ensuring compliance with this framework is the responsibility of the Policies and Development Committee in the Bank.

Assets and liabilities profit rate gaps are reviewed on a regular basis to ensure the gaps are within the limits established by the Board. The Bank manages its exposure to currency exchange rate fluctuations within the levels defined by the Board of Directors, which sets limits on currency position exposures. Positions are monitored on an ongoing basis. VAR limits are set to define the bank's risk appetite and the VAR risk metrics is calculated on an ongoing basis to ensure compliance with these limits.

##### **3.2.9 Operating and other risks**

Operating risks are the direct or indirect risks arising from failure of information technology systems, databases, individuals or any other risks having impact on operating risks. The Bank mitigates these risks through professional IT personnel that attend to all system needs, independent departments for internal control and risk management by ensuring the availability of measurement, control and reporting systems on all elements of the operating risks.

The Bank is exposed to a number of other risks including organisation, regulatory and goodwill risks. The organisation risks are managed through policies and procedures. Regulatory risks are managed by employment of proficient in-house and external legal consultants. Goodwill risks are managed by continuous review of the matters that affect the standing of the Bank and issue of instructions and policies, when necessary.

##### **3.2.10 Capital Management**

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders or issue capital. No changes were made in the objectives, policies and processes from the previous year.

The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by Qatar Central Bank.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 3. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

#### 3.2 Risk management (continued)

##### 3.2.11 Capital adequacy

	<u>2010</u>	<u>2009</u>
	<u>QR'000</u>	<u>QR'000</u>
Tier 1 capital	<b>3,002,300</b>	2,491,390
Tier 2 capital	<b>107,478</b>	10,460
Total capital	<b>3,109,778</b>	2,501,850
Total risk weighted assets	<b>12,961,891</b>	12,613,803
Tier 1 capital ratio	<b>23.16%</b>	19.75%
Total capital ratio	<b>23.99%</b>	19.83%

The bank applies the requirements of Basel II for banking supervision regarding calculation of the capital adequacy.

Tier 1 capital includes issued capital, legal reserve, other reserves and retained earnings including profit of the year.

Tier 2 capital includes risk reserve and the fair value reserves (45% if positive and 100% if negative).

The minimum accepted capital adequacy ratio is 10% under Qatar Central Bank requirements and 8% under Basel Committee.

### 4. CASH AND BALANCES WITH QATAR CENTRAL BANK

	<u>2010</u>	<u>2009</u>
	<u>QR'000</u>	<u>QR'000</u>
Cash	<b>129,252</b>	114,611
Cash reserve with Qatar Central Bank	<b>621,969</b>	451,065
Current account with Qatar Central Bank	<b>203,409</b>	76,701
	<b>954,630</b>	642,377

The cash reserve with Qatar Central Bank represents mandatory reserve not used in the daily operations of the Bank.

### 5. BALANCES AND INVESTMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>2010</u>	<u>2009</u>
	<u>QR'000</u>	<u>QR'000</u>
Current accounts	<b>96,536</b>	63,768
Balances & Investments with Islamic banks	<b>4,831,079</b>	3,725,714
Metals and commodities Murabaha balances	<b>220,397</b>	111,020
	<b>5,148,012</b>	3,900,502

Metals and commodities Murabaha balances represent Murabaha transactions agreed upon with various banks and secured by the commitment of those banks to pay the sum upon maturity along with the associated profits.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 6. RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
<b>(a) By Type</b>		
<u>Receivable and balances from international financing activities</u>		
International Murabaha	<u>36,415</u>	<u>109,245</u>
 <u>Receivables and balances from local financing activities</u>		
Murabaha and Musawama	7,950,178	7,808,449
Istesna	507,450	535,693
Mudaraba financing	854	6,864
Ijarah financing	3,003,001	2,569,609
Transactions in progress	33,588	92,906
Non-profit financing activities	<u>118</u>	<u>426</u>
 Total receivables and balances from local financing activities	<u>11,495,189</u>	<u>11,013,947</u>
Total receivables and financing activities balances	<u>11,531,604</u>	<u>11,123,192</u>
 Deferred income	(1,091,699)	(930,230)
Specific provision	(97,897)	(81,974)
Profit in suspense	(11,940)	(10,942)
Advance Payment	<u>(1,152,321)</u>	<u>(1,030,035)</u>
	<u>(2,353,857)</u>	<u>(2,053,181)</u>
 Net receivables and balances from financing activities	<u>9,177,747</u>	<u>9,070,011</u>

**QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

**6. RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES (Continued)**

(b) The composition of gross receivables from financing activities is as follows:

**- By Sector**

	<i>Murabaha and Musawama</i>	<i>Istesna</i>	<i>Mudaraba</i>	<i>Ijarah</i>	<i>Others</i>	<i>Total 2010</i>	
<u>At 31 December 2010</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>%</u>
Government	1,456,864	--	--	--	--	1,456,864	12.6%
Industry	147,233	--	--	--	7,286	154,519	1.3%
Trade	526,508	--	--	--	1,304	527,812	4.6%
Contracting	10,449	--	--	--	--	10,449	0.1%
Housing	2,592,483	507,450	--	3,003,001	15,704	6,118,638	53.1%
Consumer	3,247,662	--	--	--	--	3,247,662	28.2%
Other	5,394	--	854	--	9,412	52,060	0.1%
	<u>7,986,593</u>	<u>507,450</u>	<u>854</u>	<u>3,003,001</u>	<u>33,706</u>	<u>11,531,604</u>	<u>100%</u>

Receivable and balances from financing activities represent the gross figure before deducting any provisions for impairment, profit in suspense and deferred income.

**- By geographic region**

	<i>Murabaha and Musawama</i>	<i>Istesna</i>	<i>Mudaraba</i>	<i>Ijarah</i>	<i>Others</i>	<i>Total 2010</i>	
<u>At 31 December 2010</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>%</u>
Qatar	7,950,178	507,450	854	3,003,001	33,706	11,495,189	99.7%
Other GCC countries	--	--	--	--	--	--	0.0%
Other countries	36,415	--	--	--	--	36,415	0.3%
	<u>7,986,593</u>	<u>507,450</u>	<u>854</u>	<u>3,003,001</u>	<u>33,706</u>	<u>11,531,604</u>	<u>100%</u>

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 6. RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES (Continued)

#### (b) The composition of receivables from financing activities is as follows (continued):

- By Sector

	<i>Murabaha and Musawama</i>	<i>Istesna</i>	<i>Mudaraba</i>	<i>Ijarah</i>	<i>Others</i>	<i>Total 2009</i>	
<u>At 31 December 2009</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>%</u>
By Sector							
Government	1,456,827	--	--	--	--	1,456,827	13.10
Industry	76,186	14,218	--	--	2,904	93,308	0.84
Trade	1,909,225	262,518	--	--	221	2,171,964	19.53
Contracting	47,691	--	--	--	--	47,691	0.43
Housing	1,268,404	--	--	1,944,021	--	3,212,425	28.88
Consumer	2,241,662	5,640	--	--	26,147	2,273,449	20.44
Other	917,699	253,317	6,864	625,588	64,060	1,867,528	16.79
	<u>7,917,694</u>	<u>535,693</u>	<u>6,864</u>	<u>2,569,609</u>	<u>93,332</u>	<u>11,123,192</u>	<u>100</u>

	<i>Murabaha and Musawama</i>	<i>Istesna</i>	<i>Mudaraba</i>	<i>Ijarah</i>	<i>Others</i>	<i>Total 2009</i>	
<u>At 31 December 2009</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>%</u>
- By geographic region							
Qatar	7,808,449	535,693	6,864	2,569,609	93,332	11,013,947	98.69
Other GCC countries	72,830	--	--	--	--	72,830	0.98
Other countries	36,415	--	--	--	--	36,415	0.33
	<u>7,917,694</u>	<u>535,693</u>	<u>6,864</u>	<u>2,569,609</u>	<u>93,332</u>	<u>11,123,192</u>	<u>100</u>



# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 6. RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES (Continued)

#### c) The movements in provisions and profit in suspense are as follows: (continued)

	<i>2010</i>			<i>2009</i>		
	<i>Specific</i>	<i>Profit in</i>	<i>Total</i>	<i>Specific</i>	<i>Profit in</i>	<i>Total</i>
	<i>QR'000</i>	<i>suspense</i>	<i>QR'000</i>	<i>QR'000</i>	<i>suspense</i>	<i>QR'000</i>
		<i>QR'000</i>			<i>QR'000</i>	
Balance at 1 January	81,974	10,942	92,916	67,737	8,293	76,030
Net additional provision during the year	16,064	998	17,062	16,500	2,649	19,149
New provision during the year	16,064	4,598	20,662	16,500	3,934	20,434
Provisions recovered during the year	--	(3,600)	(3,600)	--	(1,285)	(1,285)
Provision write off during the year	(141)	--	(141)	(2,263)	--	(2,263)
<b>Provision balance at the year end</b>	<b>97,897</b>	<b>11,940</b>	<b>109,837</b>	<b>81,974</b>	<b>10,942</b>	<b>92,916</b>

Non performing receivables at the end of 2010 amounted to QR. 359.2 million representing 3.1% of the total receivables and balances from financing activities (2009: 158.8 million representing 1.6% of the total receivables and balances from financing activities).

The total fair value of collaterals held by the bank relating to receivables from financing activities which is considered as individually impaired as on December 31, 2010 amounted to QR. 363,568 thousand (2009: QR. 63,107 thousand).

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 7. FINANCIAL INVESTMENTS

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Available for sale investments (a)	238,746	260,997
Held to maturity investments (b)	<u>1,455,518</u>	<u>396,880</u>
	<u><b>1,694,264</b></u>	<u><b>657,877</b></u>

#### a) Available for sale investments:

	<u>2010</u>			<u>2009</u>		
	<u>Quoted</u> <u>QR'000</u>	<u>Unquoted</u> <u>QR'000</u>	<u>Total</u> <u>QR'000</u>	<u>Quoted</u> <u>QR'000</u>	<u>Unquoted</u> <u>QR'000</u>	<u>Total</u> <u>QR'000</u>
Equity securities	67,661	120,437	188,098	51,512	192,785	244,297
Other Sukuks	35,869	--	35,869	--	--	--
Mutual fund units	--	17,058	17,058	--	18,979	18,979
	<u>103,530</u>	<u>137,495</u>	<u>241,025</u>	<u>51,512</u>	<u>211,764</u>	<u>263,276</u>
Provisions for losses	--	(2,279)	(2,279)	--	(2,279)	(2,279)
	<u><b>103,530</b></u>	<u><b>135,216</b></u>	<u><b>238,746</b></u>	<u><b>51,512</b></u>	<u><b>209,485</b></u>	<u><b>260,997</b></u>

Available for sale equity securities include quoted shares in one local company with a fair market value of QR 21,139 thousands (2009: QR 24,429 thousands) restricted shares, since the bank is a founder member.

#### b) Held to maturity investments:

	<u>2010</u>			<u>2009</u>		
	<u>Quoted</u> <u>QR'000</u>	<u>Unquoted</u> <u>QR'000</u>	<u>Total</u> <u>QR'000</u>	<u>Quoted</u> <u>QR'000</u>	<u>Unquoted</u> <u>QR'000</u>	<u>Total</u> <u>QR'000</u>
By Issuer :						
State of Qatar Sukuks	--	1,250,000	1,250,000	--	150,821	150,821
Other Sukuks	--	205,518	205,518	--	246,059	246,059
	<u><b>--</b></u>	<u><b>1,455,518</b></u>	<u><b>1,455,518</b></u>	<u><b>--</b></u>	<u><b>396,880</b></u>	<u><b>396,880</b></u>
By Profit Rate						
Fixed rate securities	--	1,353,727	1,353,727	--	93,879	93,879
Variable rate securities	--	101,791	101,791	--	303,001	303,001
	<u><b>--</b></u>	<u><b>1,455,518</b></u>	<u><b>1,455,518</b></u>	<u><b>--</b></u>	<u><b>396,880</b></u>	<u><b>396,880</b></u>

### 8. INVESTMENTS IN ASSOCIATES

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Balance at 1 January	343,379	265,814
Investments during the year	9,800	71,750
Disposals during the year	(145,250)	--
Profit from associate companies	24,538	10,793
Foreign currency translation adjustments	(78)	(1,790)
Profit distributions	(4,525)	(3,188)
	<u><b>227,864</b></u>	<u><b>343,379</b></u>

**QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

**8. INVESTMENTS IN ASSOCIATES (Continued)**

The Bank has the following investments in associates:

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Ownership percentage</i>	<i>2010 QR'000</i>	<i>2009 QR'000</i>
Syria International Islamic Bank	<b>Banking</b>	<b>Syria</b>	<b>20%</b>	<b>95,148</b>	82,893
Al Tashelat Islamic Company W.L.L.	<b>Financing</b>	<b>Qatar</b>	<b>49%</b>	<b>51,297</b>	35,280
Al Moqawil Company W.L.L.	<b>Contracting</b>	<b>Qatar</b>	<b>49%</b>	<b>1,470</b>	1,470
Syria Islamic Insurance Company	<b>Insurance</b>	<b>Syria</b>	<b>20%</b>	<b>16,684</b>	16,696
Mackeen Investment and Real Estate Development Q.C.S.C. (*)	<b>Real Estate</b>	<b>Qatar</b>	<b>49%</b>	<b>63,265</b>	196,540
First Educational Group (**)	<b>Education</b>	<b>Qatar</b>	<b>10%</b>	<b>--</b>	10,500
				<b><u>227,864</u></b>	<b><u>343,379</u></b>

(\*) During the year, the bank return back the amounts were paid during the previous period against the company share capital increase amounted QAR 134,750 K.

(\*\*) During the year, First Educational Group has liquidated and the bank received the original investment amount.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 8. INVESTMENTS IN ASSOCIATES (Continued)

	2010						
	Balance at January 1	Investments during the year	Disposals during the year	Profit from associate Company	Profit distributions	Foreign currency translation	Balance at December 31
Syria International Islamic Bank	82,893	--	--	12,321	--	(66)	95,148
Al Tasheelat Islamic Company W.L.L.	35,280	9,800	--	6,217	--	--	51,297
Al Maqawil Company W.L.L.	1,470	--	--	--	--	--	1,470
Syria Islamic Insurance Company	16,696	--	--	--	--	(12)	16,684
Mackeen Investment and Real Estate Development P.Q.S.C.	196,540	--	(134,750)	6,000	(4,525)	--	63,265
First Educational Group	10,500	--	(10,500)	--	--	--	--
	343,379	9,800	(145,250)	24,538	(4,525)	(78)	227,864

	2009						
Syria International Islamic Bank	80,915	--	--	4,610	--	(2,632)	82,893
Al Tasheelat Islamic Company W.L.L.	35,280	--	--	--	--	--	35,280
Al Maqawil Company W.L.L.	1,470	--	--	--	--	--	1,470
Syria Islamic Insurance Company	15,854	--	--	--	--	842	16,696
Mackeen Investment and Real Estate Development Q.C.S.C.	132,295	61,250	--	6,183	(3,188)	--	196,540
First Educational Group	--	10,500	--	--	--	--	10,500
	265,814	71,750	--	10,793	(3,188)	(1,790)	343,379

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 9. INVESTMENT PROPERTIES HELD FOR LEASING

	<i>Land</i>	<i>Buildings</i>	<i>Properties under construction</i>	<i>Total 2010</i>	<i>Total 2009</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<b>Cost:</b>					
Balance as at January 1	5,613	8,825	38,138	52,576	14,438
Additions during the year	11,785	9,935	6,842	28,562	38,138
Disposals during the year	(841)	(2,367)	--	(3,208)	--
Balance as at December 31	16,557	16,393	44,980	77,930	52,576
<b>Accumulated depreciation:</b>					
Balance as at 1 January	--	3,485	--	3,485	3,041
Depreciation for the year	--	687	--	687	444
Disposals during the year	--	(1,006)	--	(1,006)	--
Balance as at December 31	--	3,166	--	3,166	3,485
Net book value as at December 31	16,557	13,227	44,980	74,764	49,091

Fair value of investment properties (land and buildings) for leasing purposes amounted QR. 71 million as at December 31, 2010 (2009: 69 million).

### 10 INVESTMENT PROPERTIES HELD FOR TRADING

	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>
Balance as at January 1	304,223	260,415
Additions during the year	36,342	--
Net change in fair value	2,479	43,808
	343,044	304,223

**QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

**11 PROPERTY AND EQUIPMENT**

	<i>Land</i>	<i>Buildings</i>	<i>Leasehold</i>	<i>Computer</i>	<i>Furniture,</i>		
	<i>QR'000</i>	<i>QR'000</i>	<i>improvements</i>	<i>hardware</i>	<i>fixture</i>	<i>Vehicles</i>	<i>Total</i>
<b>As at December 31, 2010</b>			<i>QR'000</i>	<i>and</i>	<i>and office</i>	<i>QR'000</i>	<i>QR'000</i>
				<i>software</i>	<i>equipment</i>		
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<b>Cost:</b>							
Balance as at January 1	175,635	25,205	32,612	45,706	13,568	1,834	294,560
Additions during the year	20	--	3,864	2,391	1,116	--	7,391
Disposals during the year	--	--	--	(302)	(319)	--	(621)
Balance as at December 31	<u>175,655</u>	<u>25,205</u>	<u>36,476</u>	<u>47,795</u>	<u>14,365</u>	<u>1,834</u>	<u>301,330</u>
<b>Accumulated depreciation:</b>							
Balance as at January 1	--	10,039	15,144	38,647	9,831	953	74,614
Depreciation for the year	--	1,239	4,548	3,934	976	306	11,003
Disposals	--	--	--	(297)	(137)	--	(434)
Balance as at December 31	<u>--</u>	<u>11,278</u>	<u>19,692</u>	<u>42,284</u>	<u>10,670</u>	<u>1,259</u>	<u>85,183</u>
<b>Net book value:</b>							
<b>At December 31, 2010</b>	<u>175,655</u>	<u>13,927</u>	<u>16,784</u>	<u>5,511</u>	<u>3,695</u>	<u>575</u>	<u>216,147</u>

**QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

**11. PROPERTY AND EQUIPMENT (Continued)**

	<i>Land</i>	<i>Buildings</i>	<i>Leasehold</i>	<i>Computer</i>	<i>Furnitures,</i>		
	<i>QR'000</i>	<i>QR'000</i>	<i>improvements</i>	<i>hardwares</i>	<i>fixtures</i>	<i>Vehicles</i>	<i>Total</i>
<u>At December 31, 2009</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>and</u>	<u>and office</u>	<u>QR'000</u>	<u>QR'000</u>
				<i>softwares</i>	<i>equipment</i>		
				<i>QR'000</i>	<i>QR'000</i>		
Cost:							
Balance as at January 1	201,660	25,205	18,684	41,792	11,620	1,472	300,433
Additions during the year	562	--	13,928	4,008	1,948	520	20,966
Disposals during the year	(26,587)	--	--	(94)	--	(158)	(26,839)
Balance as at December 31	<u>175,635</u>	<u>25,205</u>	<u>32,612</u>	<u>45,706</u>	<u>13,568</u>	<u>1,834</u>	<u>294,560</u>
Accumulated depreciation:							
Balance as at January 1	--	8,779	11,884	34,762	9,036	802	65,263
Depreciation for the year	--	1,260	3,260	3,979	795	309	9,603
Disposals	--	--	--	(94)	--	(158)	(252)
Balance as at December 31	<u>--</u>	<u>10,039</u>	<u>15,144</u>	<u>38,647</u>	<u>9,831</u>	<u>953</u>	<u>74,614</u>
Net book values:							
At December 31, 2009	<u>175,635</u>	<u>15,166</u>	<u>17,468</u>	<u>7,059</u>	<u>3,737</u>	<u>881</u>	<u>219,946</u>

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 12. OTHER ASSETS

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Clearing and local ATMs	18,497	12,743
Accrued revenues	196,405	187,730
Properties under construction(*)	101,079	29,850
Prepaid expenses	12,746	30,044
Cheques under collection	129	13,667
Furniture allowance	1,735	1,748
Others	11,878	57,723
	<u>342,469</u>	<u>333,505</u>

(\*) This amount represents the payments towards the construction ongoing for the new bank tower at Aldafna area.

### 13. OTHER LIABILITIES

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Cash insurance	60,632	19,203
Accrued expenses	25,377	29,272
Clearing accounts	77,316	61,980
Accepted cheques and remittances	48,399	6,653
Other provisions (Notes 14)	3,622	3,781
Dividends payable	6,413	6,544
Employees' end of service benefits (Note 14)	16,155	14,668
Contribution to support social and sport activities	13,971	--
Other creditors and others	5,766	4,079
	<u>227,651</u>	<u>146,180</u>

### 14. EMPLOYEES END OF SERVICE BENEFITS AND OTHER PROVISIONS

	<u>2010</u>		
	<i>End of service benefit QR'000</i>	<i>Other provisions QR'000</i>	<i>Total QR'000</i>
<b>Year ended December 31, 2010</b>			
Balance at January 1	14,668	3,781	18,449
Provided during the year	1,885	--	1,885
	<u>16,553</u>	<u>3,781</u>	<u>20,334</u>
Paid/written off during the year	(398)	(159)	(557)
	<u>16,155</u>	<u>3,622</u>	<u>19,777</u>
Balance at December 31			
	<u>16,155</u>	<u>3,622</u>	<u>19,777</u>
	<u>2009</u>		
	<i>End of service benefit QR'000</i>	<i>Other provisions QR'000</i>	<i>Total QR'000</i>
<b>Year ended December 31, 2009</b>			
Balance at January 1	13,581	3,949	17,530
Provided during the year	1,685	--	1,685
	<u>15,266</u>	<u>3,949</u>	<u>19,215</u>
Paid/written off during the year	(598)	(168)	(766)
	<u>14,668</u>	<u>3,781</u>	<u>18,449</u>
Balance at December 31			
	<u>14,668</u>	<u>3,781</u>	<u>18,449</u>



# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 15. UNRESTRICTED INVESTMENT ACCOUNTS

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
<b>(a) By type</b>		
Saving accounts	2,833,180	2,176,137
Time accounts	8,215,600	6,799,263
Share in fair value reserve	68,771	54,772
Unpaid share in profit	80,200	71,391
	<u>11,197,751</u>	<u>9,101,563</u>

Unrestricted investment accounts include QR 208 million as lien against financing activities (2009: QR 205 million).

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
<b>(b) By sector</b>		
Government and Government institutions	539,711	362,781
Individuals	7,488,885	5,486,384
Corporate	2,244,605	1,200,184
Financial institutions	775,579	1,926,051
Share in fair value reserve	68,771	54,772
Unpaid share in profit	80,200	71,391
	<u>11,197,751</u>	<u>9,101,563</u>

### 16. SHAREHOLDERS' EQUITY

#### (a) Paid up share capital

	<u>Number of</u> <u>shares</u> <u>(000)</u>	<u>Number of</u> <u>shares</u> <u>(000)</u>
<b>Issued and fully paid</b>		
At January 1,	138,754	126,140
Additional shares issued	--	12,614
<b>At December 31,</b>	<u>138,754</u>	<u>138,754</u>

Issued and fully paid capital of QR 1,387,546 thousands comprises 138.8 million shares of nominal value of QR 10 each (2009: QR 1,387,540 thousands comprising 138.8 million shares of QR 10 each).

Qatar Investment Authority holds 12,614 thousand ordinary shares which represents 9.1% of the Bank ordinary shares at 31 December 2010.

On January 17, 2011, the Bank received QR. 927,134 thousand representing the final payment of Qatar Investment Authority's contribution in the Bank's share capital (12,614,062 ordinary shares at par value QR. 10 and share premium of QR. 72.5 per share). The formal increase in the Bank's paid up capital will take place in 2011 after the Bank's Annual General Assembly Meeting. These shares are not entitled to profit distribution related to year 2010.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### (b) Legal reserve

Qatar Central Bank's Law No. 33 of 2006 requires 10% of the net profit for the year to be transferred to legal reserve until the reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in the manner specified in the Qatar Commercial Companies' Law No. 5 of 2002 and subject to the approval of Qatar Central Bank. No amount was transferred from profit to legal reserve in 2010 as the balance of the legal reserve exceeded 100% of the paid up capital.

## 16. SHAREHOLDERS' EQUITY (Continued)

### (c) Other Reserves

Other reserves include the undistributed share of associates profit

*Movements over the undistributed share of Associates Profit are as follows:*

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Undistributed share of Associates profit		
Balance at 1 January	20,787	13,182
Less : Dividend received from associates	(4,525)	(3,188)
Add : Share of result of associates for the year	24,538	10,793
Transfer to other reserves	20,013	7,605
Balance at December 31	<u>40,800</u>	<u>20,787</u>

### d) Contributions to Social and Support Activities

Pursuant to Law No. 13 of 2008 and further clarification of the Law issue in 2010, the Bank made an appropriation of QR. 13,971 thousand from retained earnings for its contribution to the social and sport activities. This amount represents 2.5% of the net profit for the year ended 2010 (2009: QR 8,342 thousand).

### e) Fair value reserve

	<u>Total</u> <u>2010</u> <u>QR'000</u>	<u>Total</u> <u>2009</u> <u>QR'000</u>
<b><u>Available-for-sale investments</u></b>		
Balance at January 1	13,942	(50,974)
Revaluation for the year	(15,859)	129,830
Transfer to statement of income on disposal	4,632	--
Net change during the year	(11,227)	129,830
Share of holders of unrestricted investment depositors accounts	5,726	(64,914)
As at December 31 (shareholders' share)	<u>8,441</u>	<u>13,942</u>

### **Investments Properties**

Balance at January 1	40,830	18,933
Revaluation for the year	36,770	43,794
Transfer to statement of income on disposal	(2,479)	--
Net change during the year	34,291	43,794
Share of holders of unrestricted investment depositors accounts	(17,488)	(21,897)
As at December 31 (shareholders' share )	<u>57,633</u>	<u>40,830</u>
Balance at December 31 (shareholders' share)	<u>66,074</u>	<u>54,772</u>

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Fair value reserve represents unearned profits or losses at year end. The profit is not available for distribution unless realised and charged to the statement of income.

### 16. SHAREHOLDERS' EQUITY (Continued)

#### f) Risk reserve

In accordance with Qatar Central Bank regulations, risk reserve has been created to cover contingencies in the private sector financing activities, with a minimum requirement of 1.50% of the total private sector exposure granted by the Bank and its branches after exclusion of specific provisions and profit in suspense. The financing provided to/or secured by the Government or financing against cash guarantees are excluded. In accordance with Qatar Central Bank regulation, the risk reserve should be deducted only from the Shareholders' share of profit, and included in Shareholders' equity in its entirety.

#### g) Proposed dividend

The Board of Directors in its meeting held on January 30, 2011 have proposed to pay a cash dividend of 37.5 % of its paid up capital equivalent to QR. 3.75 per each share (2009: 40%).

### 17. INCOME FROM FINANCING ACTIVITIES

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Murabaha and Musawama	641,663	543,038
Istesna	40,544	55,848
Mudaraba	5,962	37,785
Ijarah Muntahia Bittamleek	166,576	145,357
Musharakat	275	943
	<u>855,020</u>	<u>782,971</u>

### 18. INCOME FROM INVESTING ACTIVITIES

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
<b>(a) Income from investments with banks and financial institutions:</b>		
Income from investment deposits with banks and financial institutions	32,199	26,064
Income from Murabaha in metals and commodities	551	9,359
	<u>32,750</u>	<u>35,423</u>
<b>(b) Investment revenues:</b>		
Available for sale investments	63,167	32,493
Investment properties held for leasing	4,287	4,114
Investment in associates	24,538	10,793
	<u>91,992</u>	<u>47,400</u>
<b>c) Gain on sale of investments:</b>		
Available for sale investments	(1,890)	2,828
Investment properties held for trading	4,786	943
	<u>2,896</u>	<u>3,771</u>
	<u>127,638</u>	<u>86,594</u>

**QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2010

**19. NET COMMISSION AND FEE INCOME**

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
<b>Commission and fees income</b>		
Commission on local financing	56,058	48,943
Commission on L/C's and guarantees	9,770	9,662
Bank charges	33,919	29,518
Bank's share of restricted investment profits	9	8
	<u>99,756</u>	<u>88,131</u>
Commission and fees expenses	<u>(6,208)</u>	<u>(5,509)</u>
	<u>93,548</u>	<u>82,622</u>

**20. GAIN FROM FOREIGN EXCHANGE OPERATIONS**

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Exchange transactions gain	5,973	4,635
Gain on revaluation of monetary assets and liabilities	3,202	1,118
	<u>9,175</u>	<u>5,753</u>

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Salaries, allowances and other benefits	84,885	77,507
Advertising and promotion	8,237	13,536
Rent	9,450	10,037
Telephone, telex and post	6,328	5,248
Fees and subscriptions	3,003	2,666
Computer and ATMs expenses	5,848	4,605
End of service benefits	1,885	1,685
Managing Director's and Shari'a Committee remuneration	5,730	4,763
Business travelling expenses	1,629	1,867
Maintenance and cleaning expenses	2,312	1,844
Credit cards expenses	6,063	5,127
Insurance	1,124	1,442
Stationery and printing	1,113	1,110
Professional fees	1,967	1,340
Donations	523	3,730
Water and electricity	906	884
Security services expenses	907	645
Bank contribution to the pension fund	370	821
Hospitality expenses	1,068	1,124
Training courses	900	805
Investment expenses	1,056	694
Board of Directors' remuneration	7,010	6,664
Miscellaneous expenses	1,199	1,031
	<u>153,513</u>	<u>149,175</u>

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 22. OTHER INCOME

The Bank paid cash dividends to the Qatar Investment Authority in its capacity as a shareholder of 5% of the Bank's share capital. On April 22, 2010, the Qatar Investment Authority paid to the Bank an amount of QR. 22,258,124 equivalent to the dividends received. The Bank recorded this amount under other income as government assistance towards the Qatari government plan to support national banks.

### 23. SHARE OF HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS IN THE NET PROFIT

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Share in the net profit before Bank's Mudaraba income	<b>454,200</b>	374,589
Bank's Mudaraba income	<b>(273,896)</b>	(232,727)
Share after Bank's Mudaraba income	<b>180,304</b>	141,862
Support provided by the Bank	<b>149,166</b>	129,019
Final share after contribution	<b>329,470</b>	270,881
(a) Rates of profit allotment:	<u>2010</u> <u>%</u>	<u>2009</u> <u>%</u>
24 months deposits	<b>5.44</b>	6.75
18 months deposits	<b>4.75</b>	6.25
One year deposits	<b>3.88</b>	5.25
Six months deposits	<b>3.5</b>	4
3 months deposits	<b>3.19</b>	3.5
One month deposits	<b>2.88</b>	3
Saving accounts	<b>2.0</b>	2.1

### 24. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

	<u>2010</u>	<u>2009</u>
Net profit for the year due to shareholders (QR'000)	<b>558,827</b>	511,337
Weighted average number of shares outstanding during the year (thousands) (i)	<b>138,754</b>	131,292
Basic and diluted earnings per share (QR)	<b>4.03</b>	3.89

There were no potentially dilutive shares outstanding at any time during the year. The dilutive earning per share is therefore equal to the basic earnings per share.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 25. OFF BALANCE SHEET ITEMS

To meet the financial needs of customers, the Bank issues various irrevocable commitments and contingent liabilities. Although these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. In some instances, the amounts recognized on statement of financial position for incurred obligation do not represent the loss potential of the arrangement in full.

The total outstanding commitments and contingent liabilities are as follows:

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
<b>(a) Deferred or contingent commitments</b>		
Acceptances	19,663	7,799
Letters of guarantees	681,054	603,604
Documentary credits	290,928	340,300
Collection notes	9,632	12,280
	<u>1,001,277</u>	<u>963,983</u>
<b>(b) Other contracts and commitments</b>		
Commitments and unused credit limits	395,415	233,626
Restricted investment balances (Note c)	12,659	12,790
	<u>408,074</u>	<u>246,416</u>
<b>TOTAL</b>	<u>1,409,351</u>	<u>1,210,399</u>

#### (c) Restricted investment balances

Restricted investment balances represent funds invested by the Bank on behalf of customers as trustee. Accordingly, these funds and associated results are not reflected in the statement of financial position and income statement.

	<u>2010</u>			<u>2009</u>		
	<i>Balance</i> <i>QR'000</i>	<i>Average distributed profit</i>	<i>Bank's share</i> <i>QR'000</i>	<i>Balance</i> <i>QR'000</i>	<i>Average distributed profit</i>	<i>Bank's share</i> <i>QR'000</i>
Metals and commodities	12,659	0.65%	1,907	12,790	0.85%	1,776

#### (d) Legal claims

Certain customers of the Bank have raised legal actions against the Bank claiming amounts totalling QR 10,558 thousand (2009: 4,267 thousand). Furthermore, the Bank has raised counter action against some of those customers as of December 31, 2010.

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 26. CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise the following:

	<u>2010</u> <u>QR'000</u>	<u>2009</u> <u>QR'000</u>
Cash and balances with Qatar Central Bank excluding Cash reserve	<b>332,660</b>	191,312
Cash with banks and other financial institutions	<b>5,148,012</b>	3,900,502
	<b><u>5,480,672</u></b>	<b><u>4,091,814</u></b>

The cash reserve with Qatar Central Bank is excluded as it is not used in the day-to-day operations of the Bank.

### 27. OPERATING AND GEOGRAPHICAL SEGMENTAL INFORMATION

(a) Operating segment:

For management purposes, the Bank is organised into business units based on their products and services and has reportable operating segments as follows:

- Financing activities comprising Murabaha, Musawama, Mudaraba, Musharaka and Ijarah.
- Investing activities comprising the bank investments in Financial Investments, Investments Properties, Investments in Associates and other investments).

	<u>Financing Activities</u>	<u>Investing Activities</u>	<u>Others</u>	<u>Total</u>
<b>At December 31, 2010</b>				
Operating Revenue	<b>855,020</b>	<b>127,638</b>	<b>134,159</b>	<b>1,116,817</b>
Expenses	<b>104,591</b>	<b>90,202</b>	<b>33,727</b>	<b>228,520</b>
Net Profit	<b>750,430</b>	<b>37,436</b>	<b>100,431</b>	<b>888,297</b>
Total Assets	<b>9,177,747</b>	<b>7,487,948</b>	<b>1,513,246</b>	<b>18,178,941</b>
<b>At December 31, 2009</b>				
Operating Revenue	782,971	86,594	93,884	963,449
Expenses	120,909	40,341	19,981	181,231
Net Profit	662,062	46,253	73,903	782,218
Total Assets	9,070,011	5,255,072	1,195,828	15,520,911

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 27. OPERATING AND GEOGRAPHICAL SEGMENTAL INFORMATION (Continued)

#### (b) Geographical Segment

	<i><u>Qatar</u></i> <i><u>QR'000</u></i>	<i><u>GCC</u></i> <i><u>States</u></i> <i><u>QR'000</u></i>	<i><u>Europe</u></i> <i><u>QR'000</u></i>	<i><u>North</u></i> <i><u>America</u></i> <i><u>QR'000</u></i>	<i><u>Other</u></i> <i><u>Countries</u></i> <i><u>QR'000</u></i>	<i><u>Total</u></i> <i><u>QR'000</u></i>
<b><u>As at December 31, 2010</u></b>						
Cash and balances with Qatar Central Bank	954,630	--	--	--	--	954,630
Cash at banks and financial institutions	4,712,959	353,460	60,980	17,765	2,848	5,148,012
Receivables and balances from financing activities	10,293,653	--	--	--	36,415	9,177,747
Financial investments	1,419,016	165,456	64,753	3,926	41,113	1,694,264
Investment in associates	116,032	--	--	--	111,832	227,864
Investment properties for leasing	74,764	--	--	--	--	74,764
Investment properties for trading	-	343,044	--	--	--	343,044
Property and equipment	216,147	--	--	--	--	216,147
Other assets	342,469	--	--	--	--	342,469
<b>TOTAL ASSETS</b>	<b>18,129,670</b>	<b>861,960</b>	<b>125,733</b>	<b>21,691</b>	<b>192,208</b>	<b>18,178,941</b>
Customers' and banks' current accounts and financial institution balances	2,847,056	80,753	400	--	8,032	2,936,241
Other liabilities	227,651	--	--	--	--	227,651
Holders of unrestricted investment accounts	10,795,827	307,000	4,924	--	90,000	11,197,751
Shareholders' equity	3,817,298	--	--	--	--	3,817,298
<b>TOTAL LIABILITIES , HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY</b>	<b>17,687,832</b>	<b>387,753</b>	<b>5,324</b>	<b>--</b>	<b>98,032</b>	<b>18,178,941</b>



# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 27. OPERATING AND GEOGRAPHICAL SEGMENTAL INFORMATION (Continued)

#### (b) Geographical Segment

	<i>Qatar</i>	<i>GCC</i>	<i>Europe</i>	<i>North</i>	<i>Other</i>	<i>Total</i>
	<i>QR'000</i>	<i>States</i>	<i>QR'000</i>	<i>America</i>	<i>Countries</i>	<i>QR'000</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<u>As at December 31, 2009</u>						
Cash and balances with Qatar Central Bank	642,377	--	--	--	--	642,377
Cash at banks and financial institutions	3,585,139	241,770	56,414	5,663	11,516	3,900,502
Receivables and balances from financing activities	9,990,801	72,830	--	-	36,415	9,070,011
Financial investments	280,118	209,920	69,786	36,415	61,638	657,877
Investment in associates	243,790	99,589	--	--	--	343,379
Investment properties for leasing	49,091	--	--	--	--	49,091
Investment properties for trading	--	304,223	--	--	--	304,223
Property and equipment	219,946	--	--	--	--	219,946
Other assets	333,505	--	--	--	--	333,505
<b>TOTAL ASSETS</b>	<b>15,344,767</b>	<b>928,332</b>	<b>126,200</b>	<b>42,078</b>	<b>109,569</b>	<b>15,520,911</b>
Customers' and banks' current accounts and financial institution balances	2,466,812	1,043	2,906	1,669	1,389	2,473,819
Other liabilities	146,180	--	--	--	--	146,180
Holders of unrestricted investment accounts	8,940,197	161,366	--	--	--	9,101,563
Shareholders' equity	3,799,349	--	--	--	--	3,799,349
<b>TOTAL LIABILITIES , HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>	<b>15,352,538</b>	<b>162,409</b>	<b>2,906</b>	<b>1,669</b>	<b>1,389</b>	<b>15,520,911</b>

# QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

### 28. RELATED PARTY TRANSACTIONS

These include various transactions with shareholders, Board Members and with key personnel or with the companies where they hold significant interests or any other parties having significant influence on the financial or operational decisions of the Bank. Receivables and financing activities to related parties were granted at market rates and as of the reporting date no provisions were made against these balances:

	<u>2010</u>		<u>2009</u>	
	<i>Board of directors QR'000</i>	<i>Others QR'000</i>	<i>Board of directors QR'000</i>	<i>Others QR'000</i>
<b>Balance sheet items</b>				
<b>Assets</b>				
Murabaha and Musawama	194,431	74,930	107,074	4,995
Ijarah	115,460	134,750	195,294	--
	<u>309,891</u>	<u>209,680</u>	<u>302,368</u>	<u>4,995</u>
<b>Liabilities</b>				
Current account balances	49,268	82	20,908	1,036
Unrestricted investment deposits	159,112	91,001	42,512	1,085
	<u>208,380</u>	<u>91,083</u>	<u>63,420</u>	<u>2,121</u>
<b>Off balance sheet items:</b>				
Letter of credits, letter of guarantees and acceptances	<u>4,987</u>	<u>--</u>	<u>291,370</u>	<u>112</u>
<b>Statement of income items</b>				
Fees and commission income	<u>22,002</u>	<u>3,151</u>	<u>21,166</u>	<u>350</u>
Income from investing activities	<u>--</u>	<u>24,358</u>	<u>--</u>	<u>10,793</u>
<b>Compensation of key management personnel</b>				
	<u>2010</u>	<u>2009</u>		
	<i>QR'000</i>	<i>QR'000</i>		
Salaries and other allowances	13,345	18,647		
End of service benefit	367	339		
Contribution to Qatari Pension	323	323		
Board of directors' remunerations	<u>7,010</u>	<u>6,664</u>		
	<u>21,045</u>	<u>25,973</u>		

### 29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to presentation adopted in the current year.