IMPORTANT NOTICE

THIS BASE PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the base prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached base prospectus (the "**Base Prospectus**"). In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from QIB Sukuk Ltd. (the "**Trustee**") or QIB (as defined below) as a result of such access.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE ARRANGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THIS BASE PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

THIS BASE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS BASE PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 12, ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS BASE PROSPECTUS MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of Your Representation: By accessing this Base Prospectus you confirm to Deutsche Bank AG, London Branch, HSBC Bank plc, QInvest LLC and Standard Chartered Bank as arrangers (together the "**Arrangers**"), and the Trustee, as issuer of the Certificates (as defined in the attached Base Prospectus), that (i) you understand and agree to the terms set out herein, (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions, (iii) you consent to delivery of the Base Prospectus by electronic transmission, (iv) you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Arrangers and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

You are reminded that the attached Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Base Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your email software, will be ignored or rejected. If you receive this Base Prospectus by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arrangers or any affiliate of the Arrangers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Arrangers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in this Base Prospectus.

This Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers, the Trustee, Qatar Islamic Bank S.A.Q. ("**QIB**") nor any person who controls or is a director, officer, employee or agent of the Arrangers, the Trustee, QIB nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arrangers.

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Arrangers, the Trustee and QIB to inform themselves about, and to observe, any such restrictions.

BASE PROSPECTUS

QIB SUKUK LTD.

(incorporated in the Cayman Islands as an exempted company with limited liability)

U.S.$1,500,000,000
Trust Certificate Issuance Programme

Under this U.S.$1,500,000,000 trust certificate issuance programme (the "**Programme**"), QIB Sukuk Ltd. (in its capacity as issuer and as trustee, the "**Trustee**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue trust certificates (the "**Certificates**") in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below).

Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.$1,500,000,000 (or its equivalent in other currencies calculated as provided in the Programme Agreement described herein), subject to increase as described herein.

Certificates may be issued on a continuing basis to one or more of the Dealers specified under *"Overview of the Programme"* and any additional dealer(s) appointed under the Programme from time to time by the Trustee (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this base prospectus (the "**Base Prospectus**") to the relevant Dealer shall, in the case of an issue of Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Certificates.

The Certificates will be limited recourse obligations of the Trustee. An investment in Certificates issued under the Programme involves certain risks. For a discussion of these risks, see "*Risk Factors*".

Each Series (as defined herein) of Certificates issued under the Programme will be constituted by (i) a master declaration of trust dated 1 October 2012 (the "**Closing Date**") (the "**Master Declaration of Trust**") entered into between the Trustee, Qatar Islamic Bank S.A.Q. ("**QIB**") and Deutsche Trustee Company Limited as delegate of the Trustee (in such capacity, the "**Delegate**") and (ii) a supplemental declaration of trust (the "**Supplemental Declaration of Trust**") in relation to the relevant Series. Certificates of each Series confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the "**Trust**") over: (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, each term as defined herein.

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and to trading on its regulated market. Such approval relates only to the Certificates which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (each such regulated market being a "**Regulated Market**") and/or which are to be offered to the public in any member state of the European Economic Area.

References in this Base Prospectus to Certificates being "**listed**" (and all related references) shall mean that such Certificates have been admitted to the Official List and to trading on the Regulated Market.

Notice of the aggregate face amount of Certificates and any other terms and conditions not contained herein which are applicable to each Series of Certificates will be set out in final terms (the "**Final Terms**") which, with respect to Certificates to be listed on the Irish Stock Exchange, will be delivered to the Irish Stock Exchange.

The Programme permits Certificates to be issued on the basis that they may not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Trustee and the relevant Dealer.

The Trustee may agree with any Dealer that Certificates may be issued with terms and conditions not contemplated by the Terms and Conditions of the Certificates herein, in which event a supplemental Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.

The rating of certain Series of Certificates to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to a relevant Series of Certificates will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**") (as amended) will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

QIB has been assigned ratings of A by Fitch Ratings Ltd. ("**Fitch**") and A- by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), each with stable outlook. The State of Qatar has been assigned ratings of AA2 by Moody's Investors Service Ltd. ("**Moody's**") and AA by S&P, each with stable outlook.

Each of Fitch, S&P and Moody's is established in the European Union and is registered under the CRA Regulation.

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the *Shari'a* advisory boards of QIB and each of the Arrangers. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with *Shari'a* principles.

Arrangers and Dealers

Deutsche Bank **HSBC** **QInvest** **Standard Chartered Bank**

The date of this Base Prospectus is 1 October 2012

IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive") as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) and for the purpose of giving information with regard to the Trustee, QIB and the Certificates which, according to the particular nature of the Trustee, QIB and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and QIB.

The Trustee and QIB accept responsibility for the information contained in this Base Prospectus and each declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Dealers and the Delegate have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers and the Delegate as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Trustee or QIB in connection with the Programme. No Dealer nor the Delegate accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Trustee and QIB in connection with the Programme.

Certain information under the headings *"Overview of Qatar"* and *"Banking Industry and Regulation in Qatar"* has been extracted from information provided or obtained by the Qatar Central Bank's website and Quarterly Statistical Bulletin, the U.S. Energy Information Administration, the International Monetary Fund 2010 Article IV Consultation Paper and the Qatar Statistics Authority and, in each case, the relevant source of such information is specified where it appears under those headings.

Each of the Trustee and QIB confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Series (as defined herein) of Certificates, should be read and construed together with the applicable Final Terms.

No person has been authorised by the Trustee or QIB to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme. Any information supplied by the Trustee or QIB or such other information which is in the public domain, if given or made, should not be relied upon as having been authorised by the Trustee, QIB, the Delegate or any of the Dealers.

None of the Arrangers, the Dealers, the Delegate or any of their respective affiliates make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Certificate shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Trustee or QIB since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Delegate and the Dealers expressly do not undertake to review the financial condition or affairs of the Trustee or QIB during the life of the Programme or to advise any investor in the Certificates of any information coming to their attention.

No comment is made or advice given by, the Trustee, QIB, the Delegate or the Dealers in respect of taxation matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Trustee, QIB and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Certificates and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Certificates, see *"Subscription and Sale"*. In particular, the Certificates have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"). Subject to certain exceptions, Certificates may not be offered, sold or delivered within the United States or to U.S. persons as defined in Regulation S under the Securities Act ("**Regulation S**"). The Trustee, QIB, the Delegate and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Certificates and should not be considered as a recommendation by the Trustee, the Delegate, QIB, the Arrangers, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Certificates. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and QIB.

The maximum aggregate face amount of Certificates outstanding at any one time under the Programme will not exceed U.S.$1,500,000,000 (and for this purpose, any Certificates denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Certificates (calculated in accordance with the provisions of the Programme Agreement)). The maximum aggregate face amount of Certificates which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement.

In connection with the issue of any Series, the Dealer or Dealers (if any) named as the stabilising manager(s) in the relevant subscription agreement (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Trustee or QIB. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Issue Date of the relevant Series and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Series and 60 days after the date of the allotment of the relevant Series. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) must conduct such stabilisation in accordance with all applicable laws and rules with the prior consultation and prior agreement of the Dealers. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Dealers, with the prior consultation and prior agreement of the Dealers.

The Certificates may not be a suitable investment for all investors. Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained or incorporated by reference in this Base Prospectus;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;

(d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Some Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall investment portfolios. A potential investor should not invest in Certificates which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of the Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or the review of such laws and regulations by certain governmental or regulatory authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Certificates constitute legal investments for it; (ii) the Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Certificates by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules and regulations.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Financial Information

The historical financial information presented in this Base Prospectus is based on the audited consolidated financial statements of QIB for the year ended 31 December 2011 (including the comparative figures for the year ended 31 December 2010) (the "**2011 Financial Statements**"), the audited consolidated financial statements of QIB for the year ended 31 December 2010 (the "**2010 Financial Statements**") and the unaudited interim condensed consolidated financial statements of QIB for the six months ended 30 June 2012 (the "**Interim Financial Statements**"). The 31 December 2010 comparative financial information included in the 2011 Financial Statements was restated to account for the results of QIB's associates and subsidiaries as per their audited financial statements, to correct an error in the calculation of profit from financing activities and due to the implementation of Financial Accounting Standard ("**FAS**") 25 '*Investment in sukuk, shares and similar instruments*'. For the avoidance of doubt, the 31 December 2010 financial information presented in this Base Prospectus is derived from the comparative financial information included in the 2011 Financial Statements.

The financial information included in this Base Prospectus has not been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and there may be material differences in the financial information had IFRS been applied to the historical financial information. See *"Summary of Significant Differences Between the Financial Accounting Standards Issued by AAOIFI and International Financial Reporting Standards"*.

Certain Defined Terms

Capitalised terms which are used but not defined in any section of this Base Prospectus will have the meaning attributed thereto in the Conditions or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

- references to "**Qatar**" herein are to the State of Qatar;
- references to the "**Government**" herein are to the government of Qatar; and
- references to a "**Member State**" herein are references to a Member State of the European Economic Area.

Certain Conventions

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

All references in this Base Prospectus to "**U.S. dollars**", "**U.S.$**", "**dollars**" and "**$**" refer to United States dollars being the legal currency for the time being of the United States of America; all references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the Treaty on the Functioning of the European Union, as amended; and all references to "**riyal**" and "**QAR**" refer to Qatari riyal being the legal currency for the time being of Qatar. The riyal has been pegged to the U.S. dollar since 1971. Since 1980, the peg has been effectively set at a fixed exchange rate of 3.64 riyals per U.S. dollar and this rate was officially adopted in 2001. Accordingly, translations of amounts from riyals to U.S. dollars have been made at this exchange rate for all periods presented in this Base Prospectus and are based on the rounded QAR amounts and not the original amounts that appear in the financial statements included in this Base Prospectus.

References to a "**billion**" are to a thousand million.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning QIB's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*", "*Description of Qatar Islamic Bank S.A.Q.*" and other sections of this Base Prospectus. QIB has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although QIB believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below or which QIB have otherwise identified in this Base Prospectus, or if any of QIB's underlying assumptions prove to be incomplete or inaccurate, QIB's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read, among others the sections entitled *"Risk Factors"*, *"Description of Qatar Islamic Bank S.A.Q.", "Management and Employees", "Risk Management", "Related Party Transactions", Selected Financial Information, "Overview of Qatar" and "Banking Industry and Regulation in Qatar"*, which include a more detailed description of the factors that might have an impact on QIB's business development and on the industry sector in which it operates.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions and, in particular, the global financial crisis;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions (in particular in relation to the real estate sector), the impact of provisions and impairments and concentration of QIB's portfolio of Islamic financing and investing assets;
- liquidity risks, including the inability of QIB to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in profit rates and other market conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under *"Risk Factors"*.

These forward-looking statements speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, QIB expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

NOTICE TO UK RESIDENTS

Any Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" within the meaning of Article 77A of the FSMA as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the FSA. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Base Prospectus, any Final Terms and any other marketing materials relating to the Certificates (A) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, only the following persons (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order") and (ii) persons falling within any of the categories of persons described in Article 49 *(High net worth companies, unincorporated associations, etc)* of the Financial Promotion Order and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "Promotion of CISs Order"), (ii) persons falling within any of the categories of person described in Article 22 *(High net worth companies, unincorporated associations, etc.)* of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion

of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in any investment described in this Base Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

CAYMAN ISLANDS NOTICE

No invitation, whether directly or indirectly, may be made to any member of the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO KINGDOM OF BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Base Prospectus may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain ("CBB") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000.

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). The offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain.

The CBB has not reviewed or approved the offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus.

NOTICE TO RESIDENTS OF MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to person or in categories falling within Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act, 2007 of Malaysia. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or QIB and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Base Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of Qatar. The Certificates have not been and will not be authorised by the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar. The Certificates are not and will not be traded on the Qatar Exchange.

KINGDOM OF SAUDI ARABIA NOTICE

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "Capital Market Authority").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of the Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Series of Certificates, the Final Terms.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Words and expressions defined in *"Form of the Certificates"* and *"Terms and Conditions of the Certificates"* shall have the same meanings in this overview.

Trustee:	QIB Sukuk Ltd., as trustee for and on behalf of the Certificateholders and, in such capacity, as issuer of the Certificates, a limited liability exempted company incorporated on 5 September 2012 in accordance with the laws of, and formed and registered in, the Cayman Islands with registered number 271468 with its registered office at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. QIB Sukuk Ltd. shall on each Issue Date issue the Certificates to the Certificateholders and act as Trustee in respect of the Trust Assets for the benefit of the Certificateholders.
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 shares of U.S.$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held by MaplesFS Limited, with registered office at P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands on trust for charitable purposes.
Administration of the Trustee:	The affairs of the Trustee are managed by MaplesFS Limited (the "**Trustee Administrator**"), who will provide, *inter alia*, corporate administrative services and director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement dated 25 September 2012 made between, *inter alios*, the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**").
Arrangers:	Deutsche Bank AG, London Branch, HSBC Bank plc, QInvest LLC and Standard Chartered Bank.
Dealers:	Deutsche Bank AG, London Branch, HSBC Bank plc, QInvest LLC, Standard Chartered Bank and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.
Delegate:	Deutsche Trustee Company Limited (the "**Delegate**"). In accordance with the Master Declaration of Trust, the Trustee will, *inter alia*, unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future duties, powers, authorities and discretions vested in the Trustee by certain provisions in the Master Declaration of Trust in accordance with the terms of the Master Declaration of Trust. In addition, pursuant to the Master Declaration of Trust, certain powers will be vested solely in the Delegate.
Principal Paying Agent and Calculation Agent:	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.

Wakala Portfolio:	Pursuant to the terms of the Master Wakala Purchase Agreement (as supplemented on each Issue Date by a Supplemental Purchase Contract), a proportion of the Proceeds in respect of each Series will be used to purchase the Wakala Portfolio, which will be managed by QIB as Managing Agent pursuant to the terms of the Management Agreement and the Wakala Investment Plan.
Restricted Mudaraba:	Pursuant to the terms of the Master Restricted Mudaraba Agreement, in respect of each Series, the Trustee (as Rabb-al-Maal) will enter into a Restricted Mudaraba Contract with QIB (as Mudarib) pursuant to which the remainder of the Proceeds of such Series will be applied by the Mudarib in accordance with the Mudaraba Investment Plan as Mudaraba Capital for investment in the Mudaraba Portfolio, which the Mudarib will hold and manage in favour of the Rabb-al-Maal.
Initial Programme Amount:	Up to U.S.$1,500,000,000 (or its equivalent in other currencies) aggregate face amount of Certificates outstanding at any one time. The amount of the Programme may be increased in accordance with the terms of the Programme Agreement.
Issuance in Series:	The Certificates will be issued in series (each series of Certificates being a "**Series**"). The specific terms of each Series will be completed in a final terms document (the "**applicable Final Terms**"). Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Certificates may be denominated in U.S. dollars, euro, AED or any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Certificates may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Certificates are denominated.
Maturities:	The Certificates will have such maturities as may be agreed between the Trustee, QIB and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the Specified Currency (as defined in the applicable Final Terms).
Issue Price:	Certificates may be issued at any price on a fully paid basis, as specified in the applicable Final Terms. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, QIB and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Status of the Certificates:	Each Certificate will represent an undivided ownership interest in the Trust Assets of the relevant Series, will be a limited recourse obligation of the Trustee and will rank *pari passu*, without preference or priority, with all other Certificates of the relevant Series issued under the Programme.
Periodic Distribution Amounts:	Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.
Cross-Default:	The Certificates will have the benefit of a cross-default provision, as described in Condition 15 (*Dissolution Events*).

The Trust Assets: Pursuant to the Master Declaration of Trust, as supplemented by a Supplemental Declaration of Trust for each Series, the Trustee will declare that it will hold, for each Series, certain assets (the "**Trust Assets**"), consisting of:

(a) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets;

(b) all of the Trustee's rights, title, interest and benefit, present and future, in and to the Transaction Documents (excluding: (i) any representations given by QIB to the Trustee and the Delegate pursuant to any of the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 17.1 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Master Declaration of Trust);

(c) all monies standing to the credit of the Transaction Account (as defined in Condition 6(c) (*Trust – Operation of Transaction Account*));

(d) any other assets, rights, cash or investments as may be specified in the applicable Final Terms,

and all proceeds of the foregoing upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each holder for the relevant Series.

Dissolution on the Scheduled Dissolution Date: Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem the Series at the relevant Dissolution Amount and the Trust in relation to the relevant Series will be dissolved by the Trustee on the relevant Scheduled Dissolution Date specified in the applicable Final Terms for such Series.

Dissolution Amount: Means, in relation to a particular Series, the aggregate of:

(a) the outstanding face amount of such Series; and

(b) any due but unpaid Periodic Distribution Amounts for such Series.

Early Dissolution of the Trust: The Trust may only be dissolved prior to the Scheduled Dissolution Date upon:

(a) the occurrence of a Dissolution Event;

(b) the exercise of an Optional Dissolution Right (if the Optional Dissolution Right is applicable to the relevant Series);

(c) the occurrence of a Tax Event (as defined in Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*)); or

(d) all of the Certificates of the relevant Series being cancelled upon the exercise of the relevant Redemption Undertaking.

In the case of the events described in paragraphs (a) to (c) above, the Certificates of a Series will be redeemed pursuant to the exercise of the relevant Purchase Undertaking or the relevant Sale Undertaking (as applicable) whereupon QIB will purchase from the Trustee the relevant Wakala Assets and the relevant Restricted Mudaraba will be liquidated. The Exercise Price payable under the relevant Purchase Undertaking or Sale Undertaking (as applicable) together with the proceeds from the liquidation of the Restricted Mudaraba and any Wakala Portfolio

Principal Revenues deposited by the Managing Agent in the Transaction Account in accordance with clause 6.4 of the Management Agreement will be used to fund the redemption of the Certificates at an amount equal to the Dissolution Amount.

Dissolution Events:	The Dissolution Events are described in Condition 15 (*Dissolution Events*). Following the occurrence of a Dissolution Event which is continuing, the Certificates of the relevant Series may be redeemed in full at an amount equal to the relevant Dissolution Amount.
Early Dissolution for Tax Reasons:	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 12 (*Taxation*) or QIB has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents as a result of a change in the laws of a Relevant Jurisdiction (as defined in the Conditions) and such obligation cannot be avoided by the Trustee or QIB, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of a notice (the "**Exercise Notice**") and payment of the Exercise Price under the relevant Sale Undertaking and following the liquidation of the relevant Restricted Mudaraba in accordance with the provisions of the Master Restricted Mudaraba Agreement and the relevant Mudaraba Contract and the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues in accordance with clause 6.4 of the Management Agreement, redeem the Certificates at an amount equal to the relevant Dissolution Amount on the relevant exercise date specified in the Exercise Notice.
Optional Dissolution Right:	If so specified in the applicable Final Terms as being applicable, QIB may, in accordance with Condition 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of QIB*), require the Trustee to redeem the Certificates of the relevant Series at any time prior to the relevant Scheduled Dissolution Date at an amount equal to the relevant Dissolution Amount.
Cancellation of Certificates held by QIB and/or any of its Subsidiaries:	Pursuant to Condition 14(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by QIB and/or any of its Subsidiaries*), QIB and/or any of its subsidiaries may at any time purchase Certificates in the open market or otherwise. If QIB wishes to cancel such Certificates purchased by it and/or any of its subsidiaries (the "**Cancellation Certificates**"), QIB may, in accordance with the terms of the Redemption Undertaking Deed, and following the service of a cancellation notice by QIB to the Trustee, require the Trustee, any time prior to the relevant Scheduled Dissolution Date, to cancel any Cancellation Certificates surrendered to it by QIB and/or any of its subsidiaries and to transfer the Wakala Assets specified by QIB (in its sole and absolute discretion) in such cancellation notice, together with all of the Trustee's rights, title, interests, benefits and entitlements in and to such assets, the value of which shall be no greater than the Wakala Percentage of the aggregate outstanding face amount of the Cancellation Certificates. Upon receipt by the Trustee of the cancellation notice, the Mudarib will transfer to QIB such Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion, provided that the aggregate Value of such assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates.
Limited Recourse:	Each Certificate of a particular Series will represent an undivided ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or QIB (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee and QIB shall be extinguished.

Denomination of Certificates: The Certificates will be issued in such denominations as may be agreed between the Trustee, QIB and the relevant Dealer save that the minimum denomination of each Certificate will be such amount as may be allowed or required from time to time by the relevant listing authority, central bank (or equivalent body) or any laws or regulations applicable to the Specified Currency and save that the minimum denomination of each Certificate admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area, in circumstances which require the publication of a prospectus under the Prospectus Directive, will be at least EUR100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency, as calculated on the Issue Date of such Series).

Form and Delivery of the Certificates: The Certificates will be issued in registered form only. The Certificates will be represented on issue by beneficial interests in a global Certificate (the "**Global Certificate**"), which will be deposited with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. See the section entitled *"Form of the Certificates"*. Certificates in definitive form evidencing holdings of Certificates ("**Definitive Certificates**") will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances.

Clearance and Settlement: Certificateholders must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

Withholding Tax: All payments by QIB under the Transaction Documents to which it is a party are to be made without withholding or deduction for, or on account of, any Taxes imposed in Qatar (or any political subdivision or any authority thereof or therein having power to tax) unless the withholding is required by law. In the event that any such deduction is made by QIB as a result of any requirement of law, QIB will be required, pursuant to the relevant Transaction Document, to pay to the Trustee additional amounts so that the Trustee will receive the full amount which otherwise would have been due and payable under the relevant Transaction Document. See the section entitled *"Taxation – Qatar"* for a description of certain tax considerations applicable in Qatar.

All payments by the Trustee in respect of the Certificates shall be made without withholding or deduction for, or on account of, Taxes imposed in the Cayman Islands (or any political subdivision or any authority thereof or therein having power to tax unless the withholding is required by law). QIB has agreed in the Transaction Documents that, if the Trustee is required to make any deduction or withholding for: (i) Taxes; or (ii) as otherwise required by applicable law and is required to pay additional amounts in respect thereof, QIB will pay to the Trustee additional amounts to cover the amounts so deducted as would have been paid had no such deduction or withholding been required.

Listing and Trading: Application has been made to the Irish Stock Exchange for the Certificates to be admitted to listing on the Official List and admitted to trading on the Regulated Market.

Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, QIB and the relevant Dealer(s) in relation to the Series. Certificates which are neither listed nor admitted to trading on any market may also be issued.

Certificateholder Meetings: A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

Tax Considerations: See the section entitled "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

Governing Law: The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by English law.

Each of the Master Declaration of Trust, each Supplemental Declaration of Trust, the Agency Agreement, the Programme Agreement, the Purchase Undertaking Deed, the Sale Undertaking Deed, the Redemption Undertaking Deed, the Wakala Asset Substitution Undertaking Deed, each Supplemental Purchase Contract and any non-contractual obligations arising out of or in connection with the same will be governed by and construed in accordance with English law and subject to the exclusive jurisdiction of the English courts.

The Master Restricted Mudaraba Agreement, each Restricted Mudaraba Contract, the Master Wakala Purchase Agreement and each Supplemental Purchase Contract will be governed by and construed in accordance with, the laws of Qatar ("**Qatari law**") and subject to the non-exclusive jurisdiction of the courts of Qatar.

The Corporate Services Agreement will be governed by the laws of the Cayman Islands and subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

Transaction Documents: The Transaction Documents are the Master Restricted Mudaraba Agreement, each Restricted Mudaraba Contract, the Management Agreement, the Master Wakala Purchase Agreement and each Supplemental Purchase Contract, the Master Declaration of Trust, each Supplemental Declaration of Trust, the Purchase Undertaking Deed, the Sale Undertaking Deed, any sale agreement which may be entered into as a result of exercise of rights under the Purchase Undertaking Deed or the Sale Undertaking Deed, the Redemption Undertaking Deed, the Wakala Asset Substitution Undertaking Deed, the Agency Agreement and the Certificates.

Rating: The rating(s) of any Series of Certificates to be issued under the Programme which is to be rated will be specified in the applicable Final Terms.

	A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to the relevant Series of Trust Certificates will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation).
Selling and Transfer Restrictions:	There are restrictions on the distribution of this Base Prospectus and the offer, sale or transfer of Certificates in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, Japan, Malaysia, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar, the Cayman Islands and such other restrictions as may be required in connection with the offering and sale of the Certificates. See *"Subscription and Sale"*.
United States Selling Restrictions:	Regulation S, Category 2.
Waiver of Immunity:	QIB has acknowledged in the Agency Agreement, the Master Declaration of Trust, the Purchase Undertaking, the Management Agreement, the Master Restricted Mudaraba Agreement and the Master Wakala Purchase Agreement that to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

RISK FACTORS

Each of the Trustee and QIB believes that the following factors may affect its ability to fulfil its obligations relating to Certificates issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Trustee nor QIB is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Certificates issued under the Programme are also described below.

Each of the Trustee and QIB believes that the factors described below represent the principal risks inherent in investing in the Certificates issued under the Programme, but the inability of the Trustee to pay Periodic Distribution Amounts, Dissolution Amounts or other amounts on or in connection with any Certificates or to pay any amount in respect of the Dissolution Amounts or other amounts on or in connection with any Certificates may occur for other reasons which may not be considered significant risks by the Trustee or QIB based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Although the Trustee and QIB believe that the various structural elements described in this Base Prospectus lessen some of these risks for Certificateholders, there can be no assurance that these measures will be sufficient to ensure payment to Certificateholders of any Periodic Distribution Amount or the Dissolution Amount in respect of the Certificates of any Series on a timely basis or at all.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in "Form of the Certificates" and "Terms and Conditions of the Certificates" shall have the same meanings in this section.

Risk factors relating to the Trustee

The Trustee was incorporated under the laws of the Cayman Islands on 5 September 2012 as an exempted company with limited liability and has a limited operating history. As at the date of this Base Prospectus, the only activity the Trustee has engaged in is the issuance of Certificates under the Programme, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents and the Corporate Services Agreement. The Trustee has not engaged in any other business activity.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets relating to each Series of Certificates, including the obligation of QIB to make payments under the Master Restricted Mudaraba Agreement, the Management Agreement, the Purchase Undertaking Deed and each Restricted Mudaraba Contract to the Trustee.

The ability of the Trustee to pay amounts due on the Certificates will primarily be dependent upon receipt by the Trustee from QIB of all amounts due under the relevant Transaction Documents. Therefore the Trustee is subject to all the risks to which QIB is subject to the extent that such risks could limit QIB's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party.

Risk factors relating to QIB and its business

With more than 90 per cent. of its assets and liabilities in Qatar at 30 June 2012, QIB is dependent on the state of the Qatari economy which, in turn, is dependent on developments in international oil and gas prices

Qatar's economy is materially affected by international oil and natural gas prices, which have fluctuated widely over the past two decades. The oil and gas sector contributed 51.7 per cent. and 57.7 per cent. to Qatar's total nominal gross domestic product ("**GDP**") for the years ended 31 December 2010 and 31 December 2011, respectively. It also contributed 85.14 per cent. and 81.16 per cent. to the annual revenues of Qatar in the fiscal years ended 31 March 2011 and 31 March 2012, respectively.

International prices for crude oil have fluctuated substantially as a result of many factors, including global demand for oil and natural gas, changes in production levels, geopolitical uncertainty (particularly in the Middle East and North Africa ("**MENA**") region), changes in governmental regulations, weather, general economic conditions and competition from other energy sources. In addition, as crude oil prices provide a benchmark for gas and petrochemical feedstock prices, changes in crude oil prices may also have an impact on gas and petrochemical prices. International prices for natural gas have also fluctuated significantly in the past depending on global supply and demand and the availability and price of alternative energy sources.

In the past, Qatar has been able to partially offset lower hydrocarbon prices by increases in hydrocarbon production, but the future rate of growth in Qatar's hydrocarbon production is expected to slow down. Most of Qatar's oilfields are mature and oil production may have peaked in 2011. Additionally, the reserves at Al Shaheen, one of Qatar's most productive oil fields, were recently reduced after drilling results led to a reserves reassessment. Qatar is also approaching the end of a 20 year development cycle for liquefied natural gas ("**LNG**") projects and LNG production is expected to plateau in the near future.

With a moratorium on the development of new gas projects in the North Field in place (excluding the Barzan gas pipeline project which is targeted for local consumption), and given the long lead time to develop gas projects, Qatar may not be able to significantly increase gas production in the near future through new gas projects.

Thus, any material reduction in the prices of natural gas, crude oil and other hydrocarbons may have a significant adverse impact on the economy of Qatar and may also materially adversely impact Qatar's revenues and financial condition. Such effects would be likely to materially adversely affect QIB by reducing the demand from its Qatari customers for financing and by adversely affecting the quality of its outstanding financing, thus potentially increasing its impairment losses and so reducing profitability. In addition, any reduction in Qatar's revenues would reduce the likelihood and/or extent of Government financial support being available to Qatari banks, including QIB, should such support be needed in the future.

Another area of risk to Qatar's economy arises from the fact that Qatar is located in a region that is strategically important and parts of this region have, at times, experienced political instability. The political instability has included regional wars, such as the Gulf War of 1991, the Iraq War of 2003, the 2006 conflict in Lebanon, the 2008 conflict in Gaza and the continuing civil war in Syria, tensions between and among the United States, Israel, Syria and Iran, terrorist acts, maritime piracy and civil revolutions. During 2011 and continuing in 2012, there has been political unrest ranging from public demonstrations to armed conflict in several countries in the MENA region, including Egypt, Algeria, Libya, Bahrain, Saudi Arabia, Yemen, Syria, Tunisia and Oman. Geopolitical events that may or may not directly involve Qatar may have a material adverse effect on Qatar's economy, including an effect on Qatar's ability to engage in international trade and destabilising effects on the oil and gas market.

QIB's business, earnings and results of operations are also materially affected by conditions in the global financial markets and by global economic conditions

Following the advent of the global financial crisis, there has been significant volatility and disruption in global capital and credit markets since late 2007, which reached unprecedented levels in the second half of 2008 and early 2009. This volatility and disruption has continued since 2010 as the European sovereign debt crisis has materially impacted the global capital and credit markets. These conditions have resulted in a material reduction in the availability of financing, both for financial institutions and their customers, compelling many financial institutions to rely on central banks and governments to provide liquidity and, in some cases, additional capital. Governments around the world, including in Qatar and some of the other countries in the MENA region, have taken actions intended to stabilise financial markets and prevent the failure of financial institutions. See *"Banking Industry and Regulation in Qatar – Banking System"*. Despite implementing such measures, the volatility of the capital and credit markets has continued and liquidity problems remain.

Changes in interest rates and/or widening credit spreads that have resulted from the financial crisis have created a less favourable environment for some of QIB's businesses and have led to a decrease in net margin for certain financing arrangements and other products and services offered by QIB. In addition, fluctuations in interest rates and credit spreads have affected the fair value of financial instruments held by QIB. As a result, although QIB's total assets and deposits have grown in each year since 2008, it experienced a decline in its operating income and net profit in each of the years ended 31 December 2009 and 31 December 2010 (compared to the previous year).

In addition, recessionary conditions more generally have been evident around the world since the last quarter of 2008. These conditions have contributed to a downward pressure on stock prices and have reduced the availability of credit to financial institutions. The deteriorating macroeconomic environment has resulted in higher credit losses within the industry and there remains an increasing risk of future credit losses. The foregoing factors also affect QIB's flexibility in planning for, or reacting to, changes in its operations and in the financial industry generally. If these levels of market disruption and volatility continue, QIB may experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, credit losses, write-downs and impairment charges, and lower profitability and cash flows. QIB's business and financial performance may also be affected by future recovery rates on assets and the historical assumptions underlying asset recovery rates, which may not be as accurate given the unprecedented market volatility and disruption during the past several years.

Although QIB currently operates principally in Qatar and has limited exposure to international markets, to the extent that the trends discussed above in global markets affect Qatar (as was the case particularly in 2009 and 2010), QIB's results of operations, business, financial condition, liquidity and prospects could be adversely affected.

A recurrence of significant levels of inflation or a return to deflation could each adversely affect QIB

Qatar has had a mix of inflation and deflation (measured by a movement in Qatar's Consumer Price Index as opposed to a core inflation measurement) recently with an inflation rate of 2.2 per cent. in the first six months of 2012 which was preceded by an inflation rate of 1.9 per cent. in 2011 and a negative inflation rate of 2.4 per cent. in 2010. Prior to 2009, Qatar had high levels of inflation and the overall annual inflation rate was 15.2 per cent. in 2008 compared to 13.6 per cent. in 2007 and 11.8 per cent. in 2006. The high levels of inflation prior to 2009 were primarily accounted for by the rapid and sustained increase in real estate prices, as well as an increase in international food and raw material prices. In order to address the domestic housing shortage and control housing prices, the Government supported several domestic and residential construction projects near completion and cost pressure abated. In 2009 and 2010, the decrease in housing costs contributed to the negative inflation rates in Qatar, but a recent rise in core inflation has led to a return of overall inflation in 2011. In a report on Qatar issued by the IMF in January 2011, the IMF noted that the country's projected high growth rates require careful monitoring of aggregate demand to ward off the risk of inflation at the high levels seen previously. Although the Government and the QCB intend to continue to take measures to ensure that inflation is stabilised, there can be no guarantee that the Government or the QCB will be able to achieve or maintain price stability, in the real estate market or otherwise, and thus control inflation. Additionally, the past deflationary trend in the real estate market may not be sufficient to offset a further increase in core inflation.

Historically, inflation has increased staff and living expenses and any recurrence of higher levels of inflation in the future is likely to increase such expenses further. High inflation could also slow the ratio of economic growth and consumer spending in Qatar which would impact on the demand for financing from QIB's customers. On the other hand, a return to a deflationary environment in Qatar could also impact QIB's profitability by negatively affecting property values, which could have a negative effect on the real estate collateral which secures a large proportion of QIB's customer advances. As a result, high rates of inflation or deflation could each have a material adverse effect on QIB's business growth and profitability.

QIB has significant concentrations in its financing and investment portfolios which materially increase its exposure to downturns in the areas of concentration

As at 31 December 2011, QAR 28,233 million (U.S.$7,756 million), or 95.4 per cent., of QIB's QAR 29,596 million (U.S.$8,131 million) net customer financing portfolio represented Qatari exposures. In addition, QAR 12,044 million (U.S.$3,309 million), or 81.3 per cent., of its QAR 14,810 million (U.S.$4,069 million) financial investment portfolio represented Qatari exposures. As a result, QIB is materially exposed to changes in the Qatari economy: see *"With more than 90 per cent. of its assets and liabilities in Qatar at 30 June 2012, QIB is dependent on the state of the Qatari economy which, in turn, is dependent on developments in international oil and gas prices"*.

In currency terms, 95.9 per cent. of QIB's assets at 31 December 2011 were denominated in Qatari riyal or U.S. dollars. As a result, any volatility in the value of these currencies could have a material adverse effect on QIB's business and results of operations, see *"QIB's business could be adversely affected if the Qatari riyal / U.S. dollar peg were to be removed or adjusted"*.

QIB's gross customer financing portfolio as at 30 June 2012 and 31 December 2011 was QAR 40,655 million (U.S.$11,169 million) and QAR 33,860 million (U.S.$9,302 million), respectively, of which the proportion advanced to customers operating in the real estate and construction sectors and/or secured by real estate collateral amounted to 49 per cent., or QAR 19,799 million (U.S.$5,439 million), and 56 per cent., or QAR 18,980 million (U.S.$5,214 million), respectively. As a result, QIB is exposed to declining property values in Qatar which would not only adversely affect the value of collateral supporting a significant proportion of its residential and commercial real estate advances but could also adversely affect the ability of its real estate and construction clients to repay their advances, thereby giving rise to an increase in impairment losses.

Residential property prices and commercial property prices in Qatar have generally declined since 2009, reflecting the slowdown in economic growth as well as uncertainty and lower availability of credit. These factors have also led to a significant slowdown in the construction sector in Qatar. Economic and other factors could lead to a further contraction in the residential mortgage and commercial lending market and to further decreases in residential and commercial property prices. See *"A recurrence of significant levels of inflation, or a return to deflation could each adversely affect QIB"*. Further, economic conditions in the Qatari banking sector prompted the Government to provide certain support measures relating to the Qatari commercial banking sector's real estate portfolio in 2009. Although QIB benefited from such measures, there can be no assurance that such support from the Government will occur in the future.

QIB also has individual customer concentrations, with its 20 largest corporate financing exposures accounting for 48 per cent. and 50 per cent. of its total gross customer financing portfolio at 30 June 2012 and 31 December 2011, respectively. Accordingly, any decline in the credit quality of any of these significant exposures could materially adversely affect QIB.

QIB has experienced significant growth in its customer financing portfolio in past years which exposes it to additional risk to the extent that its risk management policies prove insufficiently robust to maintain its credit quality levels

Risks arising from adverse changes in the credit quality and recoverability of QIB's financing portfolio, securities and amounts due from counterparties are inherent in a wide range of its businesses. QIB's customer financing portfolio has grown significantly since 2008, from a level of QAR 11,679 million (U.S.$3,209 million) at 31 December 2007 to QAR 35,771 million (U.S.$9,827 million) at 30 June 2012, representing a compound annual growth rate ("**CAGR**") of 24.88 per cent. This growth has increased QIB's funding requirements, see *"QIB is subject to the risk that liquidity may not always be readily available; this risk may be exacerbated by conditions in global financial markets"*.

In March 2011, the QCB launched the Central Credit Bureau, the purpose of which is to collate information about customers based in Qatar and their credit history. However, given its lack of operational history, there can be no assurance that the Central Credit Bureau will support QIB's assessment of the overall debt level and creditworthiness of credit applicants in Qatar. Because the availability of accurate and comprehensive financial and general credit information on individuals and small businesses in Qatar is limited, it is likely to be more difficult for QIB to accurately assess the credit risk associated with such lending. As a result, retail and small business customers may be overextended by virtue of other credit obligations of which QIB is unaware. QIB is therefore exposed to retail and small business credit risks that it may not be able to accurately assess and provide for. These factors may result in QIB facing credit delinquencies in its customer financing portfolio. Although QIB has policies to deal with problem financings, there can be no assurance that these policies will result in full or partial recovery of all amounts due.

If QIB is unable to maintain the quality of its assets through effective risk management policies, this could lead to higher impairment losses and result in higher levels of defaults and write-offs, which in turn could have a material adverse effect on QIB's financial condition or results of operations.

QIB is subject to the risk that liquidity may not always be readily available; this risk may be exacerbated by conditions in global financial markets

Liquidity risk is the risk that QIB will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Credit markets worldwide experienced a severe reduction in liquidity and term-funding during the global financial crisis, particularly towards the end of 2008 and into 2009. Since then, the availability of liquidity has continued to be constrained, particularly at times when the European sovereign debt crisis has intensified.

Perception of counterparty risk between banks has also increased significantly since the final quarter of 2008, which has led to reductions of certain traditional sources of liquidity, such as the debt markets, asset sales and redemption of investments. QIB's access to these traditional sources of liquidity may be restricted or available only at a higher cost and there can be no assurance that the Government will continue to provide the levels of support that it has provided to date, either to the Qatari banking sector generally or to QIB in particular.

In addition, uncertainty or volatility in the capital and credit markets may limit QIB's ability to refinance maturing liabilities with long-term funding and increase the cost of such funding. The availability to QIB of any additional financing it may need will depend on a variety of factors, such as market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, and QIB's financial condition, credit ratings and credit capacity.

QIB has historically relied substantially on corporate and retail depositors to meet most of its funding needs. Such deposits are subject to fluctuation due to certain factors outside QIB's control, such as any possible loss of confidence and competitive pressures, which could result in a significant outflow of deposits within a short period of time. As at 30 June 2012, approximately 83 per cent. of QIB's funding (which includes amounts due to banks and financial institutions, customer deposits and other borrowed funds) had remaining maturities of one year or less or were payable on demand. Moreover, QIB is reliant on certain large deposits from a limited group of Government-related and private sector corporate customers. As at 30 June 2012, QIB's top 20 depositors accounted for 23 per cent. of its total customer deposits. If any of these significant depositors, or a substantial portion of QIB's other depositors, withdraw their demand deposits or do not roll over their time deposits at maturity, QIB may need to seek other sources of funding to meet its funding requirements, and there can be no assurance that QIB will be able to obtain additional funding on comparable terms as and when required, or at all. If QIB is unable to refinance or replace such deposits with alternative sources of funding or meet its liquidity needs, through deposits, the interbank markets or international capital markets, this would have a materially adverse effect on QIB's business, financial condition and results of operations or prospects.

QIB has also generally been a net borrower in the interbank market since 2011, a position which makes it more vulnerable to periods of liquidity constraint in the money markets.

QIB may be subject to increased capital requirements or standards due to new governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and may also need additional capital in the future due to worsening economic conditions

Reflecting the global financial market turbulence since the last quarter of 2008, including the reduced liquidity levels and the increasing loan losses and asset quality impairment which many financial institutions have experienced, a number of regulators around the world have increased the capital requirements for banks operating in their jurisdictions. For example, in May 2009, the QCB amended its methodology for calculating capital adequacy ratios by Qatari banks. In addition, in December 2010 the Basel Committee published a revised set of guidelines ("**Basel III**"), the implementation of which will begin in 2013. Although the minimum risk-based capital ratio under Basel III remains at 8 per cent., the minimum common equity ratio will increase from 2 per cent. (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments) and the total Tier 1 capital requirement, which includes common equity and other qualifying financial instruments, will increase from 4 per cent. to 6 per cent. In addition, banks will be required to maintain, in the form of common equity (after the application of deductions), a capital conservation buffer of 2.5 per cent. to withstand future periods of stress, bringing the total common equity requirements to 7 per cent., and, if there is excess credit growth in any given country resulting in a system-wide build-up of risk, a countercyclical buffer within a range of 0 per cent. to 2.5 per cent. of common equity (or possibly other fully loss-absorbing capital) is to be applied as an extension of the conservation buffer. On 15 February 2011, the QCB issued Circular No. 16 of 2011 which indicated that the QCB envisages a revised target capital adequacy ratio of 12 per cent. and a total capital adequacy ratio of 14.5 per cent. if a capital conservation buffer is put in place, but no fixed date has been set as to when this would be implemented. Under the circular, the QCB required all national banks to provide the QCB with a comprehensive report on the implementation of Basel III within three months of the date of the circular. A second circular concerning Basel III was issued in August 2012 relating to Basel III's liquidity requirements. This circular mandated all national banks to submit liquidity ratio calculations in accordance with Basel III's requirements for Liquidity Coverage, Net Stable Funding and Leverage Ratios on a monthly basis, with initial reports to be submitted based on 31 August 2012 data.

The implementation of Basel III in Qatar has not occurred to date, and the effect that these revised guidelines will have on QIB's capital requirements and capital position is uncertain. If any future alterations to the capital adequacy standards under Basel III (or Qatari legislation implementing Basel III) with regard to limits on the deployment and use of capital require QIB to maintain higher capital levels or limit the use of significant portions of its capital, this could have a material adverse effect on QIB's business, financial condition, results of operations, liquidity and prospects.

Requirements imposed by regulators, including capital adequacy requirements, are designed to ensure the integrity of the financial markets and to protect customers and other third parties with whom QIB deals. These requirements are not designed to protect the holders of the Certificates. Consequently, these regulations may limit QIB's activities, including its lending, and may increase QIB's costs of doing business, or require QIB to seek additional capital in order to maintain Qatari capital adequacy requirements or different varieties of funding to satisfy the Qatari liquidity requirements. In addition, a regulatory breach of guidelines in Qatar could expose QIB to potential liability and other sanctions, including the loss of its general banking licence.

An increase in capital requirements may also arise due to market perception of adequate capitalisation levels and perceptions of rating agencies. QIB may also require additional capital in the future in the event that it experiences higher-than-expected increases in losses in its operations or declines in asset quality resulting in higher-than-expected risk-weighted asset growth.

Additional capital, whether in the form of financing arrangements, or additional equity, may not be available on commercially attractive terms, or at all. Further, any such development may require QIB to change how it conducts its business, including by reducing the risk and leverage of certain activities, or otherwise have a negative impact on its business, the products and services it offers and the value of its assets. If QIB is unable to increase its capital adequacy ratios sufficiently, its credit ratings may be lowered and its cost of funding may increase. QIB may become subject to mandatory guidelines and direct monitoring by the QCB should it fail to strengthen its capital position.

QIB is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on QIB

QIB is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. These controls include Qatari laws, regulations, administrative actions and policies (particularly those of the QCB, the Qatar Financial Markets Authority and the Qatar Exchange (the "**QE**"), as well as the laws, regulations, administrative actions and policies of the other countries in which QIB operates. Relevant regulatory authorities may impose penalties and fines for any non-compliance with such controls. For a summary of the major regulations to which QIB is subject in Qatar, see *"Banking Industry and Regulation in Qatar"*.

These regulations may limit QIB's ability to increase its financing portfolio or raise capital. Changes in supervision and regulations may also increase QIB's cost of doing business. Increased regulations or changes in laws and regulations and the manner in which they are interpreted or enforced may limit the products or services offered by QIB and could have a material adverse effect on the value of its assets and its financial condition. In response to the global economic crisis, it is also expected that there will be an increase in the regulation of financial institutions as evidenced by recent actions around the world. Increased regulations, changes in laws and regulations (such as pursuant to Basel III) and the manner in which they are interpreted or enforced may have a material adverse effect on QIB's business, results of operations and financial condition.

Additionally, the Government has announced its intention to establish a single financial regulator in Qatar, which will regulate the banking, insurance and securities sectors. If implemented, the establishment of a single regulator may change the way that current regulations are implemented or enforced. The QCB may not consult with industry participants prior to the introduction of new regulations, and it is not always possible for QIB to anticipate when a new regulation will be introduced. This creates a risk that QIB's profitability may be adversely affected as a result of being unable to adequately prepare for regulatory changes introduced by the QCB. Furthermore, non-compliance by QIB with regulatory guidelines implemented from time to time by the QCB could expose QIB to potential liabilities and fines.

QIB is also required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in Qatar and other jurisdictions where it has operations, including those related to countries subject to sanctions by the United States Office of Foreign Assets Control, similar regulations of the European Union and other jurisdictions and anti-corruption legislation in various countries around the world. To the extent that QIB fails or is perceived to fail to fully comply with applicable laws and regulations, the regulatory agencies having authority over QIB have the power and authority to impose fines and other penalties. In addition, QIB's business and reputation could suffer if customers use QIB for money laundering or any other illegal or improper purpose.

The QCB circular on retail banking, which sets certain limits on Qatari banks' retail operations, may have adverse implications on the profitability of QIB's business

On 10 April 2011, the QCB issued a circular to all banks operating in Qatar which, amongst other things, caps the loan amounts, both in amount and as a percentage of salary, that may be made available to retail customers in Qatar. The circular also limits the repayment period and caps the interest payable (or profit rate for Islamic banks) on retail loans, and imposes similar rate restrictions in respect of card products made available to retail customers. The circular only applies to transactions entered into by QIB after 10 April 2011. In the period immediately following the issuance of the circular, banks in Qatar (including QIB) experienced a reduction in credit growth. As a result, QIB's profitability in respect of its retail operations may be adversely affected in the future by this QCB circular.

Any failure by QIB to comply with international sanctions could result in significant penalties and other adverse affects

QIB has an investment of 9.99 per cent. in Syria International Islamic Bank which operates in Syria and is currently subject to sanctions imposed by the U.S. Department of Treasury's Office of Foreign Assets Control. Upon imposition of the sanctions on Syria International Islamic Bank on 31 May 2012, a member of QIB's board of directors who held a non-executive position on Syria International Islamic Bank's board of directors resigned from that position. Syria is also subject to such sanctions as well as those imposed by the Arab League and the European Union. These sanctions include restrictions on conducting transactions with the Syrian central bank, halting funding by Arab governments for projects in Syria, the banning of commercial and cargo flights between Syria and member states of the Arab League and the European Union, restrictions on the transportation of Syrian crude oil and petroleum products to any country and restrictions on the provision of certain support services to the oil and gas and power generation industries, including technical and financial assistance and restrictions on the sale, supply, transfer or export of luxury goods to Syria.

The terms of legislation and other rules and regulations which establish sanctions regimes are often broad in scope and difficult to interpret. As at the date of this Base Prospectus, QIB believes that is not in violation of any existing European, U.S. or other sanctions regimes. Should QIB or its associates in the future violate any such sanctions regimes, penalties could include a prohibition or limitation on QIB's ability to conduct business in certain jurisdictions or on its ability to access the U.S. or international capital markets. Any such penalty could have a material adverse effect on QIB's business, financial condition, results of operations, liquidity and prospects.

QIB may not be able to manage its expansion strategy effectively, which could impact its profitability

QIB cannot assure prospective investors that it will be able to manage its planned growth effectively. Challenges that may result from strategic investments or acquisitions include QIB's ability to:

- finance strategic investments or acquisitions;
- fully integrate strategic investments, or newly established entities, in line with its strategy;
- assess the value, strengths and weaknesses of investment or acquisition candidates;
- align its current information technology systems adequately with those of an expanded organisation;
- manage efficiently the operations and employees of expanding businesses;
- manage a growing number of entities without over-committing management or losing key personnel; and
- apply its risk management policies effectively to an enlarged organisation.

In addition, in order to carry out and expand its businesses, it is necessary for QIB to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits approvals and consents are often lengthy, complex, unpredictable and costly. If QIB is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

QIB cannot ensure that it will be able to adequately address all these concerns and failure to address any of them could prevent QIB from achieving its strategic objectives and expansion targets, and could also have a material adverse effect on QIB's business, results of operations and financial condition.

QIB's financial condition and operating results could be adversely affected by a range of market risks

QIB's financial condition and operating results could be adversely affected by any or all of a range of market risks that are largely outside its control, including changes in international interest rates and movements in the prices of securities.

Fluctuations in international interest rates could adversely affect QIB's operations and financial condition in a number of different ways. An increase in such rates generally may decrease the value of QIB's fixed rate financing arrangements and raise QIB's funding costs. Such an increase could also generally decrease the value of the fixed rate instruments in QIB's debt-type investment portfolio. A decrease in such rates generally could adversely affect the profit rate margins that QIB is able to achieve and thus adversely affect its profitability. Volatility in interest rates may also result in a repricing gap between QIB's profit rate sensitive assets and liabilities. As a result, QIB may incur additional costs.

QIB's financial condition and operating results may also be affected by changes in the market value of the equity-type securities in its investment portfolio. QIB's income from these securities depends on numerous factors beyond its control, such as overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. As at 30 June 2012, QIB's financial investment portfolio amounted to QAR 15,323 million (U.S.$4,210 million), of which *sukuk* instruments accounted for 75.5 per cent., or QAR 11,572 million (U.S.$3,179 million). Of the QAR 2,617 million (U.S.$719 million) of equity-type instruments in the portfolio, 64.2 per cent., or QAR 1,681 million (U.S.$462 million), were unquoted securities some of which were fair valued on the basis of management estimates which were not based on observable market data. The value ultimately realised by QIB from these investments may be materially different from their current estimated fair value and could result in QIB recognising valuation or impairment losses.

Although QIB has risk management processes that review and monitor the market risk aspects of investment proposals and investment portfolios in accordance with QCB requirements and guidelines, including overall structure and investment limits, market price fluctuations may still adversely affect the value of QIB's securities portfolio. See *"Risk Management – Market Risk"*.

Increasing competition may have a material adverse effect on QIB's results of operations

QIB faces high levels of competition for all of its products and services. QIB principally competes with other Islamic banks but also competes with conventional banks in Qatar to the extent that certain of QIB's customers are not sensitive as to whether their banking arrangements are Islamic or conventional in nature. International banks are also increasing their presence in Qatar, either directly or through strategic investments, and compete with QIB for its wholesale corporate and government-related clients. In addition, QIB believes that the Qatari banking sector faces increased pressure for consolidation and that it is possible that any significant acquisition, merger or consolidation in the Qatari banking sector that does not involve QIB could materially increase the competition faced by QIB. As at 30 June 2012, there were 18 banks, including four Islamic banks (of which QIB is one), registered in Qatar (but excluding Qatar Development Bank). In addition to the existing retail banks in Qatar, more international banks have commenced business through the QFC, which allows them to compete for large corporate and government business (see "*Banking Industry and Regulation – International Banks*"). The competitive nature of the Qatari banking market and any failure by QIB to continue to compete successfully would adversely impact its business.

QIB's compliance systems might not be fully effective

QIB's ability to comply with all applicable legal restrictions and QCB regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. QIB cannot ensure that these systems and procedures will be fully effective in all circumstances. QIB is subject to extensive oversight by regulatory authorities, including regular examination activity. In addition, QIB performs regular internal audits and employs an external auditor to monitor and test its compliance systems. In the case of actual or alleged non-compliance with regulations, QIB could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages. Any of these could have a material adverse effect on QIB's business, results of operations and financial condition. Notwithstanding the foregoing, QIB believes that its risk management and internal control policies and procedures are sufficient to ensure that the Trustee complies with its obligations as a company with securities admitted to the Official List.

QIB's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks

In the course of its business activities, QIB is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk, legal risk and operational risk. See "*Risk Management*". QIB has implemented policies, systems and processes to control and mitigate these risks and expects to continue to develop these policies, systems and processes in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of QIB's methods of managing risk are based upon its use of historical market behaviour. These methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. There can be no assurance that QIB's risk management and internal control policies and procedures will adequately control, or protect QIB against, all credit and other risks. In addition, certain risks could be greater than QIB's empirical data would otherwise indicate. QIB also cannot guarantee that all of its staff will adhere to its policies and procedures.

QIB has also devoted substantial resources to developing its operational risk management policies and procedures, and expects to continue to do so in the future. Nonetheless, QIB is susceptible to, among other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record keeping errors, errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders. See "*QIB is subject to risks relating to its information technology systems*". QIB's risk management and internal control capabilities are also limited by the information, tools and technologies available to it. Any material deficiency in QIB's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on its business, results of operations and financial condition. Notwithstanding the foregoing, QIB believes that its risk management and internal control policies and procedures are sufficient to ensure compliance with the requirements of the Transparency Rules made by the Central Bank of Ireland pursuant to section 22 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2006 applicable to QIB as a listed entity.

QIB is subject to risks relating to its information technology systems

QIB depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of its business and operating data. The proper functioning of QIB's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to QIB's business and ability to compete effectively. QIB's business activities would be materially disrupted if there is a partial or complete failure of any of the information technology systems or communications networks. Such failures can be caused by a variety of factors, including natural disasters, extended power outages and computer viruses. The proper functioning of QIB's information technology systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing QIB's transaction data could subject it to claims for losses and regulatory fines and penalties. QIB has implemented and tested detailed business continuity plans and processes and is currently in the process of improving its disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure could have a material adverse effect on QIB's business and results of operations.

QIB may not receive future support from the Government or it may not receive future support that is commensurate with the support that it has received in the past

In light of the global economic crisis and its impact on the Qatari banking sector, the Government has taken a number of steps to support domestic banks. For example, starting in early 2009, the Qatar Investment Authority (the "**QIA**") began making direct capital injections into Qatar's commercial banking sector and between 2009 and 2011 purchased equity ownership interests of up to 20 per cent. in all domestic banks listed on the QE other than Qatar National Bank Q.S.C. In addition, on 9 March 2009, the QIA began to purchase the investment portfolios of seven of the nine domestic banks (including QIB) listed on the QE. These purchases were completed on 22 March 2009 at a total purchase price of approximately QAR 6,500 million (U.S.$1,786 million). In early June 2009, the QIA made a second round of investments and bought the real estate portfolios and investments of nine domestic commercial banks (including QIB) at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QAR 15,000 million (U.S.$4,121 million). The total support by the QIA to the banking sector, which includes equity injections, purchases of real estate and investment portfolios in domestic banks, has been QAR 32,700 million (U.S.$8,984 million).

Although the Government supported the domestic banking industry during the global financial crisis, there can be no assurance that the Government will provide any additional support to QIB and the domestic banking industry if another major economic disruption were to occur in the future. The Government is currently under no legal obligation to provide any such support.

QIB is operating within a Shari'a environment, which may impact its profitability and competitiveness due to a lack of Islamic financing products

As an Islamic bank, the range of products and services that QIB can offer is limited compared to those offered by conventional banks. This factor may limit its ability to compete effectively with conventional banks for the business of customers who are not sensitive as to whether or not their banking arrangements are structured in a *Shari'a*-compliant manner.

As with some conventional financial products, the structure of Islamic financial products can include the financial institution offering the products by acquiring legal title to physical assets including, for example, real estate, aircraft or ships. Whilst the risks associated with ownership of these products can be mitigated through contractual arrangements and the purchase of Islamic insurance (*takaful*), if QIB is found to have financial liability arising from the ownership of assets as part of its financing activities, this could have a material adverse effect on QIB's business and results of operations.

QIB's financial statements are prepared in accordance with financial accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and, for matters not covered by those standards International Financial Reporting Standards (IFRS) and significant discretion is required to be exercised by management in the preparation of QIB's financial statements

QIB's financial statements are prepared in accordance with financial accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("**AAOIFI standards**") and, for matters not covered by those standards, International Financial Reporting Standards ("**IFRS**"). In preparing its financial statements, QIB also takes into account *Shari'a* rules and principles as determined by its *Shari'a* Supervisory Board and applicable regulations of the QCB and Qatari company law. As a result, there may be significant differences between QIB's financial statements as currently prepared and its financial statements if they had been prepared solely in accordance with IFRS and applicable Qatari law and regulation. For a discussion of certain differences between AAOIFI standards and IFRS, see *"Summary of Significant Differences between the Financial Accounting Standards issued by AAOIFI and International Financial Reporting Standards"*.

Both AAOIFI standards and IFRS change from time to time and these changes may have a material effect on how QIB reports its results of operations and financial position. For example, in the year ended 31 December 2011, QIB adopted Financial Accounting Standard 25 issued by AAOIFI which impacted the classification and measurement of QIB's financial assets. In part, this change also resulted in a restatement of QIB's financial statements for the year ended 31 December 2010.

In accordance with applicable accounting standards, QIB's management is required to make a number of significant accounting estimates, assumptions and judgments in preparing QIB's financial statements. Many of these estimates, assumptions and judgments relate to determinations as to whether or not financing advances and financial assets should be impaired. In part, the judgments are based on observable market data and QIB's historical experience of losses in relation to assets of the type concerned. In other cases, significantly greater levels of judgment are required. QIB's management also uses significant discretion in determining the fair value of financial instruments, particularly in cases where there is no observable market data on which to base the determination, and in determining the useful lives of fixed assets, which in turn affects the annual depreciation charges on those assets. QIB has established detailed policies and control procedures that are intended to ensure that these significant accounting estimates, assumptions and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding QIB's estimates, assumptions and judgments, QIB cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

QIB may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its growth strategy, and any loss of key personnel may adversely affect QIB's ability to implement its strategies

QIB's success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. QIB could face challenges in recruiting qualified personnel to manage its businesses. In addition, if QIB continues to grow, it will need to continue to increase its number of employees. Further, QIB is guided in its human resources decisions by the Qatari government's recommended policy that 20.0 per cent. of QIB's total personnel should consist of Qatari nationals. Although QIB believes that it has effective recruitment, training and incentive programmes in place, and QIB's Qatarisation level is well above 20.0 per cent., QIB's failure to recruit, train and retain necessary personnel, or the shortage of qualified Qatari or other nationals prepared to relocate to Qatar, could have a material adverse effect on QIB's business and results of operations.

QIB's future success and growth depends to a substantial degree on its ability to retain and motivate senior management and other key personnel. QIB depends especially on the efforts, skill, reputation and experience of its key senior management personnel, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent QIB from implementing its strategies. In addition, QIB is not insured against losses that may be incurred in the event of the loss or dismissal of its key personnel.

QIB could be adversely affected by the soundness or the perceived soundness of other financial institutions and counterparties, which could result in significant systemic liquidity problems, losses or defaults

Against the backdrop of constraints on liquidity and the high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions, QIB, like other financial institutions, is subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by QIB or other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom QIB interacts on a daily basis. Systemic risk could have a material adverse effect on QIB's ability to raise new funding and on its business and results of operations.

QIB has significant credit-related contingent items and commitments that may lead to potential losses

As part of its normal banking business, QIB issues financing commitments, guarantees, letters of credit and other financial facilities, all of which are accounted for on an off-balance sheet basis until such time as they are actually funded or cancelled. Although these commitments are contingent, they nonetheless subject QIB to related credit and liquidity risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as customer financing activities, and commitments to extend credit are contingent on customers maintaining required credit standards. Although QIB anticipates that only a portion of its obligations in respect of these commitments will be triggered, QIB may be obliged to make payments in respect of a greater portion of such commitments than anticipated, which could have a material adverse effect on QIB's funding needs and credit risks. As at 30 June 2012, QIB had QAR 11,050 million (U.S.$3,036 million) in such contingent liabilities and other commitments.

A downgrade in QIB's credit ratings could limit its ability to negotiate new financing facilities, access the Islamic capital markets and may increase its financing costs and/or adversely affect its relationship with creditors

QIB's credit ratings, which are intended to measure its ability to meet its financing obligations as they mature, are an important factor in determining its cost of financing. The profit rates on QIB's financings are partly dependent on its credit ratings. As at the date of this Base Prospectus, QIB's long-term local and foreign currency rating was assessed by Fitch at "A" and by S&P at "A-", each with stable outlook.

A downgrade of QIB's credit ratings, or the placing of any such rating on a negative ratings watch, may increase QIB's cost of financing and thus materially adversely affect its business and results of operations. A downgrade of QIB's credit ratings (or announcement of a negative ratings watch) may also limit its ability to raise capital.

QIB may be a defendant in various legal proceedings from time to time

QIB may, from time to time, be a defendant in legal proceedings incidental to its business activities. For example, in January 2012 QIB approved the payment of QAR 12.4 million (U.S.$3.4 million) to a claimant against QIB who sought to contest the fairness of the payment in the Supreme Court. However, the Supreme Court did not uphold his case and the claimant has subsequently accepted the payment. QIB has established a reserve for litigation and other contingent liabilities, which amounted to QAR 11.3 million (U.S.$3.1 million) as at 30 June 2012. However, QIB is not able to predict the ultimate outcome of any of the claims currently pending against it or future claims or investigations that may be brought against it, which may be in excess of its existing reserves. Adverse outcomes in existing or future proceedings, claims or investigations could have an adverse effect on QIB's business and results of operations.

QIB's business could be adversely affected if the Qatari riyal / U.S. dollar peg were to be removed or adjusted

In 2001, the GCC proposed to establish a common currency by 2010 with a view to deepening economic integration. On 5 May 2009, the GCC announced that Riyadh had been selected as the home of the new regional central bank for the proposed single GCC currency to be adopted across the GCC States. This announcement has reinforced the possibility that Bahrain, Kuwait, the Kingdom of Saudi Arabia and Qatar may each abandon their respective national currencies within the next few years. If a single GCC currency is adopted, the necessary convergence of laws, policies and procedure will bring significant changes to the economic and political infrastructure in each of the GCC States, including Qatar. In March 2010, Qatar, Kuwait, Saudi Arabia and Bahrain unanimously elected Saudi Arabia's Monetary Agency Governor as the first chairman of the GCC Monetary Council, representing the latest step in launching a single currency and laying the foundation for a GCC central bank. There has been no announcement of an official timetable for the progression of monetary union or whether a GCC monetary union will indeed be implemented.

QIB maintains its accounts, and reports its results, in Qatari riyals. The Qatari riyal has been pegged to the U.S. dollar since 1971 and, since 1980, the peg has been at a fixed rate of U.S.$1.00 = QAR 3.64. QIB is exposed to the potential impact of any alteration to, or abolition of, this foreign exchange rate peg. Also, as a financial intermediary, QIB is exposed to foreign exchange rate risk. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that QIB may have to close out any long or short open position in a foreign currency at a loss due to an adverse movement in exchange rates.

Any open currency position is maintained within the limits set by the QCB. However, where QIB is not effectively hedged, it is exposed to fluctuations in foreign exchange rates and any hedging activity may not in all cases protect QIB against such risks. Adverse movements in foreign exchange rates may also adversely impact the revenues and financial condition of QIB's depositors and financing customers which, in turn, may impact QIB's deposit base and the quality of its financing exposures. Any volatility in foreign exchange rates, including the re-fixing of the Qatari riyal-U.S. dollar exchange rate, could have a material adverse effect on QIB's financial condition and results of operations.

Qatar has a relatively new insolvency law and there is no certainty as to how Qatari courts will construe or enforce such law in the event of a bankruptcy affecting QIB

Qatar's current bankruptcy and insolvency legislation (the "**Bankruptcy Law**") came into effect in May 2007. The Bankruptcy Law provisions are similar to those included in the Egyptian and most other GCC laws and relate largely to the declaration of bankruptcy, its effects and its administration, and include conciliation to prevent bankruptcy. However, because the Bankruptcy Law is relatively recent and is currently untested by Qatari courts, there is no certainty as to how Qatari courts would construe or enforce the Bankruptcy Law in the event of a bankruptcy affecting QIB. There can also be no assurance that a Qatari court would compel a bankruptcy administrator to perform any of the QIB's obligations under the Transaction Documents to which it is a party during an administration period. The Bankruptcy Law also enables Qatari courts to defer adjudication of a company's bankruptcy if the court decides that it is possible to improve that company's financial position during a period (such period to be specified by the court) or if judged to be in the interest of the national economy.

Risk factors relating to the Certificates

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Certificates of any Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of such Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity. An application has been made for the listing of the Certificates on the Irish Stock Exchange but there can be no assurance that any such listing will occur on or prior to the date of this Base Prospectus or at all, if it does occur, that it will enhance the liquidity of the Certificates.

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an interest in the Trust Assets. Recourse to the Trustee in respect of each Series of Certificates is limited to the Trust Assets of that Series and the proceeds of such Trust Assets are the sole source of payments on the relevant Certificates. Upon the occurrence of a Dissolution Event, or early dissolution pursuant to Conditions 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*) or 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of QIB*), the sole rights of each of the Trustee, the Delegate and the Certificateholders of the relevant Series of Certificates will be against QIB to: (i) pay the Exercise Price in respect of such Series; (ii) liquidate the relevant Restricted Mudaraba and pay the Final Liquidation Proceeds to the Trustee (subject to any applicable set-off provisions under the Redemption Undertaking Deed); and (iii) otherwise perform its obligations under the Transaction Documents to which it is a party. Certificateholders will otherwise have no recourse to any assets of the Delegate, QIB, the relevant Dealer, the Trustee (including its directors and service providers), and the Principal Paying Agent or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the relevant Trust Assets. QIB is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Trustee and the Delegate will have direct recourse against QIB to recover payments due to the Trustee from QIB pursuant to the Transaction Documents. There can be no assurance that the proceeds of the realisation of, or enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the Certificates of the relevant Series. Furthermore, under no circumstances shall any Certificateholder, the Trustee or the Delegate have (i) any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking Deed or the Master Restricted Mudaraba Agreement (by liquidating the relevant Restricted Mudaraba) or (ii) any other recourse against the Trust Assets, except the right to receive distributions derived from the Trust Assets in accordance with the Conditions, and the sole right of the Trustee, the Delegate and the Certificateholders against QIB shall be to enforce the obligation of QIB to pay the relevant Exercise Price under the Purchase Undertaking Deed, liquidate the relevant Restricted Mudaraba for an amount equal to the relevant Final Liquidation Proceeds and otherwise perform its obligations under the Transaction Documents to which it is a party.

The Certificates may be subject to early dissolution

In certain circumstances, the Certificates may be subject to early dissolution. If the Optional Dissolution Right is specified as being applicable in the applicable Final Terms, QIB shall (i) exercise its option under the Sale Undertaking Deed and (ii) liquidate the relevant Restricted Mudaraba and distribute the Final Liquidation Proceeds to procure the Trustee to dissolve the Trust and redeem the Certificates (in whole, but not in part) on the relevant Optional Dissolution Date at the relevant Optional Dissolution Amount as specified in the applicable Final Terms.

In addition, the Certificates may be redeemed prior to their stated maturity if QIB has or will become obliged to provide funding to ensure that the funds available to the Trustee are sufficient to pay the relevant Periodic Distribution Amount or the relevant Dissolution Amount by reason of Condition 12 (*Taxation*) and such obligation cannot be avoided by the Trustee taking reasonable measures available to it. In such circumstances, QIB has the option to require the Trustee to dissolve the Trust and redeem the Certificates prior to their scheduled maturity. Early dissolution in either instance may reduce the return that a Certificateholder would have realised had the Certificates been redeemed at maturity.

An early dissolution feature of any Certificate is likely to limit its market value. During any period when the Trustee may elect to or be expected to redeem Certificates, the market value of those Certificates generally will not rise substantially above the dissolution amount payable. This also may be true prior to any dissolution period. The Trustee may be expected to redeem the Certificates when QIB's cost of financing is lower than the profit rate (including such additional amounts as are referred to above) on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates and may only be able to do so at a significantly lower rate. Potential investors should consider re-investment risk in light of other investments available at that time.

Certificates where denominations involve integral multiples: Definitive Certificates

In relation to any issue of Certificates which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Certificates may be traded in amounts that are not integral multiples of such minimum Specified Denomination.

In such a case a holder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Certificateholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a principal amount of Certificates such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Certificate.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

No third-party guarantees

Investors should be aware that no guarantee is or will be given in relation to the Certificates by the shareholders of the Trustee or any other person.

Risk factors relating to the Sukuk Assets

Investment in the Mudaraba Portfolio

Pursuant to the Master Restricted Mudaraba Agreement, a proportion of the Proceeds will be directly invested through Restricted Mudaraba Contracts in a Mudaraba Portfolio with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates. In the event that any of the risks relating to the business of QIB mentioned above (see *"Risk Factors – Risks factors relating to QIB"*) materialise or otherwise impact QIB's business, the Mudarib may not be able to perform its obligations under the Master Restricted Mudaraba Agreement which will, in turn, have a material adverse effect on the Trustee's ability to fulfil its repayment obligations in respect of the Certificates.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Mudaraba Assets. The Mudaraba Assets shall be selected by QIB and the Certificateholders shall have no ability to influence such selection. QIB may invest a portion of the Proceeds through the purchase of an undivided interest in each of the Mudaraba Assets and, as a result, it may not be possible to identify the Mudaraba Assets separately from the assets of QIB. The precise terms of the Mudaraba Assets, and the nature of the assets leased or sold underlying each Mudaraba Asset, will not be known. Obligors and lessees may have rights of set-off or counterclaim against QIB in respect of such Mudaraba Assets.

Liability attaching to owners of Wakala Assets

In order to comply with the requirements of *Shari'a*, the ownership of the Wakala Portfolio of each Series of Certificates will pass to the Trustee in its capacity as trustee under the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract. The Trustee will declare a trust in respect of such Wakala Portfolio and the other Trust Assets of the relevant Series in favour of the Certificateholders of such Series pursuant to a Supplemental Declaration of Trust constituting the Series. Accordingly, Certificateholders will have interests in the relevant Wakala Portfolio unless transfer of the Wakala Portfolio is prohibited by, or ineffective under, any applicable law (see *"Sale and Transfer of the Wakala Assets"* below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Portfolio. The Wakala Assets in a Wakala Portfolio will be selected by QIB and the Certificateholders will have no ability to influence such selection. Only limited representations will be obtained from QIB in respect of the Wakala Assets of any Series. QIB has undertaken to invest a proportion of the Proceeds in Wakala Real Estate Ijara Assets, Wakala Non-Real Estate Ijara Assets, Wakala Istisna'a Assets, Murabaha Receivables and other *Shari'a*-Compliant Assets originated, held or owned by QIB. The assets that are invested into will form the Wakala Portfolio. The precise terms of the underlying contracts associated with the Wakala Assets in a Wakala Portfolio, the nature of the assets leased or sold or the contracts underlying each Wakala Asset will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by QIB to give effect to the transfer of the relevant Wakala Assets). No steps will be taken to perfect any transfer of the relevant Wakala Assets or otherwise give notice to any lessee or obligor in respect thereof. Obligors and lessees may have rights of set-off or counterclaim against QIB in respect of such Wakala Assets.

In addition, if and to the extent that a third party is able to establish a direct claim against the Trustee for any amount payable to such third party as a result of the Trustee's holding of the Wakala Portfolio, QIB has agreed in the Master Declaration of Trust to indemnify the Trustee, the Delegate and any Certificateholder against any cost, expense, loss or taxes which it may suffer in respect of such liabilities, excluding the cost of funding the same. In the event that QIB does not have the resources to meet such claims or to meet its indemnity obligations, then the Certificateholders may suffer losses in excess of the original face amount invested which they will be unable to recoup.

Sale and transfer of the Wakala Assets

No investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract will have the effect of selling and transferring the Wakala Assets of the relevant Series of Certificates.

As indicated earlier, the Certificateholders will not have any direct rights of enforcement as against the Trust Assets and their rights are limited to enforcement against QIB of its obligation to liquidate the relevant Restricted Mudaraba and return all amounts due and payable to the Trustee in relation to the relevant Restricted Mudaraba Contract (whether in respect of Mudaraba Capital or Mudaraba Profit) pursuant to the terms of the Master Restricted Mudaraba Agreement and to purchase the Wakala Portfolio from the Trustee pursuant to the terms of the Purchase Undertaking Deed. In addition, QIB has agreed in the Purchase Undertaking Deed to indemnify the Trustee (in an amount equal to the Exercise Price) for the purposes of redemption in full of the relevant Series of Certificates in the event that the ownership interest of the Trustee in the relevant Wakala Portfolio is disputed or challenged. Accordingly, any restriction on the ability of QIB to perfect the sale of the Wakala Portfolio to the Trustee is likely to be of limited consequence to the rights of the Certificateholders.

Limited Recourse

The Certificateholders shall have no recourse against the Trustee other than in respect of the proceeds of the Trust Assets in accordance with the Transaction Documents. The sole right of the Certificateholders against the Trust Assets shall be the right to enforce the respective obligations of the Trustee and QIB under the Transaction Documents.

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or QIB (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee and QIB shall be extinguished.

Risk factors relating to payments

Periodic Distribution Amount and Credit Risk

It is expected that the rate of return on the Sukuk Assets of each Series will exceed the relevant Periodic Distribution Amount due in respect of such Series and accordingly that the Rabb-al-Maal and the Managing Agent will, in the aggregate, receive Profit Revenues in respect of the Sukuk Assets of each Series at least equal to the relevant Periodic Distribution Amount. Such amounts will be paid by the Rabb-al-Maal and the Managing Agent to the Trustee's Transaction Account for the relevant Series.

If the aggregate of the Profit Revenues received by the Rabb-al-Maal and the Managing Agent during any Return Accumulation Period are less than the Required Amount (being the aggregate of the Periodic Distribution Amounts then falling due and certain other amounts), then the Mudarib and the Managing Agent will be required to pay further amounts up to the current aggregate balances of the Mudaraba Reserve Account and the Wakala Reserve Account to remedy such shortfall. In the event of any remaining shortfall, the Managing Agent may provide the Trustee with *Shari'a*-compliant financing by way of the Liquidity Facility to enable full payment of the Periodic Distribution Amount.

The Collection Account, the Mudaraba Reserve Account and the Wakala Reserve Account are nominal ledger accounts maintained on the books of QIB to record, respectively, Profit Revenues during each Return Accumulation Period and the accumulated surplus of such Profit Revenues over the Required Amounts for each such period.

The Managing Agent and the Mudarib shall each have the right to use and invest amounts standing to the credit of the Collection Account, the Wakala Reserve Account and the Mudaraba Reserve Account (as appropriate) for its own account and its obligations to pay amounts to the Rabb-al-Maal and the Trustee (as relevant) constitute unsecured obligations of the Managing Agent and the Mudarib. Neither the Trustee, the Delegate nor any Certificateholder shall have any proprietary interest in the monies standing to the credit of the Collection Account, the Mudaraba Reserve Account or the Wakala Reserve Account, and accordingly Certificateholders will be exposed to the full credit risk of the Mudarib and/or Managing Agent in relation to such amounts.

In addition, any failure to pay the Periodic Distribution Amount due on a Periodic Distribution Date (subject to the grace period) could constitute a Dissolution Event in respect of the relevant Series of Certificates.

Credit Risk

The Trustee will fund the redemption amount payable by it in respect of each Series of Certificates with the Exercise Price paid to it by QIB under the Purchase Undertaking Deed and the Final Liquidation Proceeds following the liquidation of the Mudaraba, see *"Summary of the Principal Transaction Documents – Purchase Undertaking Deed"*. This is also an unsecured obligation of QIB and accordingly investors will also be subject to the full credit risk of QIB in relation to the redemption amounts.

Risk factors relating to taxation

Taxation risks on payments

Payments made by QIB to the Trustee under the Transaction Documents, by the Trustee in respect of the Certificates, or revenues generated by the Sukuk Assets and received by the Mudarib and the Managing Agent, could become subject to withholding or deduction for or on account of taxation. The Master Restricted Mudaraba Agreement, the Management Agreement and the Purchase Undertaking Deed each require QIB to pay additional amounts in the event that any withholding or deduction is required to be made by Qatari law in respect of payments made by it to the Trustee under those documents. Condition 12 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by the Cayman Islands and/or Qatar in certain circumstances. In the event that the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, QIB has, pursuant to the Master Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 12 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

Also, to the extent that the Sukuk Assets do not generate the anticipated level of revenues as a result of withholding tax or deductions in Qatar (and consequentially there are insufficient funds in the Transaction Account and the aggregate of the amounts in the Mudaraba Reserve Account and the Wakala Reserve Account is less than the amount of any shortfall in the Periodic Distribution Amount in respect of any Series of Certificates then payable to Certificateholders), the Managing Agent may provide *Shari'a*-compliant financing by way of the Liquidity Facility to ensure that the Trustee meets its obligation to pay the full amount of the Periodic Distribution Amount on the relevant Periodic Distribution Date.

If QIB has or will become obliged to, or as the case may be exercises its discretion to provide funding to ensure that the funds available to the Trustee are sufficient to pay the relevant Periodic Distribution Amount or the relevant Dissolution Amount pursuant to Condition 12 (*Taxation*) or through the Liquidity Facility (as defined in Condition 6(g) (*Trust – Operation of Liquidity Facility*)), and such obligation cannot be avoided by the Trustee taking reasonable measures available to it, then Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*) provides that, in such circumstances, QIB has the option to require the Trustee to dissolve the Trust and redeem the Certificates prior to their scheduled maturity.

Payments by QIB under the Transaction Documents may be subject to withholding tax in Qatar

The Income Tax Law and the Executive Regulations of the Income Tax Law issued in June 2011 (the "**Executive Regulations**") provide that any interest payments made to "non-residents" in respect of activities not connected with a permanent establishment in Qatar will be subject to withholding tax. The Executive Regulations provide for certain exemptions to such application of withholding tax. In particular, paragraph 3 of Article 21.4 of the Executive Regulations provides that "interest on transactions, facilities and loans with banks and financial institutions" shall not be subject to withholding tax. The provisions applicable to interest payments may also apply to profit payments made under Islamic financial instruments (including sukuk and certificates).

The Ministry of Economy and Finance have provided to QIB an exemption (the "**Exemption**") from withholding tax for all payments made under the Programme (including payments to the Certificateholders). However, it is not clear from either the Income Tax Law or the Executive Regulations, whether the Exemption has the force of law in Qatar and it is therefore possible that the Exemption may prove not to have been effective, such that withholding tax is payable on certain payments under the Programme.

To the extent that the Exemption is proven to have been ineffective, or if any law or regulation relating to withholding tax is changed, then, in relation to any then outstanding Certificates, the Trustee may be entitled to redeem the Certificates pursuant to Condition 11(b) (*Early Dissolution for Tax Reasons*).

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

A number of non EU countries and territories and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional adviser.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the

Trustee, nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Certificate as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Trustee will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

U.S. Foreign Account Tax Compliance Withholding

The Trustee and other non-U.S. financial institutions through which payments on the Certificates are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Certificates treated as debt for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified from that date and (ii) any Certificates treated as equity for U.S. federal tax purposes, whenever issued, pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**") or similar law implementing an intergovernmental approach to FATCA. This withholding tax may be triggered if (i) the Trustee is a foreign financial institution ("**FFI**") (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (making the Trustee a "**Participating FFI**"), (ii) the Trustee has a positive "passthru percentage" (as defined in FATCA), and (iii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Certificates is made, is not a Participating FFI.

The application of FATCA to profit, principal or other amounts paid with respect to the Certificates is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from profit, principal or other payments on the Certificates, and were the Trustee, the Delegate, QIB or any Paying Agent or any other person not be required to pay additional amounts to investors as a result of the deduction or withholding of such tax pursuant to the Conditions of the Certificates (either because any such provision were deemed to be unenforceable or otherwise), investors may, if FATCA is implemented as currently proposed by the IRS, receive less profit or principal than expected. Certificateholders should consult their own tax advisers on how these rules may apply to payments they receive under the Certificates.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. The application of FATCA to Certificates issued after 31 December 2012 (or whenever issued, in the case of Certificates treated as equity for U.S. federal tax purposes) may be addressed in the applicable Final Terms or a supplement to this Base Prospectus, as applicable.

Risk factors relating to enforcement

Claims for specific enforcement

In the event that QIB fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of QIB's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement, which is a discretionary matter.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by QIB to perform its obligations set out in the Transaction Documents to which it is a party.

Investors may experience difficulty in enforcing arbitration awards and foreign judgments in Qatar

There is currently no treaty or convention for the reciprocal enforcement of judgments between Qatar and England. A judgment obtained from a court in England will be enforceable in Qatar subject to the provisions of Articles 379 and 380 of the Civil and Commercial Procedure Law, which provides, in the case of Article 379, that judgments and orders pronounced in a foreign country may be ordered to be executed in Qatar upon the conditions determined in that country for the execution of Qatari judgments and orders and provides, in the case of Article 380, that an order for execution of a foreign judgment or order will not be made unless and until the following have been ascertained, that: (i) the judgment or order was delivered by a competent court of the foreign jurisdiction in question; (ii) the parties to the action were properly served with notice of proceedings and properly represented; (iii) the judgment or order is one that is capable of being executed by the successful party to the proceedings in conformity with the laws of the foreign jurisdiction in question; and (iv) the foreign judgment or order does not conflict with a previous judgment or order of a competent Qatari court and is not contrary to public policy or morality in Qatar. A Qatari court would be entitled to call for textual evidence on the laws of England concerning the conditions that would be applicable for the execution of the judgment of a Qatari court in England and the Qatari court would then be entitled to execute the judgment of the English court upon those conditions. Accordingly, although a judgment obtained from a court in England would be admissible in evidence in any proceedings brought in Qatar to enforce such judgment it would still be necessary to initiate proceedings in Qatar.

Under the Terms and Conditions of the Certificates, the parties have agreed that any dispute arising out of or in connection with the Certificates shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration, with the Delegate and Certificateholders having the right to require that the courts of England have exclusive jurisdiction to settle the dispute. In the event that proceedings are brought against the Trustee in Qatar, the Qatari courts would, in accordance with their normal practice, enforce the contractual terms of the Certificates (including the contractual choice of a governing law other than Qatari law to govern the Certificates, provided that, this would not apply to any provision of that law which Qatari courts held to be contrary to any mandatory provision of Qatari law or to public order or morality in Qatar). Qatari courts have consistently enforced commercial interest obligations computed in accordance with the terms of the relevant agreement.

Pursuant to Decree No. 29 of 2003, Qatar joined the New York Convention on the Recognition and Enforcement of Foreign Arbitral awards of 1958 (the "**New York Convention**"). Accordingly, whenever the New York Convention applies to a foreign arbitral award, that award should be recognised and enforced in compliance with the requirements of the New York Convention. However, enforcement of foreign arbitral awards is underdeveloped in Qatar and largely untested and therefore there can be no assurance that arbitration in connection with the Transaction Documents and/or the Certificates, would protect the interests of the relevant Certificateholders to the same extent as would be expected in certain other jurisdictions.

Additional risks

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

Change of law

The conditions of the Certificates and certain Transaction Documents are based on English law in effect as at the date of this Base Prospectus. Certain Transaction Documents are governed by Qatari law. No assurance can be given as to the impact of any possible judicial decision or change to English or Qatari law or administrative practice after the date of this Base Prospectus nor whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates.

Investors must make their own determination as to Shari'a compliance

Members of the *Shari'a* advisory boards of QIB and each of the Arrangers have issued a fatwa in respect of the Certificates and the related structure and mechanism described in the Transaction Documents and their compliance with *Shari'a* principles. However, a fatwa is only an expression of the view of the relevant *Shari'a* advisory board based on its experience in the subject and is not a binding opinion. There can be no assurance as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates and neither the Trustee, QIB, the Delegate nor the Dealers makes any representation as to the same. Investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shari'a* advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties in the transaction would be, if in dispute, either the subject of arbitration under the arbitration rules of the London Court of International Arbitration or court proceedings under the laws of Qatar or England and Wales. In such circumstances, the arbitrator or judge (as applicable) may first apply the relevant law rather than *Shari'a* principles in determining the obligations of the parties.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Certificates of each Series will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate. While the Certificates of any Series are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates of any Series are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in a Global Certificate.

Holders of ownership interests in a Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

European Monetary Union

If Certificates are issued under the Programme which are denominated in the currency of a country which, at the time of issue, is not a member of the European Monetary Union and, before the relevant Certificates are redeemed, the euro becomes the sole currency of that country, a number of consequences may follow including, but not limited to, any or all of the following: (i) all amounts payable in respect of the relevant Certificates may become payable in euro; and (ii) applicable law may allow or require such Certificates to be re-denominated into euro and additional measures to be taken in respect of such Certificates. Any of these or any other consequences could adversely affect the holders of the Certificates.

Exchange rate risks and exchange controls

The Trustee will pay Periodic Distribution Amounts and Dissolution Amounts on the Certificates in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency.

These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls.

An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the Dissolution Amount payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive a lower Dissolution Amount than expected, or no Dissolution Amount.

Consents in relation to the variation of the Transaction Documents and other matters

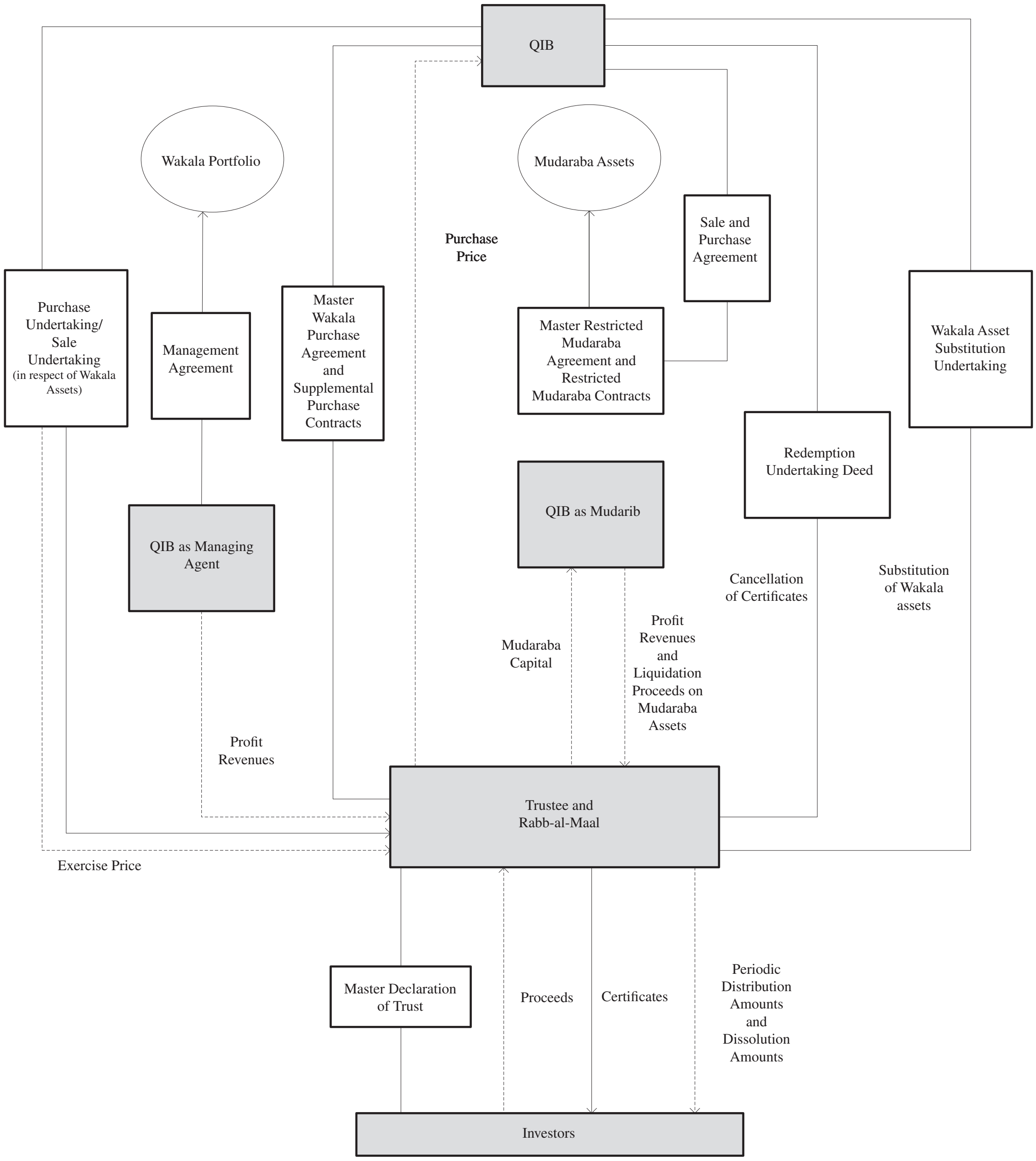
The Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Master Declaration of Trust contains provisions preventing the Trustee from amending the Transaction Documents and the Trustee's memorandum and articles of association without the consent of the Delegate and permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to give its consent to the Trustee making any modification to the Master Declaration of Trust if, in the opinion of the Delegate, such modification: (a) is of a formal, minor or technical nature; or (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the Certificateholders and is other than in respect of a Reserved Matter (as defined in the Master Declaration of Trust). Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the transaction. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the relevant Transaction Documents and the Corporate Services Agreement set out elsewhere in this Base Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram



Cashflows

Payments by the Certificateholders and the Trustee

On the Closing Date, the Trustee will enter into a sale and purchase agreement (the "**Master Wakala Purchase Agreement**") with QIB and, on the issue date of each Series of Certificates (each, an "**Issue Date**"), the relevant Certificateholders will pay the issue price to the Trustee and, in accordance with the terms of the Master Wakala Purchase Agreement, the Trustee will enter into a supplemental purchase contract (a "**Supplemental Purchase Contract**") with QIB pursuant to which the Trustee shall, using a proportion of the proceeds of a Series of Certificates (the "**Proceeds**"), purchase from QIB, real estate assets located in a Designated Area and in relation to which QIB or any person as agent on its behalf has entered into *ijara* contracts ("**Real Estate Ijara Contracts**") (including any ancillary rights under such contracts) ("**Wakala Real Estate Ijara Assets**"), non-real estate assets, excluding any Vehicle Financing Assets, in relation to which QIB or any person as agent on its behalf has entered into *ijara* contracts ("**Non-Real Estate Ijara Contracts**") (including any ancillary rights under such Non-Real Estate Ijara Contracts) ("**Wakala Non-Real Estate Ijara Assets**"), *istisna'a* assets: (i) which are under construction; (ii) in respect of which QIB has entered into a *Shari'a*-Compliant forward lease or other *Shari'a*-compliant financing arrangement; and (iii) which are located in a Designated Area ("**Wakala Istisna'a Assets**"), receivables under *murabaha* (sale of commodities or goods on a cost plus basis) contracts ("**Murabaha Contracts**") (including any ancillary rights under such *murabaha* contracts) ("**Murabaha Receivables**") and *Shari'a*-compliant assets, other than a Real Estate Ijara Asset or a Non-Real Estate Ijara Asset, originated, held or owned by QIB, including the income generated therefrom and any agreement and documents in relation to such assets ("***Shari'a*-Compliant Assets**") but excluding any Vehicle Financing Asset and any real estate asset not located in a Designated Area (each such asset an "**Initial Wakala Asset**" and the portfolio of such assets being the "**Initial Wakala Portfolio**", and following the Issue Date of a Series, together with any Eligible Wakala Asset which may have been substituted for any Initial Wakala Asset in accordance with the Management Agreement, the Master Wakala Purchase Agreement, the relevant Supplemental Purchase Contract and the Wakala Asset Substitution Undertaking Deed, the "**Wakala Portfolio**" and each asset comprising the Wakala Portfolio, a "**Wakala Asset**"). For these purposes, "**Designated Area**" means (a) the 18 investment areas in the State of Qatar where, pursuant to the Cabinet Resolution No. (6) of 2006, as may be amended or supplemented from time to time, a non-Qatari person may own a 99 year usufruct right over the relevant real estate; and (b) any other real estate in the State of Qatar, from time to time, in respect of which the Trustee may own freehold title or a usufruct right under the laws of the State of Qatar. "**Vehicle Financing Asset**" means an asset comprising a vehicle which, pursuant to Law No. (19) of 2007, may not be registered in the name of a foreign entity and includes the rights in respect of any financing of such vehicle.

The Trustee shall appoint QIB as its managing agent (the "**Managing Agent**") to manage the Wakala Portfolio in respect of each Series under, and in accordance with the terms of, a management agreement (the "**Management Agreement**"). Under the Management Agreement, the Managing Agent shall be obliged, in accordance with an investment plan (the "**Wakala Investment Plan**"), to manage the Wakala Portfolio through the provision of certain services including, but not limited to, ensuring timely receipt of all revenues from each Wakala Asset (the "**Wakala Portfolio Revenues**"), collecting or enforcing the collection of such Wakala Portfolio Revenues and using its reasonable endeavours to apply such Wakala Portfolio Revenues in the nature of capital or principal payments in respect of the relevant Wakala Assets (including fixed rentals (in the case of Ijara Assets) and cost element (in the case of Murabaha Receivables)) (the "**Wakala Portfolio Principal Revenues**") in acquiring further Eligible Wakala Assets from QIB. Pursuant to the terms of the Management Agreement, the Managing Agent shall be obliged to maintain separate ledgers in the Collection Account to record: (1) any amount of Wakala Portfolio Principal Revenues received in respect of the Wakala Portfolio; (2) the amount of Wakala Portfolio Revenues that are not Wakala Portfolio Principal Revenues ("**Wakala Portfolio Income Revenues**"); and (3) any amount of Wakala Portfolio Income Revenues remaining after deducting amounts payable to the Trustee on any given Periodic Distribution Date.

On the Closing Date, the Trustee will enter into a master restricted *mudaraba* agreement ("**Master Restricted Mudaraba Agreement**") (as the same will be supplemented, on the Issue Date of each Series, by an individual restricted *mudaraba* contract (each a "**Restricted Mudaraba Contract**")) with QIB as the *mudarib* (the "**Mudarib**"), pursuant to which, in relation to each Series, the Trustee (as "**Rabb-al-Maal**") will deposit the remainder of the Proceeds, as a capital contribution (the "**Mudaraba Capital**") into a ledger account maintained by the Rabb-al-Maal with the Mudarib (the "**Mudaraba Account**") for investment pursuant to a restricted *mudaraba* arrangement (a "**Restricted Mudaraba**") in accordance with an investment plan (the "**Mudaraba Investment Plan**") contained in the applicable Restricted Mudaraba Agreement. On the Issue Date of each Series, the Mudarib will enter into a sale and purchase agreement with QIB pursuant to which it will purchase from QIB an ownership interest in a portfolio of Real Estate Ijara Assets in relation to which QIB has entered into Real Estate Ijara Contracts (including any ancillary rights under such contracts) ("**Mudaraba Real Estate Ijara Assets**"), Non-Real Estate Ijara Assets (including any asset relating to vehicle financings) in relation to which QIB has entered into Non-Real Estate Ijara Contracts (including any ancillary rights under such contracts) ("**Mudaraba Non-Real Estate Ijara Assets**" and together with Wakala Non-Real Estate Ijara Assets, Mudaraba Real Estate Ijara Assets and Wakala Real Estate Ijara Assets, "**Ijara Assets**"), *istisna'a* assets which (i) which are under construction; and (ii) in respect of which QIB has advanced entered into a *Shari'a*-compliant forward lease or other *Shari'a*-compliant financing arrangement ("**Mudaraba Istisna'a Assets**" and together with Wakala Istisna'a Assets, "**Istisna'a Assets**"), *Shari'a*-Compliant Assets other than Mudaraba Non-Real Estate Ijara Assets and Mudaraba Real Estate Ijara Assets that have associated with them underlying tangible assets (as defined below) and *Shari'a*-compliant deposits with QIB ("***Shari'a*-Compliant Investments**") (such assets being the "**Initial Mudaraba Assets**", and the portfolio of such assets being the "**Initial Mudaraba Portfolio**", and following the Issue Date of a Series, together with any Eligible Mudaraba Asset substituted for any Initial Mudaraba Asset, the "**Mudaraba Portfolio**" and each asset comprising the Mudaraba Portfolio, a "**Mudaraba Asset**"). The Wakala Assets and the Mudaraba Assets together constitute the "**Sukuk Assets**". The Sukuk Assets, together with any other assets in the relevant Trust, constitute the "**Trust Assets**" for the relevant Series.

Under the terms of the Master Restricted Mudaraba Agreement, in relation to each Restricted Mudaraba, the Mudarib shall be obliged, among other things, to ensure that the Mudaraba Capital is invested in accordance with the terms of the Master Restricted Mudaraba Agreement, the Restricted Mudaraba Contract and the related Mudaraba Investment Plan, to monitor, subject to, and in accordance with its usual and standard practices from time to time, on a monthly basis the Value and the income generating properties of the relevant Mudaraba Assets and use its best endeavours to manage the Mudaraba Portfolio such that the Value of the relevant Mudaraba Portfolio is, on the Business Day immediately before the relevant Dissolution Date, equal to or greater than the Mudaraba Capital. The Mudarib shall, to the extent possible, reinvest all revenues from the Mudaraba Portfolio in the nature of principal (including fixed rentals (in the case of Ijara Assets)) (the "**Mudaraba Portfolio Principal Revenues**") in Eligible Mudaraba Assets, in each case in accordance with the terms of the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba Contract and the related Mudaraba Investment Plan, provided that the Value of such further Eligible Mudaraba Assets is not less than the consideration given for, the purchase price of or the amounts otherwise applied in the acquisition of such assets. In respect of any Istisna'a Assets in the Mudaraba Portfolio, the Mudarib will: (a) procure the delivery of the Istisna'a Assets in accordance with the relevant transaction contracts relating to such Istisna'a Assets; and (b) ensure that the design and construction of the Istisna'a Assets is carried out in accordance with all applicable laws and good industry practice, provided that any breach of such obligation shall not constitute a QIB Event but shall result in the Mudarib being required to substitute the relevant Istisna'a Asset in accordance with the Master Restricted Mudaraba Agreement. In addition, pursuant to the terms of the Master Restricted Mudaraba Agreement, the Mudarib shall be obliged to maintain separate ledgers to record: (1) any amount of Mudaraba Portfolio Principal Revenues received in respect of the relevant Restricted Mudaraba; (2) the amount of Mudaraba Profit received in respect of the Mudaraba Portfolio which is payable to the Rabb-al-Maal; and (3) any amounts of Mudaraba Profit remaining after deducting amounts payable to the Rabb-al-Maal.

The Trustee will be under an obligation to invest a proportion of the Proceeds of each Series in a Wakala Portfolio in accordance with the terms of the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract. On the Issue Date of each Series (but not necessarily thereafter), at least 51 per cent. of the aggregate of the Value of: (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, shall be derived from Ijara Assets and/or *Shari'a*-Compliant Assets that have associated with them underlying tangible assets. In addition, following the Issue Date: (1) the Wakala Tangibility Ratio; and (ii) the Mudaraba Tangibility Ratio shall be at least 30 per cent.

For these purposes: "**Wakala Tangibility Ratio**" means, at any time, the ratio of: (i) the aggregate of the Value of the tangible assets comprising a Wakala Portfolio to (ii) the aggregate of the Value of that Wakala Portfolio and any Wakala Portfolio Principal Revenues received in respect of such Wakala Portfolio and not re-invested in accordance with the terms of the Management Agreement, expressed as a percentage; and "**Mudaraba Tangibility Ratio**" means, at any time, the ratio of: (i) the aggregate of the Value of the tangible assets comprising a Mudaraba Portfolio to (ii) the aggregate of the Value of that Mudaraba Portfolio and any Mudaraba Portfolio Principal Revenues received in respect of such Mudaraba Portfolio and not re-invested in accordance with the terms of the Master Restricted Mudaraba Agreement, expressed as a percentage. An "**Eligible Mudaraba Asset**" means a Mudaraba Real Estate Ijara Asset, Mudaraba Non-Real Estate Ijara Asset, an Istisna'a Asset, any other *Shari'a*-Compliant Asset that has associated with it underlying tangible asset or a *Shari'a*-Compliant Investment which has a Fair Market Value at all times equal to or greater than its Value and provided that:

(a) in the case of an Mudaraba Real Estate Ijara Asset or a Mudaraba Non-Real Estate Ijara Asset, it is an asset:

   (i) in respect of which QIB is entitled to receive payments due to it in respect of the Ijara Contract related to such Ijara Asset;

   (ii) in respect of which no party to the related Ijara Contract is in breach of its payment obligations under that Ijara Contract or any documents associated with that Ijara Contract;

   (iii) that has been originated or is held or owned by QIB in a manner consistent with its usual credit and origination policies;

   (iv) that constitutes legal, valid, binding and enforceable obligations of the obligor under the related Ijara Contract in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located;

   (v) in respect of which there has not occurred any acceleration or analogous event; and in respect of which the Value of such Ijara Asset is not less than the value of the consideration given for such asset as at the date upon which the relevant asset becomes part of the Mudaraba Portfolio; or

(b) in the case of a Mudaraba Istisna'a Asset, it is an asset in respect of which the Value of such Istisna'a Asset is not less than the value of the considerations given for such Mudaraba Istisna'a Asset as at the date upon which the relevant Mudaraba Istisna'a Asset becomes part of the Mudaraba Portfolio; or

(c) in the case of any other *Shari'a*-Compliant Asset that has associated with it underlying tangible asset or a *Shari'a*-Compliant Investment, it is an asset in respect of which the Value of such *Shari'a*-Compliant Asset or *Shari'a*-Compliant Investment, as the case may be, is not less than the value of the consideration given for such *Shari'a*-Compliant Asset or *Shari'a*-Compliant Investment, as the case may be, as at the date the *Shari'a*-Compliant Asset becomes part of the Mudaraba Portfolio.

An "**Eligible Wakala Asset**" means, in respect of each Series, an Income Generating Asset: (a) which has been originated or is held or owned by the Seller in a manner consistent with its usual credit and origination policies; (b) which constitutes legal, valid, binding and enforceable obligations of the obligor thereof in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located; (c) in respect of which the obligor is not in breach of its payment obligations under any documents associated with that Income Generating Asset; (d) in respect of which the Seller is entitled to receive all payments due to it in respect of such Income Generating Asset; (e) in respect of which there has not occurred any acceleration or analogous event; and (f) which is capable of being sold and transferred to the Purchaser by the Seller in accordance with the terms set out in the Master Wakala Purchase Agreement. "**Income Generating Assets**" means: (a) Ijara Assets; (b) Istisna'a Assets; (c) Murabaha Receivables; and/or (d) other *Shari'a*-Compliant Assets (excluding any Vehicle Financing Asset and any real estate not located in a Designated Area) originated, held or owned by QIB, including the income generated therefrom and any agreements or documents in relation to such assets.

For each Series, the percentage of the Proceeds used to purchase the Wakala Portfolio shall be the "**Wakala Percentage**" and the percentage of the Proceeds of a Series paid to the Mudarib as the Mudaraba Capital shall be the "**Mudaraba Percentage**" for such Series. The Trustee will, pursuant to the Master Declaration of Trust (as the same will be supplemented, on the occasion of the issue of each Series of Certificates, by a Supplemental Declaration of Trust), declare a Trust over, *inter alia*, the Proceeds for each Series in favour of the relevant Certificateholders.

Periodic Distribution Payments

Prior to each Periodic Distribution Date: (a) payments in respect, or on account, of any Mudaraba Profit will: (i) first be allocated and, in the case of any interest of QIB, distributed on a *pro rata* basis in accordance with any respective ownership interests of QIB and the Mudaraba in the Mudaraba Portfolio; and (ii) following such initial allocation and distribution, allocated by the Mudarib in respect of the Mudarib and Rabb-al-Maal's respective interest in the Mudaraba Profit in accordance with the profit sharing ratio set out in the Master Restricted Mudaraba Agreement; and (b) the Managing Agent will pay to the Trustee amounts representing the Wakala Portfolio Income Revenues in respect of the Wakala Portfolio, which, in aggregate, are intended to be sufficient to fund the Periodic Distribution Amounts payable by the Trustee under the Certificates.

Redemption of the Certificates

On maturity of a Series or the occurrence of a Dissolution Event:

(a) pursuant to the Purchase Undertaking Deed, the Trustee (or, prior thereto following the occurrence of a Dissolution Event, the Delegate), may exercise its rights under the relevant Purchase Undertaking and require QIB to purchase from the Trustee by way of assignment and transfer the relevant Wakala Portfolio. The price (the "**Exercise Price**") payable by QIB upon exercise of the relevant Purchase Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the relevant Purchase Undertaking; (ii) an amount equal to any accrued and unpaid Periodic Distribution Amounts less any amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts, in each case on the date on which the payment of the Exercise Price is made pursuant to the Purchase Undertaking Deed; (iii) an amount equal to the sum of: (1) any amounts repayable but unpaid by the Trustee to the Managing Agent under a Liquidity Facility; and (2) without duplication or double-counting, any other outstanding Management Liabilities Amounts; and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date;

(b) pursuant to the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba will be liquidated and the Mudarib will distribute to the Rabb-al-Maal an amount equal to the aggregate of: (i) an amount equal to the Value of the relevant Mudaraba Portfolio on the Mudaraba End Date; plus (ii) any Mudaraba Portfolio Principal Revenues held by the Mudarib in relation to such Restricted Mudaraba Contract at the relevant time that have not yet been invested in further Eligible Mudaraba Assets (the "**Final Liquidation Proceeds**"); and

(c) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not at the relevant time been invested in Eligible Wakala Assets by crediting such amounts into the Transaction Accounts.

"**Value**" means:

(a) (1) in respect of a Mudaraba Asset, the amount in each case as determined by QIB on the relevant date as equal to: (i) in the case of a Mudaraba Istisna'a Asset, the aggregate of all outstanding fixed rental amounts payable by the relevant Transaction Party to QIB under the relevant forward lease contract (ii) in the case of a Mudaraba Real Estate Ijara Asset and a Mudaraba Non-Real Estate Ijara Asset, the aggregate of all outstanding fixed rental instalment amounts payable by the relevant transaction party to QIB in relation to such asset; or (iii) in the case of a *Shari'a*-Compliant Investment or a *Shari'a*-Compliant Asset, the outstanding face amount or principal value then outstanding of that *Shari'a*-Compliant Investment or *Shari'*a-Compliant Asset, as the case may be; and (2) in respect of the relevant Mudaraba Portfolio, the aggregate of the amounts determined under (i), (ii) and (iii) in respect of the Mudaraba Assets comprising such Mudaraba Portfolio on such date; and

(b) (1) in respect of any Wakala Asset, the amount determined on the relevant date as equal to: (i) in the case of a Wakala Istisna'a Asset, the aggregate of all outstanding fixed rental amounts payable by the relevant transaction party to QIB under the relevant forward lease contract; (ii) in the case of a Wakala Real Estate Ijara Asset and Wakala Non-Real Estate Ijara Asset the aggregate of all outstanding fixed rental instalment amounts payable by the relevant Transaction Party to QIB in relation to such asset; (iii) in the case of a Wakala Asset comprising Murabaha Receivables under a Murabaha Contract, the outstanding face amount or par value then outstanding of such Murabaha Contract; or (iv) in the case of any other income generating *Shari'a*-Compliant Asset that is a Wakala Asset, the outstanding face amount or par value then outstanding of that *Shari'a*-Compliant Asset; and (b) in respect of the relevant Wakala Portfolio, the aggregate of the amounts determined under sub-paragraphs (i), (ii), (iii) and (iv) in respect of the Wakala Assets comprising the Wakala Portfolio.

QIB may, in the event of certain tax gross-ups being required or, in the event that QIB exercises a call option in relation to a Series (the "**Optional Dissolution Right**") (if applicable to the relevant Series):

(a) pursuant to the Sale Undertaking Deed, exercise its rights under the relevant Sale Undertaking to require the Trustee to sell and transfer the relevant Wakala Portfolio to QIB. The Exercise Price payable by QIB upon exercise of the relevant Sale Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the relevant Sale Undertaking; (ii) an amount equal to any accrued and unpaid Periodic Distribution Amounts less any amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts, in each case on the date on which the payment of the Exercise Price is made pursuant to the Sale Undertaking Deed; (iii) an amount equal to the sum of: (1) any amounts repayable but unpaid by the Trustee to the Managing Agent under a Liquidity Facility; and (2) without duplication or double-counting, any other outstanding Management Liabilities Amounts; and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date;

(b) liquidate the relevant Restricted Mudaraba and distribute the Final Liquidation Proceeds; and

(c) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not at the relevant time been invested in Eligible Wakala Assets by crediting such amounts into the Transaction Accounts.

Any obligation of the Trustee to repay any amounts advanced pursuant to the Liquidity Facility shall be set-off against payment by QIB of that portion of the Exercise Price under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable) comprising: (i) any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; and (ii) any Management Liabilities Amounts repayable but unpaid by the Trustee to the Managing Agent in accordance with the terms of the Management Agreement.

Cancellation of Certificates held by QIB and/or any of its subsidiaries

Pursuant to the Conditions, QIB and/or any of its subsidiaries may at any time purchase Certificates in the open market or otherwise. If QIB wishes to cancel such Certificates purchased by it and/or any of its subsidiaries, QIB may, in accordance with the terms of the Redemption Undertaking Deed, deliver a cancellation notice to the Trustee requiring it to cancel any relevant Certificates identified to it by QIB and/or any of its subsidiaries and to transfer on any Cancellation Date the Wakala Assets specified by QIB in its sole and absolute discretion in the relevant Cancellation Notice, together with all of the Trustee's rights, title, interests, benefits and entitlements in and to the Wakala Assets (the "**Cancellation Wakala Assets**"), the Value of which shall be no greater than the Wakala Percentage of the aggregate outstanding face amount of the Cancellation Certificates. Upon receipt by the Trustee of a Cancellation Notice, the Trustee acknowledges and agrees that the Mudarib shall transfer on the relevant Cancellation Date to QIB such Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion ("**Cancellation Mudaraba Assets**"), provided that the aggregate Value of such Cancellation Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates which will be incorporated by reference into each Global Certificate and Definitive Certificate, in the case of Definite Certificates only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Trustee and QIB at the time of issue but, if not so permitted and agreed, each Definite Certificate will have endorsed thereon or attached thereto such terms and conditions. The applicable Final Terms in relation to any Series may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace or modify the following terms and conditions for the purpose of such Certificates. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Certificate and Definite Certificate. Reference should be made to "Applicable Final Terms" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Certificates.

QIB Sukuk Ltd. (in its capacity as issuer and in its capacity as trustee, the "**Trustee**") has established a programme (the "**Programme**") for the issuance of trust certificates (the "**Certificates**" and each a "**Certificate**") in a maximum aggregate face amount of U.S.$1,500,000,000 as may be increased in accordance with the terms of the Programme Agreement (as defined below).

Certificates issued under the Programme are issued in series (each series of Certificates being a "**Series**"). The final terms for a Certificate (or the relevant provisions thereof) are set out in Part A of the applicable Final Terms attached to the relevant Supplemental Declaration of Trust and incorporated or endorsed on a Certificate which supplement and amend these terms and conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of each Series. References to the "**applicable Final Terms**" are to the final terms (or the relevant provisions thereof) attached to the relevant Supplemental Declaration of Trust and incorporated or endorsed on each Certificate.

Each Certificate will represent an undivided ownership interest in the relevant Trust Assets (as defined below) held on trust by the Trustee (the "**Trust**") for the holders of such Certificates pursuant to: (i) a master declaration of trust (the "**Master Declaration of Trust**") to be dated 1 October 2012 and to be entered into by the Trustee, Qatar Islamic Bank S.A.Q. ("**QIB**") and Deutsche Trustee Company Limited in its capacity as donee of certain powers and as the Trustee's delegate (the "**Delegate**"); and (ii) a supplemental declaration of trust in respect of the relevant Series (the "**Supplemental Declaration of Trust**") to be entered into by the same parties having the details set out in the applicable Final Terms.

The Certificates of each Series shall form a separate series and these Conditions shall apply *mutatis mutandis* separately and independently to the Certificates of each Series and, in these Conditions, the expressions "**Certificates**", "**Certificateholders**" and related expressions shall be construed accordingly.

In these Conditions, references to "**Certificates**" shall be references to the Certificates (whether in global form as a global Certificate (a "**Global Certificate**") or in definitive form as definitive Certificates (each a "**Definitive Certificate**")) which are the subject of the applicable Final Terms.

These Conditions include summaries of, and are subject to, the detailed provisions of the Master Declaration of Trust as supplemented by each relevant Supplemental Declaration of Trust and the other Transaction Documents. Payments relating to the Certificates will be made pursuant to an agency agreement to be dated 1 October 2012 (the "**Agency Agreement**") made between, *inter alios*, the Trustee, the Delegate, QIB and Deutsche Bank AG, London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**") and calculation agent (together with any further or other calculation agents appointed from time to time in respect of the Certificates, in such capacity, the "**Calculation Agent**") and Deutsche Bank Luxembourg S.A. as transfer agent (together with any further or other transfer agents appointed from time to time in respect of the Certificates, in such capacity, the "**Transfer Agent**") and as registrar (in such capacity, a "**Registrar**"). The Paying Agents, the Calculation Agent, the Registrar and the Transfer Agent are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

The Certificateholders of a Series are entitled to the benefit of, are bound by, and are deemed to have notice of the following documents, copies of which are available for inspection during usual business hours at the principal office of the Trustee (presently at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands) and at the specified offices of the Paying Agents:

(a) a master restricted mudaraba agreement dated 1 October 2012 between, *inter alios*, the Trustee (in its capacity as the Rabb-al-Maal, the "**Rabb-al-Maal**") and QIB (in its capacity as the Mudarib, the "**Mudarib**") (the "**Master Restricted Mudaraba Agreement**") and the restricted mudaraba contract entered into in respect of such Series (each a "**Restricted Mudaraba Contract**");

(b) a management agreement dated 1 October 2012 between, *inter alios*, the Trustee and QIB (in its capacity as the managing agent, the "**Managing Agent**") (the "**Management Agreement**");

(c) a master wakala purchase agreement dated 1 October 2012 between, *inter alios*, the Trustee and QIB (the "**Master Wakala Purchase Agreement**") and the supplemental purchase contract entered into in respect of such Series (each a "**Supplemental Purchase Contract**");

(d) a purchase undertaking deed dated 1 October 2012 executed by QIB in favour of the Trustee and the Delegate (the "**Purchase Undertaking Deed**") containing the form of sale agreement (a "**Sale Agreement**") to be entered into in the circumstances set out in the Purchase Undertaking Deed;

(e) a sale undertaking deed dated 1 October 2012 executed by the Trustee in favour of QIB (the "**Sale Undertaking Deed**") containing the form of sale agreement to be entered into in the circumstances set out in the Sale Undertaking Deed;

(f) a redemption undertaking deed dated 1 October 2012 executed by the Trustee in favour of QIB (the "**Redemption Undertaking Deed**");

(g) a Wakala Asset substitution undertaking deed dated 1 October 2012 executed by the Trustee in favour of QIB (the "**Wakala Asset Substitution Undertaking Deed**");

(h) the Master Declaration of Trust and the applicable Supplemental Declaration of Trust entered into in respect of such Series;

(i) the Agency Agreement;

(j) a corporate services agreement entered into on 25 September 2012 between MaplesFS Limited (as provider of corporate services to the Trustee) and the Trustee (the "**Corporate Services Agreement**"); and

(k) in respect of each Series, the applicable Final Terms,

as each may be amended and restated and/or supplemented from time to time.

The statements contained in these Conditions include summaries of, and are subject to, the detailed provisions of the Master Declaration of Trust as supplemented by the applicable Supplemental Declaration of Trust and the Agency Agreement.

Each Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed, in respect of each Series, to authorise and direct the Trustee on behalf of the Certificateholders, to: (a) purchase the Wakala Portfolio and enter into the Management Agreement with the Managing Agent in respect thereof; (b) invest, as Rabb-al-Maal, with the Mudarib in the Mudaraba Portfolio in accordance with the Master Restricted Mudaraba Agreement; and (c) enter into each other Transaction Document to which it is a party, subject to the terms and conditions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust and these Conditions.

1. INTERPRETATION

Words and expressions defined in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust and the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of any inconsistency between any such document and the applicable Final Terms, the applicable Final Terms will prevail. In addition, in these Conditions the following expressions have the following meanings:

"**Accountholder**" means each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as entitled to a particular face amount of the Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error);

"**Accrual Period**" has the meaning given to it in Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*);

"**Broken Amount**" has the meaning given to it in the applicable Final Terms;

"**Business Day**" has the meaning given to it in Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*);

"**Business Day Convention**", in relation to any particular date, has the meaning given in the applicable Final Terms and, if so specified in the applicable Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

   (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

   (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

   (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Amount**" has the meaning given to it in the applicable Final Terms;

"**Calculation Date**" means the Business Day immediately preceding a Dissolution Date;

"**Cancellation Certificates**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Cancellation Mudaraba Assets**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Cancellation Notice**" means a cancellation notice in substantially the form of Schedule 6 (*Form of Cancellation Notice*) to the Master Declaration of Trust;

"**Cancellation Wakala Assets**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Certificateholder**" means a person in whose name a Certificate is registered in the Register (or in the case of joint holders, the first named thereof) save that, for so long as the Certificates of any Series are represented by a Global Certificate, each Accountholder shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, for the purposes hereof other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, solely in the registered holder of such Global Certificate in accordance with and subject to the terms of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust and such Global Certificates, and the expressions "**holder**" and "**holder of Certificates**" and related expressions shall (where appropriate) be construed accordingly;

"**Clearstream, Luxembourg**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

"**Collection Account**" means, in relation to each Series, the separate non-interest bearing ledger account maintained on the books of the Managing Agent in accordance with the provisions of the Management Agreement to record Wakala Asset Income Revenue received in respect of the Wakala Portfolio relating to such Series;

"**Day Count Fraction**" has the meaning given to it in Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*) (if the Fixed Periodic Distribution provisions are applicable) or Condition 9(e) (*Floating Periodic Distribution Provisions – Calculation of Periodic Distribution Amount*) if the Floating Periodic Distribution Provisions are applicable);

"**Delegation**" has the meaning given to it in Condition 20 (*The Delegate*);

"**Designated Area**" means (a) the 18 investment areas in the State of Qatar where, pursuant to the Cabinet Resolution No. (6) of 2006, as may be amended or supplemented from time to time, a non-Qatari person may own a 99 year usufruct right over the relevant real estate; and (b) any other real estate in the State of Qatar, from time to time, in respect of which the Trustee may own freehold title or a usufruct right under the laws of the State of Qatar;

"**Determination Date**" has the meaning specified in the applicable Final Terms;

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Return Accrual Commencement Date or the final Periodic Distribution Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**Dispute**" has the meaning given to it in Condition 22 (*Governing Law and Arbitration*);

"**Dissolution Amount**" means, in relation to a particular Series, either:

(a) the sum of:

 (i) the outstanding face amount of such Series; and

 (ii) any due but unpaid Periodic Distribution Amounts for such Series; or

(b) such other amount specified in the applicable Final Terms as being payable upon dissolution of the relevant Series;

"**Dissolution Date**" means, in relation to a particular Series, either:

(a) the Scheduled Dissolution Date;

(b) the Tax Redemption Date;

(c) if an Optional Dissolution Right is applicable to the relevant Series, the Optional Dissolution Date; or

(d) the Dissolution Event Redemption Date.

"**Dissolution Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Request**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Early Dissolution Amount (Tax)**" means, in respect of any Certificate, the Dissolution Amount or such other amount specified in the applicable Final Terms;

"**Eligible Mudaraba Asset**" means a Mudaraba Real Estate Ijara Asset, Mudaraba Non-Real Estate Ijara Asset, an Istisna'a Asset, any other *Shari'a*-Compliant Asset that has associated with it underlying tangible assets or a *Shari'a*-Compliant Investment which has a Fair Market Value at all times equal to or greater than its Value and provided that:

(a) in the case of an Mudaraba Real Estate Ijara Asset or a Mudaraba Non-Real Estate Ijara Asset, it is an asset:

  (i) in respect of which QIB is entitled to receive payments due to it in respect of the Ijara Contract related to such Ijara Asset;

  (ii) in respect of which no party to the related Ijara Contract is in breach of its payment obligations under that Ijara Contract or any documents associated with that Ijara Contract;

  (iii) that has been originated or is held or owned by QIB in a manner consistent with its usual credit and origination policies;

  (iv) that constitutes legal, valid, binding and enforceable obligations of the obligor under the related Ijara Contract in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located;

  (v) in respect of which there has not occurred any acceleration or analogous event; and in respect of which the Value of such Ijara Asset is not less than the value of the consideration given for such asset as at the date upon which the relevant asset becomes part of the Mudaraba Portfolio; or

(b) in the case of a Mudaraba Istisna'a Asset, it is an asset in respect of which the Value of such Istisna'a Asset is not less than the value of the considerations given for such Mudaraba Istisna'a Asset as at the date upon which the relevant Mudaraba Istisna'a Asset becomes part of the Mudaraba Portfolio; or

(c) in the case of any other *Shari'a*-Compliant Asset that has associated with it underlying tangible asset or a *Shari'a*-Compliant Investment, it is an asset in respect of which the Value of such *Shari'a*-Compliant Asset or Shari'a-Compliant Investment, as the case may be, is not less than the value of the consideration given for such *Shari'a*-Compliant Asset or *Shari'a*-Compliant Investment, as the case may be, as at the date the *Shari'a*-Compliant Asset becomes part of the Mudaraba Portfolio;

"**Eligible Wakala Asset**" means, in respect of each Series, an Income Generating Asset:

(a) which has been originated or is held or owned by the Seller in a manner consistent with its usual credit and origination policies;

(b) which constitutes legal, valid, binding and enforceable obligations of the obligor thereof in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located;

(c) in respect of which the obligor is not in breach of its payment obligations under any documents associated with that Income Generating Asset;

(d) in respect of which the Seller is entitled to receive all payments due to it in respect of such Income Generating Asset;

(e) in respect of which there has not occurred any acceleration or analogous event; and

(f) which is capable of being sold and transferred to the Purchaser by the Seller in accordance with the terms set out in the Master Wakala Purchase Agreement;

"**Fair Market Value**" means, at any time, with respect to any Mudaraba Asset, the value as determined by the Mudarib (acting reasonably): (i) in respect of a Mudaraba Asset other than a *Shari'a*-Compliant Investment that would be paid for such Mudaraba Asset in an arm's length transaction between an independent, informed and willing seller under no compulsion to sell or otherwise dispose and an independent, informed and willing buyer under no compulsion to buy or otherwise acquire; and (ii) in respect of a *Shari'a*-Compliant Investment, the principal amount of such *Shari'a*-Compliant Investment if it was redeemed by the Mudarib;

"**Euroclear**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

"**Exercise Notice**" means (as the context requires) an exercise notice delivered or to be delivered in connection with any Purchase Undertaking or Sale Undertaking;

"**Exercise Price**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Expected Mudaraba Profit**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Expected Wakala Portfolio Income Revenues**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Extraordinary Resolution**" has the meaning given to it in schedule 4 (*Provisions for Meetings of Certificateholders*) to the Master Declaration of Trust;

"**Final Liquidation Proceeds**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**First Mudaraba Income Distribution Date**" has the meaning given to it in the relevant Restricted Mudaraba Contract;

"**First Periodic Distribution Date**" has the meaning given to it in the applicable Final Terms;

"**Fixed Amount**" has the meaning given to it in the applicable Final Terms;

"**Fixed Periodic Distribution Provisions**" has the meaning given to it in Condition 8(a) (*Fixed Periodic Distribution Provisions – Application*);

"**Floating Periodic Distribution Provisions**" has the meaning given to it in Condition 9(a) (*Floating Periodic Distribution Provisions – Application*);

"**Ijara Asset**" means a Non-Real Estate Ijara Asset or a Real Estate Ijara Asset, as applicable;

"**Ijara Contract**" means a Non-Real Estate Ijara Contract or a Real Estate Ijara Contract, as applicable;

"**Income Generating Assets**" means:

(a) Ijara Assets;

(b) Istisna'a Assets;

(c) Murabaha Receivables; and/or

(d) any other *Shari'a*-Compliant Assets (excluding any Vehicle Financing Asset and any real estate asset not located in a Designated Area) originated, held or owned by the Seller and including the income generated therefrom and any agreements or documents in relation to such assets;

"**Initial Mudaraba Asset**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Initial Mudaraba Portfolio**", has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Initial Wakala Asset**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Initial Wakala Portfolio**", has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Issue Date**" has the meaning given to it in the applicable Final Terms;

"**Issue Price**" has the meaning given to it in the applicable Final Terms;

"**Istisna'a Asset**" means a Mudaraba Istisna'a Asset or a Wakala Istisna'a Asset as applicable;

"**Liability**" means, in respect of any person, any actual loss, damage, cost, charge, award, claim, demand, expense, judgment, action, proceeding or other liability whatsoever and including any value added tax or similar tax charged or chargeable in respect of any sums referred to in this definition and legal or other fees and expenses on a full indemnity basis and references to "**Liabilities**" shall mean all of these;

"**Management Liabilities Amount**" means, in respect of each Series, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Managing Agent in providing the Services, and any other payments made by the Managing Agent on behalf of the Trustee, in all cases excluding the Liquidity Facility;

"**Margin**" has the meaning given to it in the applicable Final Terms;

"**Mudaraba Account**" means the ledger account maintained by the Rabb-al-Maal with the Mudarib to give effect to the terms of the Master Restricted Mudaraba Agreement and for the investment of the Mudaraba Capital into Mudaraba Assets from time to time;

"**Mudaraba Asset**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Mudaraba Capital**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Mudaraba End Date**" means, in relation to a Restricted Mudaraba Contract, the Dissolution Date of the Series to which such Restricted Mudaraba Contract relates, as specified in the Mudaraba Investment Plan for that Series;

"**Mudaraba Income Distribution Date**" means, in relation to a Restricted Mudaraba Contract, during the period from the Issue Date to the Mudaraba End Date, the dates set out in such Restricted Mudaraba Contract for distribution of Mudaraba Profit, subject to, if applicable, adjustment in accordance with the relevant Business Day Convention;

"**Mudaraba Income Distribution Period**" means, in relation to a Restricted Mudaraba Contract, the period beginning on (and including) the Issue Date and ending on (but excluding) the First Mudaraba Income Distribution Date and each successive period beginning on (and including) a Mudaraba Income Distribution Date and ending on (but excluding) the next succeeding Mudaraba Income Distribution Date;

"**Mudaraba Investment Plan**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Mudaraba Istisna'a Asset**" means an *istisna'a* asset: (i) which is under construction; and (ii) in respect of which QIB has entered into a *Shari'a*-Compliant forward lease or other *Shari'a*-compliant financing arrangement;

"**Mudaraba Non-Real Estate Ijara Asset**" means a non-real estate asset (including any asset relating to vehicle financings) in relation to which QIB has entered into a Non-Real Estate Ijara Contract (including any ancillary rights under such contract);

"**Mudaraba Percentage**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Mudaraba Portfolio**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Mudaraba Portfolio Principal Revenues**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Mudaraba Profit**" means, in relation to each Mudaraba Income Distribution Period, the profit (if any) earned from the investment of the Mudaraba Capital by the Mudarib, being an amount equal to all revenues received in respect of the Mudaraba Assets during such Mudaraba Income Distribution Period, minus the aggregate of:

(a) the Mudaraba Portfolio Principal Revenues received during that Mudaraba Income Distribution Period;

(b) any costs (consisting of direct costs and allocated costs) and/or provisions associated with the Mudaraba Assets during the Mudaraba Term; and

(c) any Taxes incurred in connection with the Master Restricted Mudaraba Agreement or that Restricted Mudaraba Contract (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the Mudaraba Term) but excluding the Mudarib's obligations (if any) to pay any Taxes or additional amounts under, or in connection with, Condition 12 (*Taxation*);

"**Mudaraba Real Estate Ijara Asset**" means a real estate asset in relation to which QIB or any person as agent on its behalf has entered into a Real Estate Ijara Contract (including any ancillary rights under such contract);

"**Mudaraba Reserve Account**" has the meaning given to it in Condition 6(f) (*Trust – Operation of Mudaraba Reserve Account*);

"**Mudaraba Tangibility Ratio**" means, at any time, the ratio of: (i) the aggregate of the Value of the tangible assets comprising a Mudaraba Portfolio to (ii) the aggregate of the Value of that Mudaraba Portfolio and any Mudaraba Portfolio Principal Revenues received in respect of such Mudaraba Portfolio and not re-invested in accordance with the terms of the Master Restricted Mudaraba Agreement, expressed as a percentage;

"**Mudaraba Term**" means, in relation to a Restricted Mudaraba Contract, the period commencing on the relevant Issue Date and ending on the Mudaraba End Date of that Restricted Mudaraba Contract;

"**Murabaha Contract**" means a contract relating to the sale of commodities or goods on a cost plus basis;

"**Murabaha Receivables**" means receivables arising under a Murabaha Contract (and includes any ancillary rights under such contract);

"**Non-Real Estate Ijara Asset**" means a Mudaraba Non-Real Estate Ijara or a Wakala Non-Real Estate Ijara Asset, as applicable;

"**Non-Real Estate Ijara Contract**" means: (i) a lease *ijara* contract entered into by QIB or any person as agent on its behalf (the "**Lessor**") and a person (the "**Lessee**") pursuant to which the Lessor leases a non-real estate asset to the Lessee, and in respect of which payments are due from the Lessee to the Lessor; or (ii) any arrangement similar in economic effect to that described in subparagraph (i);

"**Optional Dissolution Date**" means, in relation to the exercise of an Optional Dissolution Right, the date specified as such in the Exercise Notice delivered by QIB to the Trustee, which:

(a) if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, must be a Periodic Distribution Date; and

(b) must be not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms after the date on which the Exercise Notice is delivered to the Trustee.

"**Optional Dissolution Right**" means the right specified in Condition 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of QIB*);

"**Payment Business Day**" means a day on which banks in the relevant place of surrender of any Certificate are open for presentation and payment of registered securities and for dealings in foreign currencies; and in the case of payment by transfer to an account, if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Business Centre; or if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Business Centre;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 8(b) (*Fixed Periodic Distribution Provisions – Periodic Distribution Amount*) or Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*), as specified in the applicable Final Terms;

"**Periodic Distribution Date**" has the meaning given to it in Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Dissolution Event**" means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

"**Potential QIB Event**" means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a QIB Event;

"**Proceedings**" has the meaning given to it in Condition 22 (*Governing Law and Arbitration*);

"**Proceeds**" means the proceeds of the issuance of a Series of Certificates;

"**Programme Agreement**" means the programme agreement between the Trustee, QIB and the Dealers named therein dated the date of the Master Trust Deed;

"**Purchaser**" means the Trustee in its capacity as purchaser under the Master Wakala Purchase Agreement;

"**QIB Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Rate**" means, in relation to a particular Series, the rate or rates (expressed as a per cent. per annum) specified in the applicable Final Terms for such Series and calculated or determined in accordance with these Conditions and/or the applicable Final Terms;

"**Rating Agency**" means any of the following: (i) Fitch Ratings Ltd.; (ii) Standard & Poor's Credit Services Europe Limited; or (iii) any other rating agency of equivalent international standing specified from time to time by QIB and, in each case, their respective successors or affiliates;

"**Real Estate Ijara Asset**" means a Mudaraba Real Estate Ijara Asset or a Wakala Real Estate Ijara Asset, as applicable;

"**Real Estate Ijara Contract**" means: (i) a lease *ijara* contract entered into by QIB or any person as agent on its behalf (the "**Lessor**") and a person (the "**Lessee**") pursuant to which the Lessor leases a real estate asset to the Lessee, and in respect of which payments are due from the Lessee to the Lessor; or (ii) any arrangement similar in economic effect to that described in subparagraph (i), including, for the avoidance of doubt, a forward lease *ijara* contract where the relevant real estate asset has been delivered to, or to the order of, the lessee;

"**Record Date**" has the meaning given to it in Condition 10(a) (*Payment – Payments in respect of Certificates*);

"**Reference Banks**" means the principal London office of each of four major banks engaged in the London inter-bank market selected by or on behalf of the Calculation Agent (in consultation with QIB), **provided that** once a Reference Bank has first been selected by the Calculation Agent or its duly appointed representative, such Reference Bank shall not be changed unless it ceases to be capable of acting as such;

"**Register**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

"**Regular Period**" means:

(a) in the case of Certificates where Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including the Return Accrual Commencement Date to but excluding the first Periodic Distribution Date and each successive period from and including one Periodic Distribution Date to but excluding the next Periodic Distribution Date;

(b) in the case of Certificates where, apart from the first Return Accumulation Period, Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Periodic Distribution Date falls; and

(c) in the case of Certificates where, apart from one Return Accumulation Period other than the first Return Accumulation Period, Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Periodic Distribution Date falls other than the Periodic Distribution Date falling at the end of the irregular Return Accumulation Period;

"**Relevant Date**" has the meaning given to it in Condition 12 (*Taxation*);

"**Relevant Jurisdiction**" has the meaning given to it in Condition 12 (*Taxation*);

"**Relevant Powers**" has the meaning given to it in Condition 20 (*The Delegate*);

"**Required Amount**" means, in relation to a Periodic Distribution Date, the aggregate of the amounts described in paragraphs (i), (ii) and (iii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) and, in relation to a Dissolution Date, the aggregate of the amounts described in paragraphs (i), (ii), (iii) and (iv) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*);

"**Return Accumulation Period**" means the period from (and including) a Periodic Distribution Date (or, in the case of the first Return Accumulation Period, the Issue Date) to (but excluding) the next (or, in the case of the first Return Accumulation Period, the first) Periodic Distribution Date;

"**Rules**" has the meaning given to it in Condition 22 (*Governing Law and Arbitration*);

"**Sale Agreement**" means any sale agreement entered into in connection with the Purchase Undertaking Deed or the Sale Undertaking Deed;

"**Scheduled Dissolution Date**" means, in respect of each Series, the date specified as such in the applicable Final Terms;

"**Seller**" means QIB in its capacity as seller under the Master Wakala Purchase Agreement;

"**Services**" means the services agreed to be provided by the Managing Agent in accordance with the Wakala Investment Plan under and pursuant to the Management Agreement;

"***Shari'a***" means the *Shari'a* as interpreted by the *Shari'a* Board;

"***Shari'a* Board**" means the *Shari'a* Supervisory Board of QIB from time to time;

"***Shari'a*-Compliant Asset**" means a tangible *Shari'a*-compliant asset, other than a Real Estate Ijara Asset or a Non-Real Estate Ijara Asset originated, held or owned by QIB, including the income generated therefrom and any agreements or documents in relation thereto;

"***Shari'a*-Compliant Investment**" means a *Shari'a*-compliant deposit with QIB;

"**Shortfall**" has the meaning given to it in Condition 6(e) (*Trust – Operation of Wakala Reserve Account*);

"**Specified Currency**" has the meaning given to it in the applicable Final Terms;

"**Specified Denomination(s)**" has the meaning given to it in the applicable Final Terms;

"**sub-unit**" has the meaning given to it in Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*);

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Sukuk Assets**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET or TARGET 2) (the "**TARGET System**") is open;

"**Tax Event**" has the meaning given to it in Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

"**Tax Redemption Date**" means the date specified as such in the Exercise Notice delivered by QIB to the Trustee and:

(a) if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, must be a Periodic Distribution Date; and

(b) must be not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms after the date on which the Exercise Notice is delivered to the Trustee.

"**Taxes**" has the meaning given to it in Condition 12 (*Taxation*);

"**Transaction Account**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Transaction Contract**" means any contract (other than a Transaction Document) in connection with the Mudaraba Assets or the Wakala Assets entered into or to be entered into by any Transaction Party;

"**Transaction Documents**" means, in relation to each Series, the Master Restricted Mudaraba Agreement; the relevant Restricted Mudaraba Contract; the Management Agreement; the Master Wakala Purchase Agreement; each Supplemental Purchase Contract; the Purchase Undertaking Deed; the Sale Undertaking Deed; any Sale Agreement which may be entered into as a result of exercise of rights under the Purchase Undertaking Deed or the Sale Undertaking Deed; the Redemption Undertaking Deed; the Wakala Asset Substitution Undertaking Deed; the Master Declaration of Trust; each Supplemental Declaration of Trust; the Agency Agreement; the Agency Agreement; the relevant Certificates and any documents specified in the applicable Final Terms;

"**Transaction Party**" means any person (other than QIB) which is or will become a party to any Transaction Contract;

"**Trust Assets**" has the meaning given to it in Condition 6(b) (*Trust – Trust Assets*);

"**Trustee Administrator**" means MaplesFS Limited;

"**Value**" means:

(a) (1) in respect of a Mudaraba Asset, the amount in each case as determined by QIB on the relevant date as equal to: (i) in the case of an Istisna'a Asset, the aggregate of all outstanding fixed rental amounts payable by the relevant Transaction Party to QIB under the relevant forward lease contract (ii) in the case of an Ijara Asset the aggregate of all outstanding fixed rental instalment amounts payable by the relevant Transaction Party to QIB in relation to such Ijara Asset; or (iii) in the case of a *Shari'a*-Compliant Investment or a *Shari'a*-Compliant Asset, the outstanding face amount or principal value then outstanding of that *Shari'a*-Compliant Investment or *Shari'a*-Compliant Asset, as the case may be; and (2) in respect of the relevant Mudaraba Portfolio, the aggregate of the amounts determined under (i), (ii) and (iii) in respect of the Mudaraba Assets comprising the Mudaraba Portfolio on such date; and

(b) (1) in respect of any Wakala Asset, the amount determined on the relevant date as equal to: (i) in the case of an Istisna'a Asset, the aggregate of all outstanding fixed rental amounts payable by the relevant Transaction Party to QIB under the relevant forward lease contract; (ii) in the case of an Ijara Asset the aggregate of all outstanding fixed rental instalment amounts payable by the relevant Transaction Party to QIB in relation to such Ijara Asset; (iii) in the case of a Wakala Asset comprising Murabaha Receivables under a

Murabaha Contract, the outstanding face amount or par value then outstanding of such Murabaha Contract on such date; or (iv) in the case of any other income generating *Shari'a*-Compliant Asset that is a Wakala Asset, the outstanding face amount or par value then outstanding of that *Shari'a*-Compliant Asset on such date; and (2) in respect of the relevant Wakala Portfolio, the aggregate of the amounts determined under sub-paragraphs (i), (ii), (iii) and (iv) in respect of the Wakala Assets comprising the Wakala Portfolio on such date;

"**Vehicle Financing Asset**" means an asset comprising a vehicle which, pursuant to Law No. (19) of 2007, may not be registered in the name of a foreign entity and includes the rights in respect of any financing of such vehicle;

"**Wakala Asset**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Wakala Investment Plan**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Wakala Istisna'a Asset**" means an *istisna'a* asset (i) which is under construction; (ii) in respect of which QIB has entered into a *Shari'a*-Compliant forward lease or other to a *Shari'a*-compliant financing arrangement; and (iii) which is located in a Designated Area;

"**Wakala Non-Real Estate Ijara Asset**" means a non-real estate asset, excluding any Vehicle Financing Assets, in relation to which QIB or any person as agent on its behalf has entered into a Non-Real Estate Ijara Contract (including any ancillary rights under such contract;

"**Wakala Percentage**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Wakala Portfolio**" has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

"**Wakala Portfolio Income Revenues**" means Wakala Portfolio Revenues other than Wakala Portfolio Principal Revenues;

"**Wakala Portfolio Principal Revenues**" means Wakala Portfolio Revenues in the nature of capital or principal payments in respect of the relevant Wakala Assets;

"**Wakala Portfolio Revenues**" means, in respect of each Series, all rental, sale proceeds or consideration, damages, insurance proceeds, compensation or other sums received by the Managing Agent in whatever currency in connection with the relevant Wakala Assets;

"**Wakala Real Estate Ijara Asset**" means a real estate asset located in a Designated Area in relation to which QIB or any person as agent on its behalf has entered into a Real Estate Ijara Contract (including any ancillary rights under such contract);

"**Wakala Reserve Account**" has the meaning given to it in Condition 6(d) (*Trust – Operation of Collection Account (Wakala Assets)*); and

"**Wakala Tangibility Ratio**" means, at any time, the ratio of: (i) the aggregate of the Value of the tangible assets comprising a Wakala Portfolio to (ii) the aggregate of the Value of that Wakala Portfolio and any Wakala Portfolio Principal Revenues received in respect of such Wakala Portfolio and not re-invested in accordance with the terms of the Management Agreement, expressed as a percentage.

All references in these Conditions to "**U.S. dollars**", "**USD**", "**U.S.$**" and "**$**" are to the lawful currency of the United States of America. All references to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Union, as amended.

2. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

The Certificates are issued in registered form in the Specified Denomination(s). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**") which the Trustee will cause to be kept by the Registrar outside the Cayman Islands and the United Kingdom in accordance with the provisions of the Agency Agreement.

Upon issue, Certificates will be represented by beneficial interests in one or more Global Certificates, in fully registered form, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Ownership interests in Global Certificates will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants.

References to Euroclear and Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

(b) Title

Title to the Certificates passes only by registration in the Register. Subject to the terms of any relevant Global Certificate and/or the definition of "**Certificateholders**", the registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

The Trustee and the Delegate may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to any Certificateholder by reason only of either having accepted as valid or not having rejected an original certificate or letter of confirmation purporting to be signed on behalf of Euroclear or Clearstream, Luxembourg or any other relevant clearing system to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular nominal amount of Certificates credited to his or her securities account.

3. TRANSFERS OF CERTIFICATES

(a) Transfers

Subject to Condition 3(d) (*Transfers of Certificates – Closed Periods*), Condition 3(e) (*Transfers of Certificates – Regulations*), the limitations as to transfer set out in Condition 2(b) (*Form, Denomination and Title – Title*) and the provisions of the Agency Agreement, a Certificate may be transferred whole or in an amount equal to the Specified Denomination(s) or any integral multiple thereof by depositing the Certificate, with the form of transfer on the back, duly completed and signed, at the specified office of the Transfer Agent together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

(b) **Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within three (3) business days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five (5) business days of receipt by the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in each Global Certificate, owners of interests in a Global Certificate will not be entitled to receive physical delivery of Certificates.

(c) **Formalities Free of Charge**

Registration of any transfer of Certificates will be effected without charge on behalf of the Trustee by the Registrar or the Transfer Agent but upon payment (or the giving of such indemnity as the Trustee, Registrar or Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(d) **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered during the period of fifteen (15) days ending on (and including) the due date for any payment of the Dissolution Amount or any Periodic Distribution Amount (as defined in Condition 8(b) (*Fixed Periodic Distribution Provisions – Periodic Distribution Amount*) or Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*), as specified in the applicable Final Terms) or any other date on which payment of the face amount or payment of any profit in respect of a Certificate falls due as specified in the applicable Final Terms.

(e) **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Master Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

Unless otherwise requested by him, each Certificateholder shall be entitled to receive, in accordance with Condition 2(b) (*Form, Denomination and Title – Title*), only one Certificate in respect of his or her entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3(b) (*Transfers of Certificates – Delivery of New Certificates*).

4. STATUS AND LIMITED RECOURSE

(a) **Status**

Each Certificate will represent an undivided ownership interest in the relevant Trust Assets (pursuant to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust) and will be a limited recourse obligation of the Trustee. Each Certificate will rank *pari passu*, without preference or priority, with all other Certificates of the relevant Series issued under the Programme.

(b) **Limited Recourse**

The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The Certificates do not represent an interest in or obligation of any of the Trustee (other than in respect of the relevant Trusts Assets), the Delegate, QIB (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party), any of the Agents or any of their respective affiliates. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 16 (*Enforcement and Exercise of Rights*), Certificateholders will not have any claim against the Trustee (and/or its directors, officers or shareholders), QIB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a part), the Delegate, the Agents or any of their respective affiliates, or against any of their respective assets (other than the relevant Trust Assets) in respect of such shortfall and any unsatisfied claims of the Certificateholders shall be extinguished. In particular, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee (and/or its directors), QIB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

QIB is obliged to make payments under the relevant Transaction Documents to which it is a party directly to the Trustee, the Delegate (on its own behalf or acting in the name and on behalf of the Trustee) and/or the Agents. The Delegate will, as delegate of the Trustee for the Certificateholders, have direct recourse against QIB to recover payments due to the Trustee from QIB pursuant to such Transaction Documents. Neither the Trustee nor the Delegate shall be liable for the late, partial or non-recovery of any such payments from QIB save in the case of its wilful default, actual fraud or gross negligence.

(c) **Agreement of Certificateholders**

Notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(i) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name and on behalf of the Trustee) or any of their respective agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets;

(ii) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, administrators or shareholders), QIB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the relevant Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, QIB, any Agents and their respective agents or affiliates shall be extinguished;

(iii) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, each Certificateholder will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;

(iv) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any shareholder, member, officer, agent or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(v) each Certificateholder shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates.

5. NEGATIVE PLEDGE

QIB undertakes in the Purchase Undertaking Deed that, so long as any Certificate remains outstanding, QIB shall not, and shall procure that none of its Material Subsidiaries will create or have outstanding any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of QIB or any Guarantee (by QIB) of any Relevant Indebtedness of others, without: (a) at the same time or prior thereto according to the Certificates the same security as is created or subsisting to secure any such Relevant Indebtedness or any Guarantee in respect of such Relevant Indebtedness; or (b) providing such other Security Interest for the Certificates as: (i) the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of the Certificateholders; or (ii) as may be approved by an Extraordinary Resolution of Certificateholders.

In this Condition 5 (*Negative Pledge*):

"**Guarantee**" means, in relation to any Indebtedness or Relevant Indebtedness of any person, any obligation of another person to pay such Indebtedness or Relevant Indebtedness following demand or claim on that person including (without limitation):

(a) any obligation to purchase such Indebtedness or Relevant Indebtedness;

(b) any obligation to extend financing, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness or Relevant Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness or Relevant Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness or Relevant Indebtedness;

"**Indebtedness**" means any present or future indebtedness of any person for or in respect of any money borrowed or raised including (without limitation) any borrowed money or liability arising under or in respect of any acceptance or acceptance credit or evidenced by any notes, bonds, debentures, debenture stock, loan stock or other securities or any monies raised under any transaction having the commercial effect of borrowing or raising money;

"**Material Subsidiary**" means, at any time, any Subsidiary:

(a) whose total assets (consolidated, in the case of a Subsidiary which itself has Subsidiaries) exceed 5 per cent. of the consolidated total assets of QIB and its Subsidiaries; or

(b) whose revenues (consolidated, in the case of a Subsidiary which itself has Subsidiaries) exceed 5 per cent. of the consolidated net operating revenues of QIB and its Subsidiaries.

For the purposes of this definition:

(i) for the purpose of determination of the thresholds set forth in paragraphs (a) and (b) above at any given time, the assets and revenues of the relevant Subsidiary will be determined from the then latest available (if applicable, consolidated) annual or semi-annual financial statements, as the case may be, of such relevant Subsidiary, and the consolidated total assets and consolidated net operating revenues of QIB will be determined from the then latest available annual or semi-annual financial statements, as the case may be, of QIB; and

(ii) upon a Material Subsidiary transferring all or substantially all of its assets to another Subsidiary, the transferor shall cease to be a Material Subsidiary on the effective date of such transfer and thereupon the transferee shall be deemed to be a Material Subsidiary until the next date of determination of the thresholds set forth in paragraphs (a) and (b) above with respect to such Subsidiary;

"**Non-recourse Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that: (i) any Security Interest given by QIB or the relevant Material Subsidiary, as the case may be, is limited solely to assets of the project, (ii) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the principal source of repayment for the monies advanced and (iii) there is no other recourse to QIB or the relevant Material Subsidiary, as the case may be, in respect of any default by any person under the financing;

"**Permitted Security Interest**" means:

(a) any Security Interest securing any Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with QIB or the relevant Material Subsidiary, as the case may be, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of QIB or the relevant Material Subsidiary, as the case may be;

(b) any Security Interest existing on any property or assets prior to the acquisition thereof by QIB or the relevant Material Subsidiary, as the case may be, provided that such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property of QIB or the relevant Material Subsidiary, as the case may be (other than proceeds of such acquired assets or property), and provided that the maximum amount of Relevant Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property or the Relevant Indebtedness incurred solely for the purpose of financing the acquisition of such property; or

(c) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (b) (inclusive) of this definition, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

"**Relevant Indebtedness**" means: (i) any Indebtedness, other than Indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market; and (ii) any Relevant Sukuk Obligation.

"**Relevant Sukuk Obligation**" means: any undertaking or other obligation, other than any undertaking or obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, to pay any money given in connection with the issue of certificates, whether or not in return for consideration of any kind, which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market;

"**Securitisation**" means any securitisation of existing or future assets and/or revenues, provided that: (i) any Security Interest given by QIB or the relevant Material Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (iii) there is no other recourse to QIB or the relevant Material Subsidiary, as the case may be, in respect of any default by any person under the securitisation;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" means any person: (i) in which another person (the parent) holds a majority of the voting rights; or (ii) of which the parent has the right to appoint or remove a majority of the board of directors; or (iii) of which the parent controls a majority of the voting rights, and includes any person which is a Subsidiary of a Subsidiary of the parent.

6. TRUST

(a) **Summary of the Trust**

On each Issue Date:

(i) the Trustee will apply a portion of the Proceeds to purchase, by way of assignment and transfer, the rights, title, interests, benefits and entitlements that QIB may have in a portfolio of (i) Wakala Real Estate Ijara Assets, Wakala Non-Real Estate Ijara Assets, Wakala Istisna'a Assets, Murabaha Receivables and any other *Shari'a*-Compliant Assets (each such asset an "**Initial Wakala Asset**" and the portfolio of such assets being the "**Initial Wakala Portfolio**", and following the Issue Date of a Series, together with any Eligible Wakala Asset which may have been substituted for any Initial Wakala Asset in accordance with the Management Agreement, the Master Wakala Purchase Agreement, the relevant Supplemental Purchase Contract and the Wakala Asset Substitution Undertaking Deed, the "**Wakala Portfolio**" and each asset comprising the Wakala Portfolio, a "**Wakala Asset**");

(ii) the Rabb-al-Maal shall deposit the remainder of the Proceeds into the Mudaraba Account and such amount will constitute the initial capital investment (the "**Mudaraba Capital**") of the Rabb-al-Maal in the restricted *mudaraba* arrangement (the "**Restricted Mudaraba**") constituted by a Restricted Mudaraba Contract entered into with the Mudarib in accordance with the terms of the Master Restricted Mudaraba Agreement pursuant to which the Mudarib will purchase an undivided interest in a portfolio of Mudaraba Real Estate Ijara Assets, Mudaraba Non-Real Estate Ijara Assets, Mudaraba Istisna'a Assets, *Shari'a*-Compliant Assets that have associated with them underlying tangible assets and *Shari'a*-Compliant Investments (such assets being the "**Initial Mudaraba Assets**", and the portfolio of such assets being the "**Initial Mudaraba Portfolio**", and following the Issue Date of a Series, together with any Eligible Mudaraba Asset substituted for any Initial Mudaraba Asset, the "**Mudaraba Portfolio**" and each asset comprising the Mudaraba Portfolio, a "**Mudaraba Asset**"),

provided that:

(a) on the Issue Date (but not necessarily thereafter), at least 51 per cent. of the aggregate of the Value of: (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, on such Issue Date shall be derived from Ijara Assets and/or any other *Shari'a*-Compliant Assets that have associated with them underlying tangible assets;

(b) on and following the Issue Date: (1) the Wakala Tangibility Ratio; and (2) the Mudaraba Tangibility Ratio shall be at least 30 per cent; and

(c) the Trustee will be under an obligation to invest a proportion of the Proceeds of each Series in a Wakala Portfolio in accordance with the terms of the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract.

The Wakala Assets and the Mudaraba Assets shall together constitute the "**Sukuk Assets**" for each Series. For each Series, the percentage of the Proceeds used to purchase the

Wakala Assets shall be the "**Wakala Percentage**" and the percentage of the Proceeds paid to the Mudarib as the Mudaraba Capital shall be the "**Mudaraba Percentage**" for such Series.

The Managing Agent shall manage the Wakala Portfolio for the benefit of the Trustee pursuant to, and in accordance with, the Management Agreement. Under the Management Agreement, the Managing Agent shall be obliged, in accordance with an investment plan (the "**Wakala Investment Plan**"), to manage the Wakala Asset through the provision of certain services (the "**Services**") including, but not limited to, using its best endeavours to ensure timely receipt of all Wakala Portfolio Revenues and making all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues.

Pursuant to the terms of the Management Agreement, the Managing Agent will maintain a Collection Account in respect of each Series of Certificates. Pursuant to the terms of the Management Agreement, the Managing Agent shall be obliged to maintain separate ledgers in the Collection Account to record: (1) any amount of Wakala Portfolio Principal Revenues received in respect of the Wakala Portfolio; (2) the amount of Wakala Portfolio Income Revenues received in respect of the Wakala Portfolio; and (3) any amount of Wakala Portfolio Income Revenues remaining after deducting amounts payable to the Trustee. All Wakala Portfolio Income Revenues received by the Managing Agent in respect of the Wakala Portfolio of each Series will be credited to the Collection Account and applied by the Managing Agent in accordance with Condition 6(d) (*Trust – Operation of Collection Account (Wakala Assets)*). In particular, Wakala Portfolio Income Revenues received will, after accumulation in the relevant Collection Account during each Return Accumulation Period, up to the Wakala Percentage of the Required Amount, be paid into the Transaction Account and applied (together with amounts credited to the Transaction Account by the Mudarib in accordance with the relevant Restricted Mudaraba Contract), to make periodic distributions in respect of the relevant Series in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*).

The Managing Agent is required, under the Management Agreement, to use all Wakala Portfolio Principal Revenues to invest in additional Eligible Wakala Assets, which will form part of the Wakala Portfolio of that relevant Series, provided that:

(i) the Value of such Eligible Wakala Assets are not less than the consideration given for, the purchase price of or the amounts otherwise applied in the acquisition or origination of such assets; and

(ii) such further Eligible Wakala Assets are Eligible Wakala Assets in respect of which the representations and warranties in clause 5.2 (*Representations and Warranties*) of the Master Wakala Purchase Agreement can be given by QIB.

In the event that any Wakala Assets cease to be Eligible Wakala Assets, the Managing Agent shall be obliged to replace the relevant Wakala Assets (and associated contracts) with a Wakala Asset which is an Eligible Wakala Asset, provided that, if sufficient Eligible Wakala Assets are not available for such purpose, the Wakala Portfolio Principal Revenues may be held in the relevent Collection Account until such time as sufficient Eligible Wakala Assets become available.

The Mudarib will invest the Mudaraba Capital in accordance with an investment plan prepared by the Mudarib and contained in the relevant Restricted Mudaraba Contract (the "**Mudaraba Investment Plan**") in Eligible Mudaraba Assets. The Mudaraba Investment Plan will specify, *inter alia*, the expected rate of return in respect of the Mudaraba Assets (the "**Expected Mudaraba Profit**"). The Mudarib will hold and manage the Mudaraba Portfolio for the benefit of the Rabb-al-Maal.

Under the terms of the Master Restricted Mudaraba Agreement, in relation to each Restricted Mudaraba, the Mudarib shall be obliged, among other things, to ensure that the Mudaraba Capital is invested in accordance with the Mudaraba Investment Plan and to monitor, subject to, and in accordance with its usual and standard practices from time to time, on a monthly basis the Value and income generating properties of the Mudaraba

Assets and use its best endeavours to manage the Mudaraba Portfolio such that the Value of the relevant Mudaraba Portfolio is, on the Business Day immediately preceding the relevant Dissolution Date, equal to or greater than the relevant Mudaraba Capital. Any payment of Mudaraba Profit shall be made from the profits generated by the Mudaraba Capital in relation to the applicable Mudaraba Contract and the Mudarib shall make profit distributions in relation to a Restricted Mudaraba Contract on each Mudaraba Income Distribution Date in respect of the applicable Mudaraba Income Distribution Period. Payments in respect, or on account, of any Mudaraba Profit will: (i) first be allocated and, in the case of any interest of QIB, distributed on a *pro rata* basis in accordance with any respective ownership interests of (a) QIB and (b) the Mudaraba in the Mudaraba Portfolio; and (ii) following such initial allocation and distribution, allocated in respect of the Mudarib and Rabb-al-Maal's interest in the Mudaraba Profit in accordance with the profit sharing ratio set out in the Master Restricted Mudaraba Agreement and the Rabb-al-Maal's share of such Mudaraba Profit will be paid into the Transaction Account by the Mudarib on such Mudaraba Income Distribution Date. The Mudarib shall be entitled to use for its own account any amounts received in the nature of Mudaraba Profit, provided that such amount shall be repaid when required pursuant to the terms of the Master Restricted Mudaraba Agreement.

On the applicable Mudaraba End Date, any amounts standing to the credit of the Mudaraba Reserve Account after all amounts due under the Certificates of the relevant Series have been satisfied in full shall be paid to the Mudarib as an incentive amount for its performance.

Pursuant to the terms of the Master Restricted Mudaraba Agreement, the Mudarib shall be obliged to maintain separate ledgers to record: (1) any amount of Mudaraba Portfolio Principal Revenues received in respect of the relevant Restricted Mudaraba; (2) the amount of Mudaraba Profit received in respect of the relevant Mudaraba Portfolio which is payable to the Rabb-al-Maal; and (3) any amounts of Mudaraba Profit remaining after deducting amounts payable to the Rabb-al-Maal. The Mudarib will, to the extent possible, use reasonable endeavours to reinvest any amounts received in the nature of principal from Mudaraba Assets in respect of the Mudaraba Portfolio of each Series of Certificates ("**Mudaraba Portfolio Principal Revenues**") in Eligible Mudaraba Assets, in each case in accordance with the terms of the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba Contract and the related Mudaraba Investment Plan, provided that the Value of such further Eligible Mudaraba Assets are not less than the consideration given for, the purchase price of or the amounts otherwise applied in the acquisition of such assets provided that, subject to the terms of the Master Restricted Mudaraba Agreement, if sufficient Eligible Mudaraba Assets are not available for such purpose, the Mudaraba Portfolio Principal Revenues may be held in the Mudaraba Account until such time as sufficient Eligible Mudaraba Assets become available.

Upon receipt by the Trustee of a Cancellation Notice, the Trustee acknowledges and agrees that the Mudarib shall transfer on the relevant Cancellation Date to QIB such Mudaraba Assets as selected by the Mudarib in its sole and absolute discretion ("**Cancellation Mudaraba Assets**"), provided that the aggregate Value of such Cancellation Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates and provided always that following such transfer, the Mudaraba Tangibility Ratio shall be not less than 30 per cent.

Upon the maturity of a Series or the occurrence of a Dissolution Event:

(a) pursuant to the Purchase Undertaking Deed, the Trustee (or following the occurrence of a Dissolution Event, the Delegate), may exercise its rights under the relevant Purchase Undertaking and require QIB to purchase from the Trustee by way of assignment and transfer the relevant Wakala Portfolio. The price (the "**Exercise Price**") payable by QIB upon exercise of the relevant Purchase Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the Purchase Undertaking; (ii) an amount equal to any accrued and unpaid Periodic Distribution Amounts less any amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts, in each case on the date on which the payment of the Exercise Price is made pursuant to the Purchase Undertaking Deed; (iii) an amount equal to the sum of: (1) any amounts repayable but unpaid by the Trustee to the Managing Agent under a Liquidity Facility; and (2) without duplication or double-counting, any other outstanding Management Liabilities Amounts; and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date; and

(b) pursuant to the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba will be liquidated and the Mudarib will pay to the Rabb-al-Maal an amount equal to the aggregate of: (i) an amount equal to the Value of the relevant Mudaraba Portfolio on the Mudaraba End Date; plus (ii) any Mudaraba Portfolio Principal Revenues held by the Mudarib in relation to such Restricted Mudaraba Contract at the relevant time that have not yet been invested in further Eligible Mudaraba Assets (the "**Final Liquidation Proceeds**") in accordance with the Master Restricted Mudaraba Agreement and the Restricted Mudaraba Contract; and

(c) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not at the relevant time been invested in Eligible Wakala Assets by crediting such amounts to the Transaction Account.

QIB may, in the event of certain tax gross ups being required or, in the event that QIB exercises a call option in relation to a Series (the "**Optional Dissolution Right**") (if applicable to the relevant Series):

(a) pursuant to the Sale Undertaking Deed, exercise its rights under the relevant Sale Undertaking to require the Rabb-al-Maal to sell and transfer the relevant Wakala Portfolio to QIB. The Exercise Price payable by QIB upon exercise of the relevant Sale Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the Sale Undertaking; (ii) an amount equal to any accrued and unpaid Periodic Distribution Amounts less any amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts, in each case on the date on which the payment of the Exercise Price is made pursuant to the Sale Undertaking Deed; (iii) an amount equal to the sum of: (1) any amounts repayable but unpaid by the Trustee to the Managing Agent under a Liquidity Facility; and (2) without duplication or double-counting, any other outstanding Management Liabilities Amounts; and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date;

(b) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not at the relevant time been invested in Eligible Wakala Assets, by crediting such amounts into the Transaction Accounts; and

(c) pursuant to the Master Restricted Mudaraba Agreement, liquidate the relevant Restricted Mudaraba and distribute the Final Liquidation Proceeds in accordance with the Master Restricted Mudaraba Agreement and the Restricted Mudaraba Contract.

Any obligation of the Trustee to repay any amounts advanced pursuant to the Liquidity Facility shall be set-off against payment by QIB of that portion of the Exercise Price under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable) comprising (i) any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; and (ii) any Management Liabilities Amounts repayable but unpaid by the Trustee to the Managing Agent in accordance with the terms of the Management Agreement.

Pursuant to the Redemption Undertaking Deed, the Trustee will, with respect to each Series, give a Redemption Undertaking in favour of QIB pursuant to which the Trustee undertakes, in the case of the exercise of QIB's rights pursuant to Condition 14(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by QIB and/or any of its Subsidiaries*) and following receipt of a Cancellation Notice, to cancel any relevant Certificates surrendered to it by QIB and/or any of its subsidiaries and to transfer on any Cancellation Date the Cancellation Wakala Assets, the Value of which shall be no greater than the Wakala Percentage of the aggregate outstanding face amount of the Cancellation Certificates.

Pursuant to the Wakala Asset Substitution Undertaking Deed, the Trustee will, with respect to each Series, give a Wakala Asset Substitution Undertaking in favour of QIB pursuant to which the Trustee undertakes, upon receipt of a substitution notice, to transfer certain Wakala Assets to QIB in exchange for the receipt of certain new Wakala Assets from QIB on the condition that the value of the new Wakala Assets is at least equal to the Value of the new Wakala Assets on such date.

(b) **Trust Assets**

The Trust Assets in respect of a Series will comprise:

(i) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets;

(ii) the right, title, interest and benefit, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by QIB to the Trustee and the Delegate pursuant to any of the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 17.1 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Master Declaration of Trust);

(iii) all monies standing to the credit of the Transaction Account; and

(iv) any other assets, rights, cash or investments as may be specified in the applicable Final Terms,

and all proceeds of the foregoing.

Pursuant to the Master Declaration of Trust, as supplemented by any relevant Supplemental Declaration of Trust, the Trustee holds the Trust Assets for each Series upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder for the relevant Series.

(c) **Operation of Transaction Account**

For each Series, the Trustee will establish a non-interest bearing transaction account (the "**Transaction Account**") with the Principal Paying Agent into which, among other things: (i) the Mudarib will deposit all amounts of Mudaraba Profit due to the Rabb-al-Maal in respect of the relevant Series; (ii) the Managing Agent will deposit all amounts of Wakala Portfolio Income Revenues due to the Trustee in respect of the relevant Series; and (iii) the Delegate will deposit all the proceeds of any action to enforce the provisions of the Purchase Undertaking Deed and to enforce or realise the relevant Trust Assets taken in accordance with Condition 16 (*Enforcement and Exercise of Rights*).

(d) **Operation of Collection Account (Wakala Assets)**

Pursuant to the Management Agreement, the Managing Agent shall receive and accumulate all Wakala Portfolio Income Revenues for each Series and shall record the same in the relevant Collection Account. The Managing Agent agrees and acknowledges that any return arising from a Wakala Portfolio shall be recorded by crediting it to the Wakala Reserve Account (as described below). All such Wakala Portfolio Income Revenues standing to the credit of the Collection Account will be applied by the Managing Agent in the following order of priority:

(i) *first*, in payment of all or any due and payable Management Liabilities Amounts and any amounts due and repayable under the Liquidity Facility;

(ii) *second*, in payment to the Transaction Account an amount equal to the lesser of the Wakala Percentage of the Required Amount for the corresponding Periodic Distribution Date, as the case may be, and the balance of the Collection Account; and

(iii) the balance of the Collection Account immediately following the payment of the amounts set out in paragraphs (a) and (b) on such day shall be retained by the Managing Agent as a reserve and credited to a reserve account ledger in the name of the Managing Agent (the "**Wakala Reserve Account**").

(e) **Operation of Wakala Reserve Account**

Pursuant to the Management Agreement, the Managing Agent shall credit any surplus amounts of Wakala Portfolio Income Revenues (if any) to the Wakala Reserve Account in accordance with Condition 6(d)(iii) (*Trust – Operation of Collection Account (Wakala Assets)*). Monies standing to the credit of the Wakala Reserve Account (if any) shall be paid in accordance with this Condition 6(e) (*Trust – Operation of Wakala Reserve Account*). The Managing Agent will be entitled to use amounts standing to the credit of the Wakala Reserve Account for its own account, **provided that** such amounts shall be repaid by the Managing Agent if so required to fund a shortfall in respect of the relevant Series.

On each Periodic Distribution Date, the Managing Agent will apply any amounts standing to the credit of the Wakala Reserve Account by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time and (after taking into account any payments made or to be made pursuant to the Master Restricted Mudaraba Agreement); and (ii) the Required Amount due on the corresponding Periodic Distribution Date (a "**Shortfall**").

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the payment to the Transaction Account of the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable); and (iii) the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets, is less than the Required Amount due on such date, then the Managing Agent may apply any amounts standing to the credit of the Wakala Reserve Account in order to cover such Shortfall.

Upon final termination or dissolution of the Trust as provided in Condition 11 (*Capital Distributions of the Trust*), and **provided that** all obligations owed by QIB to the Trustee have been met, the Managing Agent shall be entitled to retain the remaining balance (if any) of the Wakala Reserve Account (after any payments into the Transaction Account as provided above) for its own account as an incentive amount.

(f) **Operation of Mudaraba Reserve Account**

Pursuant to the Master Restricted Mudaraba Agreement, the Mudarib shall credit any excess Mudaraba Profit to a reserve ledger account (the "**Mudaraba Reserve Account**"). Monies standing to the credit of the Mudaraba Reserve Account (if any) shall be paid in accordance with this Condition 6(f) (*Trust – Operation of Mudaraba Reserve Account*). The Mudarib will be entitled to use amounts standing to the credit of the Mudaraba Reserve Account for its own account, **provided that** such amounts shall be repaid by the Mudarib if so required to fund a Shortfall in respect of the relevant Series.

On each Mudaraba Income Distribution Date, the Mudarib will, after taking into account any payments made or to be made by the Managing Agent pursuant to the Management Agreement, pay amounts equal to amounts standing to the credit of the Mudaraba Reserve Account into the Transaction Account, towards the aggregate amount of any Shortfall.

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement, the payment to the Transaction Account of the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable) and the deposit by the Managing Agent in the Transaction Account of any Wakala Portfolio Principal Revenues in accordance with clause 6.4 of the Management Agreement is less than the Required Amount due on such date, then the Mudarib may utilise any amounts standing to the credit of the Mudaraba Reserve Account in order to cover such Shortfall.

Upon final termination or dissolution of the Trust as provided in Condition 11 (*Capital Distributions of the Trust*), after all amounts due under the Certificates of the relevant Series have been satisfied in full, the Mudarib shall be entitled to retain the remaining balance (if any) of the Mudaraba Reserve Account (after any payments into the Transaction Account as provided above) for its own account as an incentive amount.

(g) **Operation of Liquidity Facility**

In the event that the amounts standing to the credit of the Mudaraba Reserve Account, when aggregated with the amounts standing to the credit of the Wakala Reserve Account, are insufficient to pay the amounts described in items (i), (ii) and (iii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) on any Periodic Distribution Date, the Managing Agent may provide a *Shari'a*-compliant liquidity facility (without recourse to the Sukuk Assets) (the "**Liquidity Facility**") to the Trustee to ensure that in respect of each Series, the Trustee receives no later than the Business Day immediately preceding each Periodic Distribution Date, the full amount payable in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) on such Periodic Distribution Date.

(h) **Application of Proceeds from Trust Assets**

On each Periodic Distribution Date, any Dissolution Date or on any earlier date specified for the dissolution of the Trust for each Series, the relevant Paying Agent will apply the monies standing to the credit of the Transaction Account in the following order of priority:

(i) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust;

(ii) *second*, (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all amounts properly incurred and documented (each in the opinion of the Delegate) owing to it under the Transaction Documents in its capacity as Trustee; (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as Trustee Administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;

(iii) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(iv) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment of the Dissolution Amount; and

(v) *fifth*, only if such payment is made on a Dissolution Date, payment of any residual amount to the Managing Agent as an incentive amount for its performance.

7. COVENANTS

The Trustee covenants that, among other things, for so long as any Certificate is outstanding (as defined in the Master Declaration of Trust), it shall not:

(i) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

(ii) create any Security Interest over any of its present or future indebtedness for borrowed money or upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) (other than under or pursuant to any of the Transaction Documents));

(iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;

(iv) subject to Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(v) except as provided in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(vi) have any subsidiaries or employees;

(vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;

(viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(ix) prior to the date which is one year and one day after the date on which the relevant trust is dissolved, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party and the Corporate Services Agreement or as expressly permitted or required thereunder or engage in any business or activity other than:

(A) as provided for or permitted in the Transaction Documents;

(B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(C) such other matters which are incidental thereto.

8. FIXED PERIODIC DISTRIBUTION PROVISIONS

(a) **Application**

This Condition 8 (*Fixed Periodic Distribution Provisions*) is applicable to the Certificates only if the fixed periodic distribution provisions set out in this Condition 8 (*Fixed Periodic Distribution Provisions*) (the "**Fixed Periodic Distribution Provisions**") are specified in the applicable Final Terms as being applicable.

(b) **Periodic Distribution Amount**

A "**Periodic Distribution Amount**" representing a defined share of the profit in respect of the relevant Sukuk Assets will be payable in respect of the relevant Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions.

(c) **Determination of Periodic Distribution Amount**

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Certificate for any Return Accumulation Period shall be the Fixed Amount and, if the Certificates are in more than one Specified Denomination, shall be the Fixed Amount as specified in the applicable Final Terms in respect of the relevant Specified Denomination. Payments of Periodic Distribution Amounts on any Periodic Distribution Date as specified in the applicable Final Terms may, if so specified in the applicable Final Terms, amount to the Broken Amount as specified in the applicable Final Terms.

If any Periodic Distribution Amount is required to be calculated for a period other than a Return Accumulation Period or if no relevant Fixed Amount or Broken Amount is specified in the applicable Final Terms, such Periodic Distribution Amount shall be calculated by applying the Rate to the Calculation Amount, multiplying the product by the applicable Day Count Fraction, and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency (half of any such sub-unit being rounded upwards) and multiplying such rounded figure by a figure equal to the Specified Denomination of the relevant Certificate divided by the Calculation Amount.

"**Day Count Fraction**" means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

  (A) where the Determination Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Determination Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

  (B) where the Determination Period is longer than one Regular Period, the sum of:

    (1) the actual number of days in such Determination Period falling in the Regular Period in which it begins divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year; and

    (2) the actual number of days in such Determination Period falling in the next Regular Period divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year;

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Issue Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(d) **Payment in Arrear**

Subject to Condition 8(e) (*Fixed Periodic Distribution Provisions – Cessation of Profit Entitlement*), Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), Condition 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of QIB*), and Condition 15 (*Dissolution Events*) below, and unless otherwise specified in the applicable Final Terms, each Periodic Distribution Amount will be paid in respect of the relevant Certificates in arrear on each Periodic Distribution Date specified in the applicable Final Terms.

(e) **Cessation of Profit Entitlement**

Provided that, upon due presentation, payment is not improperly withheld or refused, no further amounts will be payable on any Certificate from and including the relevant Dissolution Date.

9. FLOATING PERIODIC DISTRIBUTION PROVISIONS

(a) **Application**

This Condition 9 (*Floating Periodic Distribution Provisions*) is applicable to the Certificates only if the floating periodic distribution provisions set out in this Condition 9 (*Floating Periodic Distribution Provisions*) (the "**Floating Periodic Distribution Provisions**") are specified in the applicable Final Terms as being applicable.

(b) **Periodic Distribution Amount**

A "**Periodic Distribution Amount**" representing a defined share of the profit in respect of the relevant Sukuk Assets will be payable in respect of the relevant Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions. Such Periodic Distribution Amounts will be payable in arrear on either:

(i) the Specified Periodic Distribution Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Periodic Distribution Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Periodic Distribution Date, a "**Periodic Distribution Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Periodic Distribution Date or, in the case of the First Periodic Distribution Date, after the Issue Date.

Such Periodic Distribution Amounts will be payable in respect of each Return Accumulation Period.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which a Periodic Distribution Date should occur, or (y) if any Periodic Distribution Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) in any case where Specified Periods are specified in accordance with Condition 9(b)(ii) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*) above, the Floating Rate Convention, such Periodic Distribution Date: (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of below shall apply *mutatis mutandis*; or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; and (ii) each subsequent Periodic Distribution Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Periodic Distribution Date occurred; or

(ii) the Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day; or

(iii) the Modified Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; or

(iv) the Preceding Business Day Convention, such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant Specified Currency and in each (if any) Additional Business Centre.

(c) **Screen Rate Determination**

If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate(s) is/are to be determined, the Rate applicable to the Certificates for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate specified in the applicable Final Terms is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Periodic Distribution Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Periodic Distribution Determination Date;

(iii) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Periodic Distribution Determination Date to prime banks in the London interbank market, as the case may be, in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the principal financial centre of the country of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial centre of the country of the Specified Currency) on the first day of the relevant Return Accumulation Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate for such Return Accumulation Period shall be the sum of the Margin as specified in the applicable Final Terms and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Return Accumulation Period, the Rate applicable to the Certificates during such Return Accumulation Period will be the sum of the Margin and the Rate or (as the case may be) the arithmetic mean last determined in relation to the Certificates in respect of a preceding Return Accumulation Period.

(d) **Cessation of Profit Entitlement**

Provided that, upon due presentation, payment is not improperly withheld or refused, no further amounts will be payable on any Certificate from and including the relevant Dissolution Date.

(e) **Calculation of Periodic Distribution Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Certificate for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate applicable to the relevant Return Accumulation Period (i) to the face amount (in the case of a Certificate in global form) or (ii) to the Calculation Amount (in the case of a Certificate in individual registered form), multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a figure equal to the Specified Denomination of the relevant Certificate divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

"**Day Count Fraction**" means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 9(e) (*Floating Periodic Distribution Provisions – Calculation of Periodic Distribution Amount*):

(i) if "**Actual/Actual**", "**Actual/Actual (ISDA)**", "**Act/Act**" or "**Act/Act (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is specified:

(A) where the Determination Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Determination Period divided by the product of: (1) the actual number of days in such Regular Period; and (2) the number of Regular Periods in any year; and

(B) where the Determination Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Determination Period falling in the Regular Period in which it begins divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year; and

(2) the actual number of days in such Determination Period falling in the next Regular Period divided by the product: of (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year;

(iii) if "**Actual/365(Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period in respect of which payment is being made divided by 365;

(iv) if "**Actual/360**", "**Act/360**" or "**A/360**" is specified, the actual number of days in the Return Accumulation Period in respect of which payment is being made divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"**D_1**" is the first calendar day of the Return Accumulation Period, expressed as a number, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"**M_1**" is the calendar month expressed as a number, in which the first day of the Return Accumulation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "**30E/360(ISDA)**" specified in the applicable Final Terms, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

"$\mathbf{M_2}$" is the calendar month expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls; and

"$\mathbf{D_1}$" is the first calendar day of the Return Accumulation Period, expressed as a number, of the Return Accumulation Period unless (i) that day is the last day of February, or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date, or (ii) such number would be 31, in which case D_2 will be 30.

(f) **Calculation of Other Amounts**

If the applicable Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the applicable Final Terms.

(g) **Publication**

The Calculation Agent will cause each Rate and Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and, if listed, the Irish Stock Exchange as soon as practicable after such determination but (in the case of each Rate, Periodic Distribution Amount and Periodic Distribution Date) in any event not later than the first day of the relevant Return Accumulation Period. Notice thereof shall also promptly be given to the Certificateholders. The Calculation Agent will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Return Accumulation Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Periodic Distribution Amount but instead may publish only the Calculation Amount and the Periodic Distribution Amount in respect of a Certificate having the minimum Specified Denomination.

(h) **Notifications, etc. to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 9 (*Floating Periodic Distribution Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Trustee, the Delegate, QIB, the Agents and all Certificateholders. In the absence of negligence, wilful default or fraud no liability to the Trustee, the Delegate, QIB, any Agent or the Certificateholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 9 (*Floating Periodic Distribution Provisions*).

10. PAYMENT

(a) **Payments in respect of Certificates**

Subject to Condition 8(b) (*Fixed Periodic Distribution Provisions – Periodic Distribution Amount*) or Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*) (as applicable), payment of each Periodic Distribution Amount and the relevant Dissolution Amount will be made by the relevant Paying Agent in the Specified Currency, by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the Dissolution Amount will only be made against surrender of the relevant Certificate at the specified office of the relevant Paying Agent. The Dissolution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of these Conditions:

(i) a Certificateholder's "**registered account**" means an account denominated in the Specified Currency maintained by or on behalf of it with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date;

(ii) a Certificateholder's "**registered address**" means its address appearing on the Register at that time; and

(iii) **"Record Date**" means:

(A) in the case of the payment of a Periodic Distribution Amount, the close of business on the day prior to the relevant Periodic Distribution Date; and

(B) in the case of the payment of a Dissolution Amount, the date falling two Payment Business Days before the relevant Dissolution Date or other due date for payment of the relevant Periodic Distribution Amount.

(b) **Payments subject to Applicable Laws**

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of this Condition 10 (*Payment*) and Condition 12 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

(c) **Payment only on a Payment Business Day**

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated by the relevant Paying Agent, on the due date for payment or, in the case of a payment of the Dissolution Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of the relevant Paying Agent.

Certificateholders will not be entitled to any additional Periodic Distribution Amount, Dissolution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering his Certificate (if required to do so).

If the Dissolution Amount or any Periodic Distribution Amount is not paid in full when due, the relevant Registrar will annotate the Register with a record of the amount actually paid.

(d) **Agents**

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided in the Master Declaration of

Trust and the Agency Agreement) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders or any other party to the Transaction Documents.

The names of the initial Agents and their initial specified offices are set out in this Condition 10(d) (*Payment – Agents*). The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents **provided that:** (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system; and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such change or any change of any Specified Office shall be given to the Trustee, the Delegate and the Certificateholders in accordance with the provisions of the Agency Agreement.

The name and specified office of the Principal Paying Agent and Calculation Agent:

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London
EC2N 2DB
United Kingdom

The name and specified office of the Registrar and Transfer Agent:

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

11. CAPITAL DISTRIBUTIONS OF THE TRUST

(a) Dissolution on the relevant Scheduled Dissolution Date

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the Dissolution Amount and the Trust will be dissolved by the Trustee on the relevant Scheduled Dissolution Date.

(b) Early Dissolution for Tax Reasons

If a Tax Event occurs, where "**Tax Event**" means:

(i) (A) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Series; and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(ii) (A) the Trustee has received notice from the Mudarib that it has or will become obliged to pay additional amounts pursuant to the terms of the Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Series; and (B) such obligation cannot be avoided by taking reasonable measures available to it,

then, QIB may:

(a) exercise its option granted under Clause 2.1.1 (*Grant of Rights*) of the Sale Undertaking Deed in accordance with Clause 3.1.1 (*Exercise and Undertaking*) thereof; and

(b) in its capacity as Mudarib, liquidate (in whole, but not in part) the Restricted Mudaraba in respect of the relevant Restricted Mudaraba Contract in accordance with the provisions of the Master Restricted Mudaraba Agreement and the applicable Restricted Mudaraba Contract,

and deliver an Exercise Notice to the Trustee specifying the due date for redemption of the Certificates (in whole, but not in part):

(1) at any time (if the Floating Periodic Distribution Provisions are not specified in the applicable Final Terms as being applicable); or

(2) on any Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable),

such notice to be delivered in the prescribed form set out in the Sale Undertaking Deed and not less than 45 nor more than 90 days prior to the due date for redemption stated therein.

Following receipt by the Trustee of a duly completed Exercise Notice from QIB under the Sale Undertaking Deed, the Trustee shall, on giving not less than 30 nor more than 60 days notice to the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Certificates on the relevant Dissolution Date), dissolve the Trust and redeem (in whole, but not in part) the Certificates at their Early Dissolution Amount (Tax), together with Periodic Distribution Amounts accrued (if any) to the Dissolution Date **provided, however, that** no such notice of dissolution shall be given to Certificateholders earlier than:

(x) where the Certificates may be dissolved at any time (if the Floating Periodic Distribution Provisions are not specified in the applicable Final Terms as being applicable), 90 days prior to the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (ii) above) QIB would be obliged to pay such additional amounts if a payment to the Trustee under the Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract was then due; or

(y) where the Certificates may be dissolved only on a Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable), 60 days prior to the Periodic Distribution Date occurring immediately before the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (ii) above) QIB would be obliged to pay such additional amounts if a payment to the Trustee under the Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract was then due.

Prior to the publication by or on behalf of the Trustee of any notice to Certificateholders pursuant to this Condition 11 (*Capital Distribution of the Trust*), it shall be sufficient, to establish that the conditions precedent set out in this Condition 11 (*Capital Distribution of the Trust*) to the right of the Trustee to dissolve the Trust have occurred, if QIB shall deliver to the Trustee and the Delegate an opinion of independent legal advisers of recognised standing or accountant of recognised standing to the effect either that such circumstances do exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation or administration thereof, of any Relevant Jurisdiction, which at the date of such Certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant Periodic Distribution Amount or, as the case may be, Dissolution Amount in respect of the Certificates would otherwise be made, becoming so effective, such circumstances would exist and the Trustee or the Delegate shall be entitled to accept such opinion as sufficient evidence of the satisfaction of the relevant conditions precedent in which event they shall be conclusive and binding on the Certificateholders.

Upon the expiry of any such notice to Certificateholders as is referred to above, the Trustee shall be bound to dissolve the Certificates in accordance with this Condition 11(b) (*Capital Distribution of the Trust – Early Dissolution for Tax Reasons*). Upon such dissolution as aforesaid and the termination of the Trust, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(c) **Dissolution at the Option of QIB**

If the Optional Dissolution Right (as set out in the applicable Final Terms) is specified in such Final Terms as being applicable, QIB shall:

(a) exercise its option granted under Clause 2.1.2 (*Grant of Rights*) of the Sale Undertaking Deed in accordance with Clause 3.1.2 (*Exercise and Undertaking*) thereof; and

(b) in its capacity as Mudarib, liquidate (in whole, but not in part) the Restricted Mudaraba in respect of the relevant Restricted Mudaraba Contract in accordance with the provisions of the Master Restricted Mudaraba Agreement and the applicable Restricted Mudaraba Contract,

and deliver an Exercise Notice to the Trustee specifying the due date for redemption of the Certificates (in whole, but not in part) on any Optional Dissolution Date specified in the applicable Final Terms, such notice to be delivered in the prescribed form set out in the Sale Undertaking Deed and not less than 45 days prior to the due date for redemption stated therein.

Following receipt by the Trustee of a duly completed Exercise Notice in the prescribed form pursuant to this Condition 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of QIB*), the Trustee shall, on giving not less than 45 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Certificates on the relevant Optional Dissolution Date), dissolve the Trust and redeem (in whole, but not in part) the Certificates at the relevant Optional Dissolution Amount, together with Periodic Distribution Amounts accrued (if any) to the Optional Dissolution Date.

Upon the expiry of any such notice to Certificateholders as is referred to in this Condition 11(c) (*Capital Distribution of the Trust – No Other Dissolution*), the Trustee shall be bound to dissolve the Certificates in accordance with this Condition 11 (*Capital Distribution of the Trust – No Other Dissolution*). Upon payment in full of such amounts and the dissolution as aforesaid and termination of the relevant Trust, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(d) **Dissolution following a Dissolution Event**

Upon the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed at the Dissolution Amount on the Dissolution Event Redemption Date, if the conditions set out in Condition 15 (*Dissolution Events*) are satisfied, and the Trust will be dissolved by the Trustee.

(e) **No other Dissolution**

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 11 (*Capital Distributions of the Trust*), Condition 14(c) (*Purchase and Cancellation of Certificates – Dissolution of the Trust upon cancellation of all outstanding Certificates in a Series*) and Condition 15 (*Dissolution Events*).

(f) **Cancellations**

All Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

(g) **Effect of payment in full of Dissolution Amount**

Upon payment in full of the Dissolution Amount and the termination of the Trust, the Certificates shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

12. TAXATION

All payments in respect of the Certificates by the Trustee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction ("**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay such additional amounts as shall be necessary in order that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate presented for payment (where presentation is required):

(i) by or on behalf of a holder who is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or

(ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iii) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a different Member State of the European Union; or

(iv) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days.

In these Conditions:

"**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the relevant Paying Agent or the Trustee or the Registrar on or before the due date, it means the date on which the full amount of the money having been so received, notice to that effect shall have been duly given to Certificateholders by the Trustee in accordance with Condition 18 (*Notices*); and

"**Relevant Jurisdiction**" means the Cayman Islands (in the case of any payment made by the Trustee) and Qatar (in the case of any payment made by QIB) or, in each case, any political subdivision or authority thereof or therein having the power to tax.

The Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract and the Purchase Undertaking Deed provide that payments thereunder by QIB shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by QIB of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee or the Delegate acting on its behalf.

If QIB becomes subject to any taxing jurisdiction other than Qatar, references in these Conditions to Qatar, shall be construed as references to Qatar and/or such other jurisdiction, as the case may be.

13. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of ten (10) years (in the case of the Dissolution Amount) and five (5) years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

14. PURCHASE AND CANCELLATION OF CERTIFICATES

(a) **Purchases**

QIB and/or any Subsidiary may at any time purchase Certificates at any price in the open market or otherwise. Such Certificates may be held, reissued, re-sold or, at the option of QIB, surrendered to the Registrar for cancellation in accordance with Condition 14(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by QIB and/or any of its Subsidiaries*).

(b) **Cancellation of Certificates held by QIB and/or any of its Subsidiaries**

If QIB wishes to cancel any Certificates purchased by it and/or any Subsidiary pursuant to Condition 14(a) (*Purchase and Cancellation of Certificates – Purchases*) above (the "**Cancellation Certificates**"), QIB may, in accordance with the terms of the Redemption Undertaking Deed, deliver a Cancellation Notice to the Trustee requiring it to cancel any relevant Certificates surrendered to it by QIB and/or any of its subsidiaries and to transfer on any Cancellation Date the Wakala Assets specified by QIB in its sole and absolute discretion in the relevant Cancellation Notice, together with all of the Trustee's rights, title, interests, benefits and entitlements in and to the Cancellation Wakala Assets, the Value of which shall be no greater than the Wakala Percentage of the aggregate outstanding face amount of the Cancellation Certificates. Upon receipt by the Trustee of a Cancellation Notice, the Trustee acknowledges and agrees that the Mudarib shall transfer on the relevant Cancellation Date to QIB the Cancellation Mudaraba Assets, provided that the aggregate Value of such Cancellation Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates.

(c) **Dissolution of the Trust upon cancellation of all outstanding Certificates in a Series**

In the event QIB and/or any of its Subsidiaries purchase all the outstanding Certificates in a Series following the exercise of the relevant Redemption Undertaking, and all such Certificates are subsequently cancelled by the Trustee, the relevant Trust will be dissolved and the Certificates shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

15. DISSOLUTION EVENTS

If, upon the occurrence of any of the following events (each a "**Dissolution Event**"):

(i) default is made in the payment of the Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of seven (7) days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of fourteen (14) days; or

(ii) the Trustee defaults in the performance or observance of or compliance with any of its other obligations or undertakings under the Transaction Documents to which it is a party and such default is not capable of remedy (in the opinion of the Delegate) or (if capable of remedy (in the opinion of the Delegate)) is not remedied within thirty (30) days after written notice of such default shall have been given to the Trustee by the Delegate; or

(iii) a QIB Event occurs; or

(iv) the Trustee repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or

(v) at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or

(vi) either: (a) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (b) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); (c) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (d) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business; or

(vii) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or

(viii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraph (vi) and (vii) above,

provided however that in the case of the occurrence of any of the events described in paragraphs (ii) and (v), the Delegate shall have certified in writing to QIB that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates, the Delegate shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), subject to it having been notified in writing of the occurrence of such Dissolution Event, give notice in writing of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 18 (*Notices*) with a request to such holders to indicate if they wish the Trust to be dissolved. If so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series outstanding or if so directed by an Extraordinary Resolution of the Certificateholders (a "**Dissolution Request**") it shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee and QIB of the Dissolution Request and, upon receipt of such notice, the Trustee shall exercise its rights under the Purchase Undertaking Deed, the relevant Restricted Mudaraba shall be liquidated in accordance with the Master Restricted Mudaraba Agreement and the Trustee shall distribute to the Certificateholders the proceeds of the resultant sale and liquidation, together with any amounts of Wakala Portfolio Principal Revenues deposited in the Transaction Account by the Managing Agent in accordance with clause 6.4 of the Management Agreement and the Certificates shall be redeemed at the Dissolution Amount on the date specified in such notice (the "**Dissolution Event Redemption Date**") and the Trust shall be dissolved on the day after the last outstanding Certificate has been redeemed.

For the purposes of paragraph (i) above, amounts shall be considered due in respect of the Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 8 (*Fixed Periodic Distribution Provisions*), Condition 9 (*Floating Periodic Distribution Provisions*) and Condition 11 *(Capital Distributions of the Trust)*) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

For the purposes of this Condition, an "**QIB Event**" will occur if one or more of the following events occurs:

(i) *Non-payment:* QIB fails to pay: (i) any Wakala Portfolio Income Revenues; or (ii) any Mudaraba Profit, in the case of (i) and (ii), as payable to the Trustee and the failure continues for a period of fourteen (14) days or QIB fails to pay: (iii) the Final Liquidation Proceeds; (iv) the Exercise Price payable under the Purchase Undertaking or Sale Undertaking; or (v) the Wakala Portfolio Principal Revenues payable under clause 6.4 (*Application of Wakala Portfolio Principal Revenues*) of the Management Agreement, in the case of (iii), (iv) and (v), as payable to the Trustee and the failure continues for a period of seven (7) days; or

(ii) *Breach of other obligations:* QIB, acting in any capacity, defaults in the performance or observance of any of its covenants and/or obligations in relation to the Certificates or under the Transaction Documents to which it is a party (other than the Programme Agreement and the Agency Agreement) and such default remains unremedied for a period of thirty (30) days after written notice of such default shall have been given to QIB by the Delegate (except where such default is, in the opinion of the Delegate, based on information received by the Delegate from QIB and/or the Trustee (as applicable), not capable of remedy in which case no such notice of default shall be required); or

(iii) *Cross-default:* any Indebtedness of QIB or any of QIB's Material Subsidiaries (or any Guarantee given by any of them in respect of any Indebtedness) is not paid when due or, as the case may be, within any originally applicable grace period or any such Indebtedness becomes due and payable prior to its specified maturity (or, in the case of a Guarantee, is called) as a result of an event of default (however described) provided, however, that it shall not constitute a QIB Event unless the aggregate amount (or its equivalent in U.S. dollars) of all such Indebtedness or Guarantees either alone or when aggregated with all other Indebtedness or Guarantees which shall remain unpaid or unsatisfied or is so declared or becomes due and payable or is called, or a creditor becomes entitled so to do, as the case may be, shall be more than U.S.$10,000,000 (or its equivalent in any other currencies); or

(iv) *Winding up, etc.:* QIB or any of QIB's Material Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started (and such proceedings have not been discharged within thirty (30) days and are not being actively contested in good faith) for its winding-up, nationalisation, dissolution, bankruptcy, administration or reorganisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any substantial part or all of its revenues and assets, except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation: (i) on terms approved by an Extraordinary Resolution of the Certificateholders; or (ii) in the case of a Material Subsidiary, whereby all or a substantial part of the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in QIB or another Subsidiary of QIB; or

(v) *Ceasing of business, etc.:* QIB or any of QIB's Material Subsidiaries ceases to carry on the whole or a substantial part of its business except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Certificateholders or (ii) in the case of a Material Subsidiary, whereby all or a substantial part of the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in QIB or another Subsidiary of QIB; or

(vi) *Insolvency, etc.:* QIB or any of QIB's Material Subsidiaries is (or is deemed by a court or any applicable legislation to be) insolvent or bankrupt or unable to pay all or a material part of its debts as the same fall due, or stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, or commences negotiations with its creditors as a whole or any one or more classes of its creditors with a view to the general readjustment or rescheduling of all or a material part of its debts or proposes or makes a general assignment for the benefit of or an arrangement or a composition or conciliation with its creditors in respect of such debts; or

(vii) *Expropriation, etc.:* any expropriation, execution, attachment, distress, sequestration or other similar legal process made pursuant to a court order or judgment or arising by virtue of any law or regulation affects the whole or a substantial part of the property of QIB or any of QIB's Material Subsidiaries and is not discharged within 30 days; or

(viii) *Unsatisfied judgment:* QIB or any of QIB's Material Subsidiaries fails to comply with or pay any sum which amount shall not be less than U.S.$10,000,000 due from it under any final non-appealable judgment or any final non-appealable order made or given by any court of competent jurisdiction and such failure continues for period of 30 days next following the service by the Delegate on QIB of notice requiring the same to be paid/remedied; or

(ix) *Government intervention:* by or under the authority of any government or governmental body, (A) the management of QIB or any of QIB's Material Subsidiaries is wholly or substantially displaced or the authority of QIB or any of its Material Subsidiaries in the conduct of its business is wholly or substantially curtailed or (B) all or a majority of the issued shares of QIB or any of QIB's Material Subsidiaries or the whole or substantial part of their respective revenues or assets is seized, nationalised, expropriated or compulsorily acquired,

(x) *Unlawfulness:* QIB repudiates any Transaction Document to which it is a party or at any time it is or becomes unlawful for QIB (acting in any capacity) to perform or comply with any or all of its material obligations under or in respect of the Transaction Documents to which it is respectively a party or any of the material (in the opinion of the Delegate) obligations of QIB (acting in any capacity) thereunder are not or cease to be legal, valid, binding and enforceable; or

(xi) *Security enforced:* any Security Interest present or future, created or assumed by QIB or any of QIB's Material Subsidiaries in respect of all or a material part of the property, assets or revenues of QIB or any of its Material Subsidiaries, as the case may be, becomes enforceable and is enforced (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person); or

(xii) *Analogous event:* any event occurs which under the laws of Qatar has an analogous effect to any of the events referred to in paragraphs (iv), (vi) and (xi),

provided however that in the case of the occurrence of any of the events described in paragraphs (ii) or (x) or (in respect of a Material Subsidiary only), (iv) to (vi) inclusive and (ix), the Delegate shall have certified in writing to QIB that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates and QIB has undertaken under the Master Declaration of Trust to forthwith notify the Trustee and the Delegate of any QIB Event (and the steps, if any, being taken to remedy it) or of any Potential QIB Event promptly upon becoming aware of its occurrence.

16. ENFORCEMENT AND EXERCISE OF RIGHTS

(i) Upon the occurrence of a Dissolution Event, to the extent any amount payable in respect of the Certificates has not been paid in full, the Trustee (or the Delegate, acting on behalf of the Trustee), (subject to it being indemnified and/or secured and/or prefunded to its satisfaction)), may (acting for the benefit of the Certificateholders) take one or more of the following steps:

(A) enforce the provisions of the Purchase Undertaking Deed against QIB; and/or

(B) enforce QIB's obligation (in its capacity as Mudarib) to liquidate the relevant Restricted Mudaraba in accordance with the provisions of the Master Restricted Mudaraba Agreement and the applicable Restricted Mudaraba Contract and any other Transaction Document to which QIB is a party; and/or

(C) take such other steps as the Trustee or the Delegate (acting in the name and on behalf of the Trustee) may consider necessary to recover amounts due to the Certificateholders.

(ii) Following the enforcement, realisation of the Certificates and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied. In such circumstances, the obligation of the Trustee in respect of the Certificates will be satisfied and the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any such sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including QIB) to recover any such sum or asset in respect of the relevant Certificates or the Trust Assets. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.

(iii) No Certificateholder shall be entitled to proceed directly against, or to provide instructions to the Delegate to proceed against, the Trustee or QIB or to provide instructions to the Trustee to proceed directly against QIB in each case under any Transaction Document to which either of them is a party unless: (a) the Delegate fails to do so within 30 days of becoming so bound and such failure its continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or QIB as the case may be) holds at least 20 per cent. of the then outstanding aggregate face amount of the Series. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets and the sole right of the Delegate and the Certificateholders against the Trustee and QIB shall be to enforce their respective obligations under the Transaction Documents.

(iv) Subject to paragraph (ii), neither the Trustee nor the Delegate shall be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action against, in the case of the Delegate only, the Trustee and/or, in the case of the Trustee or the Delegate, QIB under any Transaction Document to which either of the Trustee or QIB is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Certificates of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable and **provided that** neither the Trustee nor the Delegate shall be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.

17. REPLACEMENT OF CERTIFICATES

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Trustee may reasonably require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

18. NOTICES

Save as provided in this Condition 18 (*Notices*) all notices regarding the Certificates will be in the English language and will deemed to be validly given if published in a leading English language daily newspapers published in London which is expected to be the Financial Times, or if such publication is not practicable, in a leading English language newspaper having general circulation in Europe. The Trustee shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Certificates are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Certificates are issued, there may, so long as the Global Certificate representing the Certificates is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Certificates. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with the relevant Certificate or Certificates, with the Principal Paying Agent.

19. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

(i) The Master Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Master Declaration of Trust. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee and shall be convened by it upon the request in writing of Certificateholders holding not less than one tenth. of the aggregate face amount of the Certificates of a Series. The quorum at any meeting for passing an Extraordinary Resolution will be two or more Certificateholders, proxies or representatives holding or representing in the aggregate more than half of the then outstanding aggregate face amount of the Certificates (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting two or more Certificateholders, proxies or representatives (whatever the outstanding face amount of the Certificates of all the relevant Series held or represented by him/her or them), **provided however** that any meeting the business of which includes the modification of certain provisions of the Certificates (including, among others, modifying the relevant Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates, altering the currency of payment of the Certificates or amending any of QIB's covenants to make a payment under any Transaction Document), the quorum shall be two or more Certificateholders, proxies or representatives holding or representing in the aggregate not less than three quarters of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting one or more Certificateholders, proxies or representatives holding or representing not less than one quarter of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series). To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three-quarters of the votes cast on such poll and, if duly passed, will be binding on all Certificateholders, whether or not they are present at the meeting and whether or not voting.

(ii) The Master Declaration of Trust provides that a resolution in writing signed by or on behalf of three quarters of the holders of the Certificates outstanding who for the time being are entitled to receive notice of a meeting in accordance with Schedule 4 (*Provisions for Meetings of Certificateholders*) of the Master Declaration of Trust shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

(iii) The Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document and the Trustee's memorandum and articles of association may only be amended by the Trustee with the consent of the Delegate and the Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of any of the Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document or the Trustee's memorandum and articles of association if, in the opinion of the Delegate: (i) such modification is of a formal, minor or technical nature; (ii) such modification is made to correct a manifest error; or (iii) such modification is not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter or any provisions of the Master Declaration of Trust referred to in the definition of a Reserved Matter. Any such modification may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding on the Certificateholders and, unless the Delegate otherwise decides, shall be notified by the Trustee to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

(iv) The Delegate may, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach from time to time and at any time: (i) give its consent under these presents or any other Transaction Document and agree to waive or to authorise any breach or proposed breach of any provision of the Master Declaration of Trust or any other Transaction Document; or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, **provided that:** (A) in the opinion of the Delegate, such waiver, authorisation or determination is not materially prejudicial to the interests of the outstanding Certificateholders; and (B) the Delegate will not do so in contravention of an express direction given by Extraordinary Resolution or a request made pursuant to Condition 15 (*Dissolution Events*). No such direction or request will affect a previous waiver, authorisation or determination. Any such waiver, authorisation or determination shall be binding on the Certificateholders and unless the Delegate otherwise requires, shall be notified by the Trustee to the Certificateholders in accordance with Condition 18 (Notices) as soon as practicable thereafter.

(v) In connection with the exercise by it of any of its powers, trusts, authorities and discretions under the Master Declaration of Trust (including, without limitation, any modification), the Delegate shall have regard to the general interests of the Certificateholders as a class (except where the context otherwise requires (as determined by the Delegate in its absolute discretion)) and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, QIB or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Trustee and QIB, to the extent already provided for in Condition 12 (*Taxation*)).

20. THE DELEGATE

The Trustee has in the Master Declaration of Trust irrevocably and unconditionally appointed the Delegate to be its attorney and in its name, on its behalf and as its act and deeds to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Master Declaration of Trust) and discretions vested in the Trustee by the Master Declaration of Trust as supplemented by the relevant Supplemental

Declaration of Trust, that the Delegate may consider to be necessary or desirable, and subject in each case to it being indemnified and/or secured and/or prefunded to is satisfaction, in order, upon the occurrence of a Dissolution Event or Potential Dissolution Event, to exercise all of the rights of the Trustee under the Purchase Undertaking Deed and the relevant Transaction Documents, **provided that** no obligations, duties, Liabilities or covenants of the Trustee pursuant to the Master Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this delegation, and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, (together the "**Delegation**" of the "**Relevant Powers**"), **provided that** in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the relevant Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to hold any of the relevant Trust Assets, to dissolve any of the trusts constituted by the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Master Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Master Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Master Declaration of Trust, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 16 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of QIB under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by QIB but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust.

The Delegate may rely without liability to Certificateholders on a report, confirmation, certificate or any advice of any accountants, financial advisers, financial institution, auditors, insolvency officials or any other expert (whether or not addressed to the Delegate and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Delegate or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise) in accordance with or for the purposes of the Master Declaration of Trust or the other relevant Transaction Documents. The Delegate may accept and shall be entitled to rely on any such report, confirmation or certificate or advice as sufficient evidence of the facts stated therein and such report, confirmation, certificate or advice shall be binding on the Trustee, the Delegate and the Certificateholders. The Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

Each of the Trustee and the Delegate is exempted from: (a) any liability in respect of any loss or theft of the Trust Assets or any cash; (b) any obligation to insure the Trust Assets (other than, with respect to the Trustee, in accordance with the Transaction Documents) or any cash; and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the

Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of gross negligence, wilful default or fraud by the Trustee or the Delegate, as the case may be.

Nothing shall, in any case where the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Master Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Master Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Master Declaration of Trust.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

22. GOVERNING LAW AND ARBITRATION

(i) ***Governing Law***

The Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with the same (including the remaining provisions of this Condition 22 (*Governing Law and Arbitration*)) are and shall be governed by, and construed in accordance with, English law.

(ii) ***Agreement to arbitrate***

Subject to Condition 22(iii) (*Governing Law and Arbitration – Option to Litigate*), any dispute, claim, difference or controversy arising out, relating to or having any connection with the Master Declaration of Trust and/or the Conditions (including any dispute as to the existence, validity, interpretation, performance, breach or termination or the consequences of any nullity thereof and any dispute relating to any non-contractual obligations arising out of or in connection with the Master Declaration of Trust and/or the Certificates) ("**Dispute**") shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 22 (*Governing Law and Arbitration*). For these purposes:

(A) the place of arbitration shall be London;

(B) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and

(C) the language of the arbitration shall be English.

(iii) ***Option to litigate***

Notwithstanding the agreement that any Dispute will be settled by arbitration as set out in Condition 22(ii) (*Governing Law and Arbitration – Agreement to arbitrate*), the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, may, in the alternative and at its sole discretion, by notice in writing to the Trustee and QIB:

(A) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(B) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 22(iii) (*Governing Law and Arbitration – Effect of exercise of Option to litigate*) and subject as provided below, any arbitration commenced under Condition 22(ii) (*Governing Law and Arbitration – Agreement to arbitrate*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, as the case may be, must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(A) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(B) his entitlement to be paid his proper fees and disbursements; and

(C) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

(iv) ***Effect of exercise of option to litigate***

In the event that a notice pursuant to Condition 22(iii) (*Governing Law and Arbitration – Option to litigate*) is issued, the following provisions shall apply:

(A) subject to paragraph (C) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Trustee submits to the exclusive jurisdiction of such courts;

(B) the Trustee agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(C) this Condition 22(iv) (*Governing Law and Arbitration – Effect of exercise of option to litigate*) is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (A) above, the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Certificateholders may take concurrent Proceedings in any number of jurisdictions.

(v) ***Process agent***

The Trustee agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom or, if different, its registered office for the time being or at any address of the Trustee in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Trustee, the Trustee shall appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Delegate shall be entitled to appoint such a person by written notice addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent. Nothing in this Condition 22(v) (*Governing Law and Arbitration – Process agent*) shall affect the right of any party to serve process in any other manner permitted by law. *This Condition 22(v) (Governing Law and Arbitration – Process agent*) applies to Proceedings in England and to Proceedings elsewhere.

(vi) ***Waiver***

Under the Master Declaration of Trust, QIB has acknowledged that the transactions contemplated by the Master Declaration of Trust are commercial transactions and, to the extent that QIB may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to QIB or its assets or revenues, QIB agrees not to claim and has irrevocably and unconditionally waived such immunity to the full extent permitted by the laws of such jurisdiction in relation to any Proceedings or Disputes.

FORM OF THE CERTIFICATES

The Certificates of each Series will be in registered form. Certificates will be issued outside the United States in reliance on Regulation S under the Securities Act.

Global Certificates

Each Series of Certificates will initially be represented by a global trust certificate in registered form (a "**Global Certificate**"). Global Certificates will be deposited with a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the Common Depositary. Persons holding beneficial interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Certificates in fully registered form.

Payments to registered Holder

Payments of any amount in respect of the Global Certificates will, in the absence of provision to the contrary, be made to the person shown in the Register as the registered Holder of the Certificates represented by a Global Certificate at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where the "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business. None of the Trustee, the Delegate, QIB, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payment of any amounts in respect of Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 1 (*Interpretation*)) immediately preceding the due date for payment in the manner provided in that Condition.

Exchange for definitives

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. For these purposes, an "**Exchange Event**" will occur if: (a) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system is available; or (b) any of the circumstances described in Condition 15 (*Dissolution Events*) occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any other person acting on their behalf, as the case may be, (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

For so long as any Certificate is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Certificate (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificate standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such face amount of such Certificate for all purposes other than with respect to any payment on such face amount of such Certificate, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee and their respective agents as the holder of such face amount of such Certificate in accordance with and subject to the terms of the relevant Global Certificate and the expressions "**Certificateholder**" and "**holder of Certificates**" and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Series of Certificates issued under the Programme.

[Date]

QIB Sukuk Ltd.

Issue of [*Aggregate Face Amount of Series*] [*Title of Certificates*]

under the U.S.$1,500,000,000

Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 1 October 2012 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State). This document constitutes the Final Terms relating to the issue of Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Certificates and must be read in conjunction with the Base Prospectus.

Full information on the Trustee, QIB and the Certificates described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus [as so supplemented] is available for viewing in accordance with Article 14 of the Prospectus Directive on the website of the Central Bank of Ireland (http: *www.centralbank.ie*) on and during normal business hours at the registered offices of The Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

1.	(i) Trustee:	QIB Sukuk Ltd.
	(ii) Obligor:	Qatar Islamic Bank S.A.Q.
2.	Series Number:	[●]
3.	Specified Currency:	[●]
4.	Aggregate Face Amount of Series:	[●]
5.	Issue Price:	100 per cent. of the Aggregate Face Amount
6,.	(i) Specified Denominations:	[●]
	(ii) Calculation Amount:	[●]
7.	Issue Date:	[●]
8.	(i) Return Accrual Commencement Date:	[[●]/Issue Date/Not Applicable]
	(ii) Scheduled Dissolution Date:	[●]
9.	Periodic Distribution Amount Basis:	[[●] per cent. Fixed Periodic Distribution Amount] [[●] +/-[●] per cent. Floating Periodic Distribution Amount]

10.	Dissolution Basis:			Dissolution at par
11.	Change of Periodic Distribution Basis:			[Applicable/Not Applicable]
12.	Call Option:			[Not Applicable] [Optional Dissolution Right]
13.	Date [Board] approval for issuance of Certificates obtained:			[●] in the case of the Trustee [●] in the case of QIB

PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

14.	Fixed Periodic Distribution Provisions:			[Applicable/Not Applicable]
	(i)	Rate[(s)]:		[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Periodic Distribution Date(s):		[●] in each year up to and including the Scheduled Dissolution Date
	(iii)	Fixed Amount[(s)];		[●] per Calculation Amount
	(iv)	Broken Amount(s):		[[●] per Calculation Amount][Not Applicable]
	(v)	Day Count Fraction:		[30/360 or Actual/Actual (ICMA)]
	(vi)	Determination Date(s):		[[●] in each year][Not Applicable]
15.	Floating Periodic Distribution Provisions:			[Applicable/Not Applicable]
	(i)	Specified Periodic Distribution Dates:		[●]/[Not Applicable]
	(ii)	Specified Period:		[●]/[Not Applicable]
	(iii)	First Periodic Distribution Date:		[●]
	(iv)	Business Day Convention:		[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/No Adjustment]
	(v)	Additional Business Centre(s):		[Not Applicable]
	(vi)	Manner in which the Rate(s) is/are to be determined:		Screen Rate Determination (Condition 9(c) (*Floating Periodic Distribution Provisions – Screen Rate Determination)* applies
	(vii)	Screen Rate Determination:		[Applicable/Not Applicable]
		(a)	Reference Rate:	[LIBOR/EURIBOR]
		(b)	Periodic Distribution Determination Date:	[●]
		(c)	Relevant Screen Page:	[●]
		(d)	Relevant Time:	[●]
	(vii)	Margin:		[+/-] [●] per cent. per annum
	(ix)	Day Count Fraction:		[Actual/Actual (ISDA)], [Actual/365 (Fixed)], [Actual/365 (Sterling)], [Actual/360], [30/360], [30E/360], [30E/360 (ISDA)]
	(x)	Calculation Agent:		Principal Paying Agent

PROVISIONS RELATING TO DISSOLUTION

16.	Optional Dissolution Right:	[Applicable/Not Applicable]
	(i) Optional Dissolution Amount of each Certificate:	[Final Dissolution Amount] or [●] per Calculation Amount
	(ii) Optional Dissolution Date:	[Any Periodic Distribution Date]
17.	Final Dissolution Amount of each Certificate:	[●] per Calculation Amount
18.	Early Dissolution Amount (Tax) of each Certificate (following early dissolution for tax reasons):	[Final Dissolution Amount]/[[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

19.	Form of Certificates:	Registered Certificates Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate.
20.	Additional Financial Centre(s) relating to payment:	[Not applicable]

The Trustee and the Obligor accept responsibility for the information contained in these Final Terms.

Signed on behalf of
QIB SUKUK LTD.

By: ....
Duly authorised

Signed on behalf of
QATAR ISLAMIC BANK S.A.Q.

By: ....
Duly authorised

By: ....
Duly authorised

PART B – OTHER INFORMATION

LISTING AND ADMISSION TO TRADING

Listing and admission to trading:	[Application has been made for the Certificates to be admitted to trading on [●] with effect from [●].] [Application is expected to be made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on [●] with effect from [●].]
Estimate of total expenses related to admission to trading;	[●]

RATINGS

Ratings:	The Certificates to be issued have been rated: [Fitch: [●]] [S&P: [●]] [[Other]: [●]] Fitch Ratings Ltd. is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). Standard & Poor's Credit Market Services Europe Limited is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). Moody's Investors Service Ltd. is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [*Insert full legal name of credit rating agency*] is established in the European Union and registered under Regulation (EU) No. 1060/2009 (as amended).]/[[*Insert full legal name of credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No. 1060/2009 (as amended).]/[[*Insert full legal name of credit rating agency*] is not established in the European Union but [*insert full legal name of endorsing credit rating agency*], which is registered under Regulation (EU) No. 1060/2009 (as amended), has indicated that it intends to endorse the ratings or [insert full legal name of credit rating agency] where possible.]/[[*Insert full legal name of credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No. 1060/2009 (as amended), but it is certified in accordance with such Regulation.]

[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save for any fees payable to the Dealers, so far as the Trustee and QIB are aware, no person involved in the offer of the Certificates has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, QIB and its affiliates in the ordinary course of business for which they may receive fees.]

PROFIT RATE [*Fixed Periodic Distribution Certificates only*]

Indication of profit rate:	[●] The profit rate is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit rate.

OPERATIONAL INFORMATION

(i)	ISIN Code:	[●]
(ii)	Common Code:	[●]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s);	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Trustee and the Obligor confirm that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not applicable]

USE OF PROCEEDS

The Proceeds of each Series of Certificates issued under the Programme will be applied by the Trustee as follows:

(i) by applying a portion of the Proceeds towards the purchase from QIB, by way of sale and transfer, of the rights, title, interests, benefits and entitlements that QIB may have in the Wakala Assets of the relevant Series; and

(ii) by depositing the remaining portion in the Mudaraba Account and such amount will constitute the Mudaraba Capital of the Rabb-al-Maal in the Restricted Mudaraba constituted by a Restricted Mudaraba Contract entered into with the Mudarib.

DESCRIPTION OF THE TRUSTEE

General

QIB Sukuk Ltd., a Cayman Islands exempted company with limited liability, was incorporated on 5 September 2012 under the Companies Law (2011 Revision) of the Cayman Islands with company registration number 271468. The Trustee was established as a company for the sole purpose of issuing Certificates under the Programme and entering into the transactions contemplated by the Transaction Documents and the Corporate Services Agreement. The registered office of the Trustee is at the offices of MaplesFS Limited at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands, and its telephone number is +1 345 945 7099.

The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 ordinary shares of a par value of U.S.$1.00 each, 250 of which have been issued. All of the issued shares (the "**Shares**") are fully-paid and are held by MaplesFS Limited as share trustee (the "**Share Trustee**") under the terms of a trust deed (the "**Share Trust Deed**") dated 25 September 2012 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Trust Deed). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit a Qualified Charity (as defined in the Share Trust Deed). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Business of the Trustee

The Trustee has no prior operating history or prior business and has no substantial liabilities other than in connection with the Certificates to be issued under the Programme. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 5 September 2012.

Financial Statements

Since its date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Trustee

The Directors of the Trustee are as follows:

Name	Function at the Trustee	Other appointments outside Trustee
Andrew Millar	Director	Senior Vice President of Maples Fund Services (Middle East) Limited
Cleveland Stewart	Director	Vice President of MaplesFS Limited

The business address of Andrew Millar is c/o Maples Fund Services (Middle East) Limited, Office 801, 8th Floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates. The business address of Cleveland Stewart is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands. The Trustee has no subsidiaries, employees or non-executive directors.

Conflicts

There are no conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

The Trustee Administrator

MaplesFS Limited acts as the corporate administrator of the Trustee (in such capacity the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement entered into between the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**"), the Trustee Administrator performs in the Cayman Islands, the United Arab Emirates and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee, including communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee and the Trustee Administrator have also entered into a registered office agreement (the "**Registered Office Agreement**") for the provision of registered office facilities to the Trustee. In consideration of the foregoing, the Trustee Administrator receives various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement and the Registered Office Agreement provide that either the Trustee or the Trustee Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Agreement provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party with a copy to any applicable rating agency.

The Trustee Administrator is subject to the overview of the Trustee's Board of Directors.

The Trustee Administrator's principal office is at P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof. The Trustee has no employees and is not expected to have any employees in the future.

DESCRIPTION OF QATAR ISLAMIC BANK S.A.Q.

Overview

Qatar Islamic Bank S.A.Q. ("**QIB**"), which was established in 1982, was the first *Shari'a*-compliant bank to be established in Qatar. As at 30 June 2012, QIB was the largest Islamic bank in Qatar by total assets and second largest by market capitalisation, which was QAR 18.0 billion (U.S.$4.9 billion). As at the same date, QIB was also the third largest bank in Qatar in terms of total assets, which were QAR 63.2 billion (U.S.$17.4 billion) and represented approximately 8.5 per cent. of the total assets of all banks in Qatar at that date, and the fourth largest bank in Qatar in terms of customer deposits, which were QAR 33.4 billion (U.S.$9.18 billion) and represented approximately 8.8 per cent. of the total customer deposits of all banks in Qatar as at 30 June 2012.

For the year ended 31 December 2011, QIB was the fourth most profitable bank in Qatar, with a net profit attributable to shareholders of QAR 1.4 billion (U.S.$384.6 million). QIB's shares are listed for trading on the QE and QIB's shareholders include the Qatar Investment Authority ("**QIA**"), which held 16.67 per cent. of QIB's shares as at 2 September 2012.

With effect from 2011, QIB has been organised into four reporting segments as follows:

- the **Wholesale Banking Group**, which carries on all of QIB's financing and deposit taking business with institutional and corporate customers, which range from small and medium-sized enterprises ("**SMEs**") through to the largest multinational companies operating in Qatar, and which also includes QIB's Contracting and Real Estate division;

- the **Personal Banking Group**, which offers a range of personal banking services to retail customers in Qatar, including financing and deposit taking activities, cards, takaful insurance and private banking services offered to high net worth individuals ("**HNWI**s");

- the **Group Function**, which carries on QIB's treasury and investment businesses, manages its relationships with its associates and is responsible for a range of central functions; and

- **Local and International Subsidiaries**, which includes all of QIB's consolidated subsidiaries operating in Qatar and internationally.

As at the date of this Base Prospectus, QIB has the largest Islamic banking network in Qatar with 30 branches and offices from which it carries on all banking services, investment and financing activities and more than 145 automated telling and cash deposit machines ("**ATM/CDMs**") throughout Qatar.

Prior to 2006, QIB operated principally as a retail bank and its corporate activities were mainly focused on real estate. However, in the last six years QIB has established strong corporate and investment banking groups which are led by an experienced management team and which have focused on diversifying away from real estate to concentrate on corporate, retail and private banking services through the targeting of large corporates in Qatar, including those owned by the Government. QIB is also focused on local and international expansion where it seeks to target the corporate business sector. As part of its strategy to diversify its revenue sources, QIB has pursued, and continues to pursue, an international growth strategy both organically and through strategic acquisitions.

In August 2012, Fitch affirmed QIB's ratings at Issuer Default of (A) for the long-term, (F1) for the short-term and Support (1). In April 2012, S&P assigned an A- long-term counterparty rating with stable outlook and an A-2 short-term counterparty rating to QIB. In April 2011, Capital Intelligence (**CI**) affirmed QIB's rating of (A) for financial strength and QIB's foreign currency rating of (A) for the long-term and of (A2) for the short-term. At the same time CI affirmed QIB's support rating of 2 with a "stable" outlook.

History and Corporate Structure

QIB was incorporated on 8 July 1982 as a Qatari shareholding company by Emiri decree Number 45 of 1982 to provide banking services, investment and financing activities through various *Shari'a*-compliant modes of financing such as *murabaha, mudaraba, musharaka, musawama, istisna'a* agreements and others. It also carries on investment activities for its own account and, principally as part of its customer deposit taking business, on behalf of its customers. QIB's activities are conducted in accordance with Islamic *Shari'a* principles, as determined by its *Shari'a* Supervisory Board ("**SSB**") and in accordance with the provisions of its Memorandum and Articles of Association and the regulations of the Qatar Central Bank (the "**QCB**").

Share Capital and Shareholders

As at 30 June 2012, QIB's authorised and issued share capital was QAR 2.4 billion (U.S.$659.3 million) made up of QAR 236.3 million authorised, issued and fully paid ordinary shares of QAR 10 (U.S.$2.7) each.

QIB's shareholders comprise prominent Qatari individuals, families and institutions. The largest individual shareholder is the QIA, which held 16.67 per cent. of QIB's shares as at 2 September 2012. The aggregate shareholding of Qatari nationals in QIB was 47.06 per cent. as at 2 September 2012 whilst the aggregate shareholding of other Government entities was 5.42 per cent. as at the same date. Corporate and institutional shareholders held 29.59 per cent. of QIB's shares as at 2 September 2012 and non-Qatari nationals held the remaining 1.26 per cent. Under Qatari law, no shareholder (other than the Government and its related entities) may hold more than 2 per cent. of QIB's shares. In addition, non-GCC shareholders are allowed to hold a maximum of 25 per cent., in aggregate, of the shares in QIB.

Dividend levels are proposed by the Board of Directors based on QIB's liquidity position, profits, future capital requirements and market trends. Dividends are subsequently approved by the QCB and the shareholders.

Subsidiaries and Associates

A list of QIB's consolidated subsidiaries as at 30 June 2012 appears in note 2 to the Interim Financial Statements. QIB also has seven associates which it accounts for using the equity method of accounting, which means that QIB's proportionate share of the results of these companies is included in its consolidated income statement. In 2011, QIB's share of the loss made by its associates was QAR 38.8 million (U.S.$10.7 million).

Competitive Strengths

QIB believes that its business is characterised by the following core competitive strengths:

Strong brand in Islamic banking

Established in 1982, QIB was the first Islamic financial institution in Qatar. As at 30 June 2012, QIB was the leading Islamic bank incorporated in Qatar in terms of total assets, one of the largest Qatari Islamic banks in terms of customer deposits and had the second largest market capitalisation of all Qatari Islamic banks. As a result, QIB is well-placed to compete for new business with the other Islamic banks operating in Qatar. QIB also acquired the Islamic corporate financing and deposit businesses of International Bank of Qatar (Q.S.C.) following the Government's requirement in 2011 that conventional banks in Qatar should cease conducting Islamic financing operations. This purchase was made as the acquisition met QIB's credit criteria and fitted its growth strategy. QIB believes that the Government's requirement will have a positive long-term effect on the growth of Islamic banks in Qatar as they are now enabled to increase their market share as conventional banks are prohibited from rolling over or extending any outstanding *Shari'a*-compliant products they still hold.

QIB has been a pioneer in offering new Islamic products in Qatar, offering a wide range of customised products and services that meet the needs of both its individual and corporate clients. Product innovation in recent years (for example, QIB's *ijara* aircraft financing facilities) has made QIB's products a serious alternative to conventional financial products particularly for large or complex corporate deals.

Strong Government support of the Qatari banking sector

In past years, and particularly following the global financial crisis which commenced in late 2007, the Government, through the QCB, has provided significant support to its domestic commercial banking sector to ensure the general financial health of the country's banks. See "*Banking Industry and Regulation in Qatar – Banking System*". In particular in relation to QIB, the Government, through the QIA, has acquired 16.67 per cent. of QIB's shares and is now its largest shareholder.

In addition, and in line with its support policy for the banking sector in Qatar, in March 2009, the Government offered to purchase the domestic equity portfolios of seven of the nine Qatari banks listed on the QE. As a result, in March 2009, QIB sold its entire portfolio of Qatari equity securities to the Government for cash consideration of QAR 351 million (U.S.$96.45 million).

In June 2009, the Government announced its intention to purchase up to QAR 15 billion (U.S.$4.12 billion) worth of portfolios of loans, advances and other exposures of commercial banks listed on the QE. QIB participated in this programme by selling QAR 4.2 billion (U.S.$1.15 billion) of real estate assets and investments to the QCB, which further strengthened QIB's balance sheet.

On 1 June 2010, the Government issued QAR 10 billion (U.S.$2.75 billion) of debt instruments (in the form of *sukuk* and conventional bonds) in order to absorb excess bank liquidity. QIB was one of the four Islamic banks in Qatar that each subscribed for QAR 1.25 billion (U.S.$343.4 million) of *sukuk* with a tenor of eight years and a profit rate of 3.856 per cent. per annum, payable semi annually in arrears.

This Government support provides QIB with a significant advantage over its non-Qatari bank competitors operating in Qatar.

Strong capital position and asset quality coupled with good earnings history

As at 30 June 2012, QIB's tier 1 and total capital adequacy ratios (determined in accordance with Basel II requirements) were 16.6 per cent. against a QCB requirement for a minimum total capital ratio of 10 per cent. and a Basel II requirement for a minimum capital ratio of 8 per cent. QIB's capital ratios at 30 June 2012 were among the highest of all Qatari banks, which should enable QIB to continue to grow its balance sheet in accordance with its growth plans.

QIB's asset quality is also strong, with non-performing loan ratios (calculated as non-performing financing assets divided by gross financing where non-performing loans are determined in accordance with QCB requirements, see "*Banking Industry and Regulation in Qatar*") of 0.9 per cent. and 1.1 per cent. at 30 June 2012 and 31 December 2011, respectively. QIB's coverage ratio (calculated as its provision for financing assets divided by its non-performing financing assets) was 88.8 per cent. and 97.84 per cent. at 30 June 2012 and 31 December 2011, respectively.

Although QIB, in common with other banks around the world, was adversely affected by the global financial crisis and the consequent slowdown of economic growth globally, it recorded net operating income of QAR 2.6 billion (U.S.$714.3 million) in the year ended 31 December 2008, QAR 2.4 billion (U.S.$659.3 million) in the year ended 31 December 2009, QAR 2.3 billion (U.S.$631.9 million) in the year ended 31 December 2010 and QAR 2.7 billion (U.S.$741.8 million) in the year ended 31 December 2011. In the six months to 30 June 2012, QIB's net operating income was QAR 1.5 billion (U.S.$412.1 million) compared to QAR 1.3 billion (U.S.$357.1 million) for the comparable period of 2011. QIB's net profit attributable to shareholders has also shown a similar trend, being QAR 1.6 billion (U.S.$439.6 million) in 2008, QAR 1.3 billion (U.S.$357.1 million) in 2009, QAR 1.3 billion (U.S.$357.1 million) in 2010 and QAR 1.4 billion (U.S.$384.6 million) in 2011. In the six months ended 30 June 2012, QIB's net profit attributable to shareholders was QAR 736.9 million (U.S.$202.4 million) compared to QAR 703.3 million (U.S.$193.2 million) for the comparable period of 2011.

QIB's strong capital position and asset quality, coupled with its good earnings history throughout the global financial crisis, mean that it is well-placed to capitalise on future economic growth in Qatar as well as to implement its international expansion strategy described under "*Strategy*".

Strong domestic and international growth

QIB's domestic branch network and related banking and investment services have significantly expanded, both in terms of geographical coverage and range of services, over the last six years. In particular, QIB has increased its domestic branches and offices network from 12 to 30 and the number of its ATM/CDMs to over 145. QIB has also increased its participation in domestic companies such as Al Jazeera Finance Company Q.S.C. ("**Al Jazeera**"), Aqar Real Estate Development and Investment Company ("**Aqar**") and QInvest LLC ("**QInvest**"). QIB is the only Islamic bank in Qatar with a network of subsidiaries and associates in the Middle East, Asia and Europe.

QIB currently has a presence in London through its subsidiary QIB (UK); in Kuala Lumpur through its associate Asian Finance Bank ("**AFB**"); and in Beirut through its associate Arab Finance House ("**AFH**"). QIB intends to expand strategically to reach other countries in Europe, Asia and Africa. The key drivers in this expansion are the prevalence of a large Muslim population in these countries and a favourable long-term outlook for QIB's prospective investments.

In recent years, QIB has also moved away from being a predominantly retail-focused bank and has developed a corporate and investment banking franchise directly as well as through QInvest, a 46.96 per cent. owned entity which has been consolidated since March 2011 on the basis of QIB's control of its board of directors.

Ambitious transformation programme led by an experienced management team

During 2011 and following significant changes within QIB's executive management team, QIB commenced a transformation programme designed to build a leading and modern bank that caters to the needs of the different customer segments and captures identified growth opportunities for QIB both in Qatar and internationally. Steps already taken under this programme include the creation of new wholesale and personal banking groups and a range of measures designed to improve profitability within both groups, see "*Strategy – Focus on profitability*". Details of QIB's new management team and their industry experience are set out under "*Management and Employees*".

Strategy

Overall strategy

- QIB's vision is to be a leading, innovative and global Islamic bank adhering to *Shari'a* and ethical principles whilst also meeting international banking standards. QIB intends to achieve this mission by:

- within the domestic market, expanding its wholesale banking business with a view to attracting increasing business from the Government and its related entities, modernising its personal banking offering and building its private banking and wealth management businesses;

- internationally, increasing cross selling between QIB and its subsidiaries and associates, thereby consolidating and optimising the value of its existing international partnerships;

- originating new banking and investment products and solutions within an integrated systems framework and increasing the focus on customer service;

- upgrading its internal management systems, operating processes and general information technology ("**IT**") infrastructure, improving efficiency and productivity and enhancing its corporate governance procedures; and

- focusing on attracting and retaining talented employees and enhancing training to ensure that its employees are able to perform at their highest levels.

QIB's strategic plan consists of:

- maintaining a presence in the local, regional and international markets;

- focusing on profitability for its partners, investors and shareholders;

- enhancing the domestic geographical reach of its products and services by ensuring that its product base satisfies all demographic and economic customer profiles; and

- achieving new strategic alliances and accomplishing expansion of its international activities.

Presence in the local, regional and international markets

Taking advantage of the growth opportunities offered by the local market, Islamic banking has realised significant growth in domestic activities, including the establishment of new Islamic banks. As at 30 June 2012, QIB's assets accounted for approximately 38 per cent. of the total assets of Islamic banks in Qatar and approximately 8.5 per cent. of the total assets of all commercial banks in Qatar. QIB believes that it can increase its market share by attracting new customers who usually deal with conventional banks, by exploiting its international network to enter into international transactions, for example it recently signed a memorandum of understanding with the Korea Export Import Bank for co-operation in the support and financing of trade flows between Qatar and South Korea, and also by offering innovative and diverse Islamic banking products and solutions. QIB is pursuing this approach by ensuring its client development team maintains a regular dialogue with Qatar's most high profile clients to ensure that QIB is well equipped to maintain and expand its market share. QIB also intends to continue to leverage its deep-rooted relationships with many of the leading corporates in Qatar.

Focus on profitability whilst maintaining a prudent funding strategy and a sound capital base

QIB remained profitable throughout the global financial crisis. QIB has implemented a transformation programme designed to enhance its profitability. Steps already taken under this programme include an expansion of its wholesale banking offering through:

- enhancing large corporate relationships by systematically identifying and capitalising on opportunities and implementing a new wholesale banking coverage model by designing and applying segmentation criteria and institutionalising cross-selling;
- developing and enhancing its SME business through building a more comprehensive product offering and designing and deploying a new sales and service model; and
- developing a treasury product offering for corporate customers and building a cash management business.

In addition, within its personal banking business QIB has:

- identified new sources of revenue by upgrading its financing and card products, developing new investment and takaful products and building a remittance business;
- developed segment specific offerings to appeal to emerging segments (such as affluent customers who do not meet HNWI criteria) and enhancing its private banking offering by establishing dedicated business centres for HNWIs;
- upgraded and rationalised its branch network by designing a new branch operating model, reducing overlap within its existing network and developing a five year branch roll-out plan; and
- developed its alternative distribution channels by strengthening its call centre, internet and mobile banking capabilities and increasing its ATM/CDM network.

Notwithstanding its focus on profitability, QIB intends to maintain a prudent funding policy by increasing the sources of funding available to it and reducing its reliance on short-term customer deposits and also intends to maintain a sound capital base.

Expanding presence in Qatar

QIB intends to expand its presence in the domestic market by opening new branches to reach 49 branches by the end of 2015 and to increase the number of ATM/CDMs to 200 over the same period. QIB has opened branches in strategic locations, such as malls, throughout Qatar to reach a wider group of customers and to offer services outside regular banking hours. QIB has also recently introduced a new business centre branch aimed at HNWIs as well as a new direct sales channel which focuses on the delivery of financial products without the need for the customer to come into a branch. QIB has also recently introduced new products such as a travel pre-paid card (which enables customers to avoid carrying large amounts of cash) and a new takaful savings product designed to meet the savings and protection needs of customers. QIB believes that widening its product range, investing in new branches and targeting new clients will drive continued growth both in terms of operating income and net profit.

QIB is also focusing on increasing its client base by targeting SME clients and, in September 2011, initiated a new micro finance programme aimed at smaller companies incorporated in Qatar. QIB was the first Islamic bank in Qatar to offer this service.

Establishment of strategic alliances and expansion of its international activities

QIB's international expansion strategy focuses on developing its existing UK, Malaysian and Lebanese investments as well as exploring other markets, including Turkey, Oman and Indonesia, which it considers may be attractive expansion possibilities. In particular, QIB intends to develop cross selling opportunities between itself, QInvest and its three existing international investments:

- QIB (UK), which was established in the United Kingdom in 2008 and focuses on extending Islamic banking and investment services to the Muslim community in Europe, including France and Germany in particular. QIB owns 70 per cent. of QIB (UK);

- AFH, which was the first Islamic bank established in the Lebanon and in which QIB has an effective 37 per cent. interest; and

- AFB, which was established in Malaysia in 2007 and focuses on large investments and corporate finance activities in Malaysia and neighbouring countries which have investment links with the Gulf Co-operation Council ("**GCC**") countries. QIB has an effective ownership interest of 41.67 per cent. in AFB.

QInvest focuses on investment banking, asset management, brokerage and principal investment activities and has offices in Qatar, Saudi Arabia and Turkey. QInvest's strategy is to become a leading Islamic investment bank operating in the Middle East, Turkey, Africa and South and South East Asia.

Having acquired extensive knowledge and expertise in the Qatari market, QIB aims to continue to develop and originate *Shari'a*-compliant products in other markets and regions where the development opportunities and market dynamics are similar to those QIB has encountered in markets in which it already operates.

Operating Performance and Financial Position

QIB has four reporting segments based on business lines and subsidiary companies in addition to its support functions. The activities of the reporting segments are summarised under "*Overview*" and the segments comprise:

- the **Wholesale Banking Group**, which includes QIB's Contracting and Real Estate division, its Institutional Banking division, its Corporate Banking division and its SME division. The principal customers of the Wholesale Banking Group are institutional investors, corporates, other banks and SMEs;

- the **Personal Banking Group**, which includes QIB's Retail Banking and Private Banking divisions which offer personal banking services to individuals and HNWIs, respectively;

- the **Group Function**; and

- **Local and International Subsidiaries**.

QIB's support functions provide support to all of QIB's businesses and these functions include risk, finance, human resources, IT, internal audit, legal, compliance, construction and engineering and marketing.

Operating Performance

The table below shows the segmental income[(1)] and segmental profit or loss of each of the reporting segments for each of the years ended 31 December 2011 and 31 December 2010 as well as each reporting segment's total assets and total liabilities as at 31 December 2011 and 31 December 2010.

	Wholesale Banking Group	Personal Banking Group	Group Function	Local and International Subsidiaries	Total (after eliminations and adjustments)[(2)]
			(QAR million)		
As at/year ended 31 December 2011					
Segmental income[(1)]	1,364	223	453	274	2,313
Impairment losses	—	—	(20)	(175)	(195)
Segmental profit	1,333	89	74	(130)	1,365
Total assets[(3)]	22,585	7,095	25,332	3,274	58,286
Total liabilities and equity of unrestricted investment accountholders[(3)]	7,216	20,447	16,535	1,238	45,436
As at/year ended 31 December 2010 (Restated)					
Segmental income[(1)]	1,430	143	140	68	1,782
Impairment losses	—	—	(40)	—	(40)
Segmental profit	1,393	39	(200)	29	1,262
Total assets	23,180	6,304	22,042	352	51,877
Total liabilities and equity of unrestricted investment accountholders	9,739	20,705	12,040	135	42,619

Note:

(1) Segmental income for the purpose of this analysis comprise of net operating income adjusted for equity of unrestricted accountholders' share from net profit, non-controlling interest, sukuk holders' share of profit and loss from assets held for sale.

(2) There were no eliminations and adjustments in either of the years ended 31 December 2011 or 31 December 2010.

(3) Segmental Assets and Liabilities as at 31 December 2011 were reclassified in the Interim Financial Statements for the six month period ended 30 June 2012.

The table below shows the percentage contribution to QIB's segmental income and segmental profit or loss of each of the reporting segments for the year ended 31 December 2011 as well as the percentage contribution of each reporting segment to QIB's total assets and total liabilities as at 31 December 2011.

	Wholesale Banking Group	Personal Banking Group	Group Function	Local and International Subsidiaries	Total
			(per cent.)		
As at/year ended 31 December 2011					
Segmental income	59.0	9.6	19.6	11.8	100.0
Impairment losses	—	—	10.3	89.7	100.0
Segmental profit	97.7	6.5	5.4	(9.5)	100.0
Total assets	38.7	12.2	43.5	5.6	100.0
Total liabilities and equity of unrestricted investment accountholders	15.9	45.0	36.4	2.7	100.0

The table below shows the segmental income and segmental profit or loss of each of the reporting segments for each of the six month periods ended 30 June 2012 and 30 June 2011 as well as each reporting segment's total assets and total liabilities as at 30 June 2012 and 30 June 2011.

	Wholesale Banking Group	Personal Banking Group	Group Function	Local and International Subsidiaries	Total (after eliminations and adjustments)[ii]
			(QAR million)		
As at/six months ended 30 June 2012 (unaudited)					
Segmental income[i]	753	331	271	150	1,313[ii]
Impairment losses	—	—	(145)	(42)	(187)
Segmental profit	672	171	89	(3)	737[ii]
Total assets	27,647	8,786	23,619	3,113	63,165
Total liabilities and equity of unrestricted investment accountholders	7,769	24,240	16,966	1,588	50,564
As at/six months ended 30 June 2011 (unaudited)					
Segmental income[i]	653	270	219	89	1,062[ii]
Impairment losses	—	—	(42)	—	(42)
Segmental profit	579	148	148	(3)	703[ii]
Total assets	19,922	5,849	21,506	2,868	50,144
Total liabilities and equity of unrestricted investment accountholders	6,476	19,939	10,129	1,238	37,783

Note:

(i) Segmental income for the purpose of this analysis comprise of net operating income adjusted for equity of unrestricted accountholders' share from net profit, non-controlling interest, sukukholders' share of profit and loss from assets held for sale.

(ii) In the six months ended 30 June 2012, eliminations and adjustments to segmental income and segmental profit amounted to QAR 192 million each and in the six months ended 30 June 2011, eliminations and adjustments to segmental income and segmental profit amounted to QAR 169 million each.

Set forth below is a brief discussion of QIB's consolidated operating performance for the six months ended 30 June 2012 compared to the six months ended 30 June 2011 and for the year ended 31 December 2011 compared to the year ended 31 December 2010 and of its financial position as at 30 June 2012, 31 December 2011 and 31 December 2010.

Segmental Income for the six months ended 30 June 2012 compared to the six months ended 30 June 2011

QIB's segmental income increased by QAR 251 million (U.S.$69.0 million), or 23.6 per cent., to QAR 1,313 million (U.S.$360.7 million) in the six months ended 30 June 2012 from QAR 1,062 million (U.S.$291.8 million) in the six months ended 30 June 2011. Each of QIB's reporting segments contributed to this increase as follows:

- segmental income within the Wholesale Banking Group increased by QAR 100 million (U.S.$27.5 million), or 15.3 per cent., to QAR 753 million (U.S.$206.9 million) in the six months ended 30 June 2012 from QAR 653 million (U.S.$179.4 million) in the six months ended 30 June 2011. This increase was primarily due to an increase in financing revenue and fee income. New financings advanced through the Wholesale Banking Group in the first six months of 2012 led to an increase in the Wholesale Banking Group's financing assets of QAR 5,062 million (U.S.$1,390.7 million) over the period and this significantly contributed to the increase in revenues. Lower deposit costs in the six months ended 30 June 2012 compared to the corresponding period of 2011 also increased the Wholesale Banking Group's segmental income within in the 2012 period;
- segmental income within the Personal Banking Group increased by QAR 61 million (U.S.$16.8 million), or 22.6 per cent., to QAR 331 million (U.S.$90.9 million) in the six months ended

30 June 2012 from QAR 270 million (U.S.$74.2 million) in the six months ended 30 June 2011. This increase was primarily due to an increase in net financing revenues and fee income. New financings advanced by the Personal Banking Group during the first six months of 2012 led to an increase in the Personal Banking Group's financing assets of QAR 1,691 million (U.S.$464.6 million) over the period and this significantly contributed to the increase in revenues. This increase was partially offset by the effect of lower profit rates on certain personal financing products mandated by the QCB during the 2012 period. Lower deposit costs in the six months ended 30 June 2012 compared to the corresponding period of 2011 also increased the Personal Banking Group's segmental income within in the 2012 period;

- segmental income within Group Function increased by QAR 52 million (U.S.$14.3 million), or 23.7 per cent., to QAR 271 million (U.S.$74.5 million) in the six months ended 30 June 2012 from QAR 219 million (U.S.$60.2 million) in the six months ended 30 June 2011. This was primarily due to increased income from the sukuk portfolio and an increase in foreign exchange income; and

- segmental income within Local and International Subsidiaries increased by QAR 61 million (U.S.$16.8 million), or 68.5 per cent., to QAR 150 million (U.S.$41.2 million) in the six months ended 30 June 2012 from QAR 89 million (U.S.$24.5 million) in the six months ended 30 June 2011. This increase was primarily due to the consolidation of QInvest for the whole of the 2012 period compared to only four months of the 2011 period.

Net profit for the period before impairment losses for the six months ended 30 June 2012 compared to the six months ended 30 June 2011

QIB's net profit for the period before impairment losses increased by QAR 163 million (U.S.$44.8 million), or 16.6 per cent., to QAR 1,147 million (U.S.$315.1 million) in the six months ended 30 June 2012 from QAR 984 million (U.S.$270.3 million) in the six months ended 30 June 2011. This reflected increases of 21.8 per cent. and 43.9 per cent. in QIB's general and administrative expenses and depreciation of fixed assets, respectively, principally reflecting the fact that QInvest was consolidated for the first six months of 2012 but only four months of the 2011 period and a significant salary increase for QIB's Qatari national employees in September 2011.

Net profit attributable to shareholders for the six months ended 30 June 2012 compared to the six months ended 30 June 2011

QIB's net profit attributable to shareholders increased by QAR 34 million (U.S.$9.3 million), or 4.8 per cent., to QAR 737 million (U.S.$202.5 million) in the six months ended 30 June 2012 from QAR 703 million (U.S.$193.1 million) in the six months ended 30 June 2011. In the six months ended 30 June 2012, QIB recorded impairment losses of QAR 187 million (U.S.$51.4 million) compared to impairment losses of QAR 42 million (U.S.$11.5 million) in the corresponding period of 2011. The impairment losses in the 2012 period were recorded in the Group Function and Local and International Subsidiaries reporting segments and in the 2011 period were recorded in the Group Function reporting segment. In the 2012 period, the impairment losses related entirely to investments and other receivables whereas in the 2011 period the impairment losses were split evenly between impairment losses on financing activities and impairment losses on investments and other receivables. In reporting segment terms, both the Wholesale Banking and Personal Banking segments increased their profit in the 2012 period compared to the 2011 period by 16.1 per cent. and 15.5 per cent., respectively. The Group Function reporting segment's profit fell by 39.9 per cent in the 2012 period compared to the 2011 period, principally as a result of the impairment losses discussed above, and the Local and International Subsidiaries reporting segment made a small loss in each of the two periods.

Segmental Income for the year ended 31 December 2011 compared to the year ended 31 December 2010

QIB's segmental income increased by QAR 531 million (U.S.$145.9 million), or 29.8 per cent., to QAR 2,313 million (U.S.$635.4 million) in the year ended 31 December 2011 from QAR 1,782 million (U.S.$489.6 million) in the year ended 31 December 2010. The relative contributions of each of QIB's reporting segments to this increase were as follows:

- segmental income within Wholesale Banking decreased by QAR 66 million (U.S.$18.1 million), or 4.6 per cent., to QAR 1,364 million (U.S.$374.7 million) in 2011 from QAR 1,430 million

(U.S.$392.9 million) in 2010. This was primarily due to reduced financing revenues and fee income. Settlements of financing activities by clients (including amounts repaid early) within the Wholesale Banking Group, particularly during the first six months of 2011, contributed to a decrease in the Wholesale Banking Group's financing assets of QAR 595 million (U.S.$163.5 million) during the year which adversely impacted its revenue;

- segmental income within Personal Banking increased by QAR 80 million (U.S.$22.0 million), or 55.9 per cent., to QAR 223 million (U.S.$61.3 million) in 2011 from QAR 143 million (U.S.$39.3 million) in 2010. This was primarily due to an increase in financing revenues and fee income. New financings advanced by the Personal Banking Group during 2011 led to an increase in the Personal Banking Group's financing assets of QAR 791 million (U.S.$217.3 million) during the year and this contributed to the increase in revenues. A reduction in deposit costs within the Personal Banking Group also contributed to the increase in net operating income;

- segmental income within Group Function increased by QAR 313 million (U.S.$86.0 million), or 223.6 per cent., to QAR 453 million (U.S.$124.5 million) in 2011 from QAR 140 million (U.S.$38.5 million) in 2010. This was primarily due to an increase in investment income from Government sukuk held by QIB; and

- segmental income within Local and International Subsidiaries increased by QAR 206 million (U.S.$56.6 million), or 302.9 per cent., to QAR 274 million (U.S.$75.3 million) in 2011 from QAR 68 million (U.S.$18.7 million) in 2010. This increase was primarily due to the consolidation of QInvest with effect from 1 March 2011 which increased the Group's investment and fee income.

Net profit before impairment losses for the year ended 31 December 2011 compared to the year ended 31 December 2010

QIB's net profit before impairment losses increased by QAR 125 million (U.S.$34.3 million), or 6.9 per cent., to QAR 1,926 million (U.S.$529.1 million) in the year ended 31 December 2011 from QAR 1,801 million (U.S.$494.8 million) in the year ended 31 December 2010. This reflected increases of 57.6 per cent. and 44.9 per cent. in QIB's general and administrative expenses and depreciation of fixed assets, respectively, principally reflecting the consolidation of QInvest during the year ended 31 December 2011.

Net profit attributable to shareholders for the year ended 31 December 2011 compared to the year ended 31 December 2010

QIB's net profit attributable to shareholders increased by QAR 103 million (U.S.$28.3 million), or 8.2 per cent., to QAR 1,365 million (U.S.$375 million) in 2011 from QAR 1,262 million (U.S.$346.7 million) in 2010. In 2011, QIB recorded impairment losses of QAR 195 million (U.S.$53.6 million) compared to impairment losses of QAR 40 million (U.S.$11.0 million) in 2010. The majority of the impairment losses in 2011 were recorded in the second half of the year in the Local and International Subsidiaries reporting segment although, to a lesser extent, impairment losses were also recorded in the Group Function reporting segment. The impairment losses in 2011 principally related to investments and other receivables. In 2010, the impairment losses were recorded entirely in the Group Function reporting segment and related entirely to financing activities and there was a QAR 10 million write back of impairment losses on investments and other receivables. In reporting segment terms, the Personal Banking segment increased its profit in 2011 compared to 2010 by 128.2 per cent. The Group Function reporting segment recorded a profit of QAR 74 million (U.S.$20.3 million) in 2011 compared to a loss of QAR 200 million (U.S.$54.9 million) in 2010. Segmental profit in the Wholesale Banking reporting segment fell by 4.3 per cent in 2011 compared to 2010 and, principally as a result of the impairment losses described above, the Local and International Subsidiaries reporting segment recorded a net loss of QAR 130 million (U.S.$35.7 million) in 2011 compared to a net profit of QAR 29 million (U.S.$8.0 million) in 2010.

Financial Position

QIB's total assets increased by QAR 4,879 million (U.S.$1,340.4 million), or 8.4 per cent., to QAR 63,165 million (U.S.$17,353 million) as at 30 June 2012 from QAR 58,286 million (U.S.$16,013 million) as at 31 December 2011 and by QAR 6,409 million (U.S.$1,761 million), or 12.4 per cent., to QAR 58,286 million (U.S.$16,013 million) as at 31 December 2011 from QAR 51,877 million

(U.S.$14,252 million) as at 31 December 2010. The principal driver of the increase at 30 June 2012 was due from financing activities which increased by QAR 6,176 million (U.S.$1,697 million), or 20.9 per cent. The principal driver of the increase at 31 December 2011 was financial investments which increased by QAR 11,377 million (U.S.$3,126 million), or 331.4 per cent., partially due to QIB's acquisition of Government sukuk issued during the year.

QIB's total liabilities and equity of unrestricted investment accountholders increased by QAR 5,128 million (U.S.$1,408.8 million), or 11.3 per cent., to QAR 50,564 million (U.S.$13,891.2 million) as at 30 June 2012 from QAR 45,436 million (U.S.$12,482 million) as at 31 December 2011 and by QAR 2,817 million (U.S.$774.0 million), or 6.6 per cent., to QAR 45,436 million (U.S.$12,482 million) as at 31 December 2011 from QAR 42,619 million (U.S.$11,708.5 million) as at 31 December 2010. The principal driver of the increase at 30 June 2012 was equity of unrestricted investment account holders which increased by QAR 5,059 million (U.S.$1,389.8 million), or 27.1 per cent. The principal driver of the increase at 31 December 2011 was due to banks and financial institutions which increased by QAR 4,930 million (U.S.$1,354.4 million), or 58.6 per cent., although this increase was offset in part by equity of unrestricted investment account holders which decreased by QAR 2,985 million (U.S.$820.1 million), or 13.8 per cent., as a result of certain corporate deposits not being renewed following QIB's decision not to compete through payment of higher profit rates.

Business Activities

Wholesale Banking Group

QIB's Wholesale Banking Group comprises four divisions as follows:

- Contracting and Real Estate division;
- Institutional Banking division;
- Corporate Banking division; and
- SME division.

Contracting and Real Estate Division

The Contracting and Real Estate division provides technical, professional and financial services to Qatar's real estate and contracting sectors. In particular, the division arranges financing for contractors using a range of *Shari'a* compliant structures as well as technical and engineering advisory services both to external customers and internally to other QIB divisions. The Contracting and Real Estate division also oversees the development of QIB-owned real estate construction projects.

For the six months ended 30 June 2012 and 30 June 2011, QIB's Contracting and Real Estate division accounted for 43 per cent. and 32 per cent., respectively, of the Wholesale Banking Group's segmental income, with the increase in the 2012 period reflecting an increase in their share of financing assets within the Wholesale Banking Group.

Institutional Banking Division

The Institutional Banking division aims to deliver a comprehensive range of financial solutions and premium services to the Government and to Government-related and other major Qatari companies. In particular, the Institutional Banking division serves the needs of strategic corporate clients. Typically these clients are characterised as having large corporate banking and substantial and on-going investment needs spread across various sectors of the economy. The Institutional Banking division also provides comprehensive financial and investment solutions to selected institutional clients.

For the six months ended 30 June 2012 and 30 June 2011, QIB's Institutional Banking division accounted for 29 per cent. and 22 per cent., respectively, of the Wholesale Banking Group's segmental income.

Corporate Banking Division

The main focus of the Corporate Banking division is to offer *Shari'a*-compliant solutions to corporate customers. QIB aims to provide corporate financing services through its specialised teams and experienced staff. The Corporate Banking division provides a broad range of products and services principally to large businesses operating in Qatar. The division focuses on customers in trading and contracting services industries (including those entities servicing Government and semi-Government projects, private construction projects and commercial property projects) and the service companies operating in the transport and communication (for example, aircraft and shipping), industrial, health care, sports, water and electricity sectors.

The principal deposit products offered by the Corporate Banking division include current accounts (which can be opened in Qatari riyals, sterling, euro and U.S. dollars), savings accounts and time deposit accounts (in which deposits are held for a fixed term).

QIB's corporate financing products include *musawama* (trade finance for local goods), *murabaha* (international trade finance), *istisna'a* (construction and manufacturing finance), *mudaraba* (venture capital finance), *musharaka* (equity participations), *wakala* (agency) and *ijara* (leasing). Additional products include *Shari'a*-compliant letters of credit and guarantees. Financing products are extended on the basis of an analysis of a customer's financial position, the transaction structure and the customer's financial information and supported by various combinations of collateral, including assignments of existing cash flow and/or salaries.

For the six months ended 30 June 2012 and 30 June 2011, QIB's Corporate Banking division accounted for 25 per cent. and 43 per cent., respectively, of the Wholesale Banking Group's segmental income.

SME Division

The SME division offers a full range of Islamic banking solutions to the SME sector in Qatar. QIB believes that the SME sector in Qatar offers significant opportunities for the expansion of its customer base and growth in its loan portfolio. Two recent initiatives undertaken by QIB in this sector are to participate in the Qatar Development Bank's Al Dhameen programme which aims to finance and assist SMEs to develop into bigger and more successful companies through access to investment funding and working capital and its micro finance programme discussed under "*Strategy*" above.

For the six months ended 30 June 2012 and 30 June 2011, QIB's SME division accounted for 3 per cent. of the Wholesale Banking Group's segmental income.

Personal Banking Group

QIB's Personal Banking Group focuses on the provision of banking, financing and investment services to individuals in Qatar. The Personal Banking Group is responsible for QIB's delivery channels, including its branch network and e-banking solutions, as well as its card and takaful business. The Personal Banking Group comprises a Retail Banking division and a specialist Private Banking division which offers tailored services to HNWIs.

The principal deposit products offered by the Personal Banking Group comprise current accounts, call accounts, savings accounts and time deposit accounts. As at 30 June 2012 and 31 December 2011, QIB held QAR 24,240 million (U.S.$6,659.3 million) and QAR 20,447 million (U.S.$5,617.3 million), respectively, of deposits within the Personal Banking Group, representing 72.5 per cent. and 73.2 per cent., respectively, of QIB's total deposits at each date.

The principal financing products offered by the Personal Banking Group comprise a *musawama* Sale, *ijara* and *istisna'a* which are methods of financing the purchase of cars, homes and consumer household items. In addition, the Personal Banking Group offers card facilities such as Visa and Master card-branded cards, Visa Electron-branded cards and Hadiyati pre-paid cards. As at 30 June 2012 and 31 December 2011, financing to retail customers amounted to QAR 8,786 million (U.S.$2,413.7 million) and QAR 7,095 million (U.S.$1,949.2 million), respectively.

QIB implements credit risk policies consistently for all customers. As part of QIB's credit policy, QIB conducts online credit checks through the Qatar Credit Bureau which shows the number of outstanding loans any potential applicant for retail finance products may have and which also shows whether any applicant is on a watch list or blacklist held by the QCB.

As at 30 June 2012, QIB's real property mortgage-related financing amounted to 12 per cent. of the total outstanding retail financing provided by the Personal Banking Group with the balance comprising consumer financing backed by salary assignments and other receivables.

QIB has a wide range of distribution channels, including, as at 30 June 2012:

- 30 branches and offices located throughout Qatar;
- a wide range of electronic banking services and online transactions;
- a call centre which operates 24 hours a day, seven days a week allowing customers to carry out routine banking transactions by telephone at any time;
- an ATM/CDM network comprising 145 ATM/CDMs at 30 June 2012; and
- SMS alert services which allow customers to process balance and statement enquiry transactions along with some financial transactions (for example, payment of certain utility bills).

The Private Banking division within the Personal Banking Group provides a range of personal banking services to HNWIs. These services include managing bank accounts, offering investment opportunities and related consultancy services, a mobile banking service for cash deposits and processing remittances. Personalised banking services such as wealth management and personal relationship managers are also available to these clients.

The Private Banking division is expanding the reach and scope of its services by developing tailored delivery channels such as dedicated and exclusive business centres and establishing service areas within branches and using the QIB network to extend need-based integrated financial and investment service from pure banking to wealth management solutions in various asset classes in *Shari'a*-compliant products such as deposits, structured notes, mutual funds, lump sum investments, regular savings plans and *takaful* products.

Group Function

QIB's Group Function reporting segment includes the activities of its Treasury and Investment divisions and a range of central functions. Activities undertaken by the Treasury division, which include managing the investment portfolio, certain funding transactions and certain currency exchange transactions, generate segmental income for the Group Function reporting segment.

Treasury Division

The Treasury division manages QIB's investment portfolio, its correspondent banking and trade-related activities and its liquidity and asset liability management activities. In particular, the Treasury division operates through four groups:

- the *Financial Markets group*, which is primarily responsible for liquidity management, structured investments, treasury sales, asset and liability management and fund transfer pricing. The group invests in third party originated structured products for QIB's own account as part of its investment and liquidity management activities and also offers its own structured products (including Islamic derivatives) designed to meet the specific financing and investments needs of QIB's customers. The Financial Markets group also provides general financial advisory services to QIB's clients;
- the *Capital Markets group*, which arranges Islamic loan and *sukuk* financing both for QIB and its clients as well as providing secondary market services in *sukuk*. The Capital Markets group also manages QIB's portfolio of debt type investments which is discussed further below;
- the *Local Equity group*, which manages QIB's portfolio of equity type investments discussed further below; and
- the *Financial Institutions group*, which manages QIB's correspondent banking relationships with more than 500 banks worldwide and is mandated to facilitate and develop trade finance solutions for its clients.

The Treasury division also manages QIB's financial investments which are all currently classified as either debt type or equity type instruments in accordance with AAOIFI accounting standard, FAS 25. For debt type instruments managed on a contractual profit yield return basis, investments are measured at amortised cost less any provisions for impairment. For all other bases of managing debt type instruments, including held-for-trading, such investments are measured on a fair value basis, with gains and losses arising from fair value changes being booked through the income statement.

For equity type instruments, investments are measured on a fair value basis with the gains and losses arising from changes in fair value being recognised through the equity account. For equity type investments held-for-trading or managed and performance-evaluated internally by management on a fair value basis, such investments are measured on a fair value basis with the gains and losses arising from changes in fair value being recognised through the profit and loss account.

The investments managed by the Treasury division as at 30 June 2012 and as at 31 December 2011 are summarised in the table below:

	As at 30 June 2012 (unaudited)	As at 31 December 2011
	(QAR million)	
Equity type investments		
Quoted	936	1,067
Unquoted	1,681	1,672
Total equity type	**2,617**	**2,739**
Debt type investments		
Quoted	1,075	1,063
Unquoted	11,631	11,008
Total debt type	**12,706**	**12,071**
Total	**15,323**	**14,810**

The quoted equity type investments are all listed on the QE, the Tadawul in Saudi Arabia, the Dubai Financial Market, the Bahrain Stock Exchange, the Damascus Securities Market (which is currently closed for trading), the New York Stock Exchange, NASDAQ and the Luxembourg Stock Exchange and the quoted debt type investments principally comprise *sukuk* listed on the London Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange and the Dubai Financial Market. The unquoted equity type investments are principally equity investments in financial institutions, insurance companies and funds across the GCC region and Europe and the unquoted debt type investments are principally QCB's *sukuk* and *murabaha* transactions. As at 31 December 2011, all of the unquoted equity type investments were fair valued, save for QAR 708 million which were accounted for at cost less impairment reflecting the fact that there was no other reliable measure of their value. QIB's unquoted debt type investments are recorded on its balance sheet at their amortised cost. All of the investments are *Shari'a*-compliant and are subject to credit approvals which are similar to those applied to QIB's customer financing transactions.

QIB has established a dealing room as a profit centre using a transfer pricing model in order to generate profits from foreign exchange margins (spreads) and arbitrage on foreign exchange spot, forward and swap transactions and utilises tools such as *wa'ad* (unilateral promise foreign exchange forwards) and *muwa'ama* (structured forwards) contracts. A corporate sales desk and a proprietary desk for QIB's investment purposes have been established to supplement these activities.

The Treasury business also manages the local listed share portfolio held by QIB and runs a matched book on inter-bank money market operations, trade finance, syndications and other structured products through *Shari'a*-compliant financial tools such as *murabaha* and *wakala*. It also employs asset diversification strategies and *Shari'a*-compliant derivative products in hedging the foreign exchange exposures of assets in accordance with directives issued by ALCO.

One of the key functions of the Treasury business is to manage QIB's working capital in accordance with the ratios set by the QCB and to introduce measures that will enable QIB to take advantage of its capital's cost-efficiency by shifting some of its working capital burden to the inter-bank market.

The Treasury business is involved in acquiring commodities in the international market for commodity *murabaha* transactions with customers for short-term liquidity management.

Investment Division

QIB's Investment division manages QIB's international real estate assets and its relationships with its associates. The Investment division manages the following associate relationships:

Al Jazeera

Al Jazeera provides Islamic consumer financing, including to customers of many local suppliers in Qatar (such as car dealers, furniture retailers, home appliances suppliers, jewellery suppliers and electrical and electronic showrooms). As at 30 June 2012, QIB's effective ownership interest in Al Jazeera was 30 per cent. For the year ended 31 December 2011, QIB's share of Al Jazeera's net profit was QAR 15 million (U.S.$4.1 million). Al Jazeera's transactions are monitored for *Shari'a* compliance by QIB's SSB.

*Al Damaan Islamic Insurance Company ("**Al Damaan**")*

Al Damaan was incorporated in September 2009 as a *Shari'a*-compliant insurance company. Al Damaan's authorised and paid up capital is QAR 200 million (comprising 2,200 million ordinary shares of QAR 1.00 each). As at 30 June 2012, QIB held a 25 per cent. effective ownership interest in Al Damaan. The principal activities of Al Damaan include the provision of marine, engineering, general accident, vehicle, fire, medical, allied products and labour accident insurance in Qatar.

Durat Al Doha

Durat Al Doha was established with the objective of investing in the Qatari real estate and construction industries and, in particular, to construct and develop residential towers on Pearl Island. As at 30 June 2012 its total assets were valued at QAR 1,774 million (U.S.$487.4 million), of which QAR 1,705 million (U.S.$468.4 million) were still under construction and its current assets were valued at QAR 69 million (U.S.$19.0 million). As at 30 June 2012, QIB held a 39.9 per cent. equity stake in the company.

AFH

AFH was established in 2004 in Lebanon by a group of strategic partners from Qatar and other GCC countries with a capital of U.S.$100 million. As at 30 June 2012, QIB held an effective 37 per cent. ownership interest in AFH. AFH was the first Islamic (commercial and investment) bank to operate in Lebanon and its key objective is to expand the utilisation of Islamic financial services and products. It offers a wide range of corporate and retail banking services based on Islamic *Shari'a* principles and, as at the date of this Base Prospectus, operates with a network of six branches across Lebanon. It also serves the banking requirements of Qatari and other GCC nationals who travel to Lebanon for investment, economic, tourism, educational or health care purposes.

AFB

AFB was incorporated in Malaysia in 2007. As at 30 June 2012, QIB held an effective ownership interest of 41.67 per cent. in AFB. Its principal objective is to specialise in corporate and project financing in Malaysia and in the neighbouring countries which have investment links with GCC countries. AFB currently has a representative office in Indonesia.

Local and International Subsidiaries

QIB's Local and International Subsidiaries reporting segment comprises the following domestic and international subsidiaries:

Domestic

Aqar

Realising the importance of the real estate sector as one of the main driving forces of the economy, QIB established Aqar in September 2000 as a joint venture with the primary objective of taking advantage of real estate investment opportunities as they become available. As at 30 June 2012, QIB held 49 per cent. of the shares in Aqar, which is consolidated as a subsidiary on the basis of QIB's control of the Board of Directors.

Whilst QIB primarily finances real estate projects using *istisna'a* based financing arrangements, Aqar focuses on the general acquisition, development and sale of land and real estate properties; the leasing of real estate properties; real estate land and property valuation services; executing feasibility studies for real estate projects; and arranging finance for real estate projects. Aqar owns equity in relevant projects for which QIB also provides financing.

QInvest

Licensed in May 2007 with an authorised capital of QAR 3.64 billion (U.S.$1 billion) and a paid-up capital of QAR 2.73 billion (U.S.$750 million), QInvest is an investment banking firm operating under *Shari'a* principles and based in the Qatar Financial Centre (the "**QFC**"). As at 30 June 2012, QInvest's total assets were QAR 3,499 million (U.S.$961.3 million). QInvest focuses on investment banking, asset management, brokerage and principal investment activities and has offices in Qatar, Saudi Arabia and Turkey. These services complement those offered by QIB to large and Government-related companies in Qatar. QInvest is currently involved in ongoing discussions with EFG-Hermes Holding SAE (based in Egypt) in relation to a possible joint venture arrangement in which QInvest may hold a 60 per cent. interest, although the final details of such joint venture arrangement are yet to be finalised and it is still subject to regulatory approval.

As at 30 June 2012, QIB held a 46.96 per cent. interest in QInvest, which is consolidated as a subsidiary on the basis of QIB's control of the Board of Directors.

International

QIB (UK)

QIB (UK) was granted a licence to operate in the United Kingdom by the UK Financial Services Authority on 29 January 2008. As at 30 June 2012, it had total assets of U.S.$230 million and was 70 per cent. owned by QIB. Its main objective is to extend Islamic banking and investment services to the Muslim community in Europe, including the United Kingdom, France and Germany in particular. QIB (UK) manages a range of investments in key sectors such as real estate.

Competition

The Qatari banking market is becoming increasingly competitive and currently comprises 18 banks, including four Islamic banks, one industrial bank and branches of subsidiaries of seven foreign banks. The foreign bank branches and subsidiaries focus mainly on trade finance, foreign currency operations and state-related business. Foreign bank participation in public sector financing has had a significant effect on margins which has led QIB to focus on other higher margin areas.

Qatar's foreign banks compete for the same business as the local banks but operate under certain restrictions. The lending limits of foreign banks are based on their local capital base. However, foreign banks have traditionally obtained a guarantee from their head offices when credits exceed their legal lending limits.

Some foreign multinational banks have started to increase their presence in the fast-developing Qatari market, and some have, or plan to, set up offices in the QFC to target the financing of infrastructure projects in Qatar. QFC-registered banks are currently subject to clear restrictions on their local banking activities and, as a result, they cannot open full service branches, and cannot deal with retail customers in Qatar. See "*Banking Industry and Regulation in Qatar*".

QIB's principal competitors in Qatar in the Islamic banking sector are Masraf Al Rayan Q.S.C. and Qatar International Islamic Bank Q.S.C.

Insurance

QIB maintains insurance policies and coverage that it deems appropriate. This includes a financial institution's blanket bond covering standard risk including electronic equipment and professional indemnity cover. QIB maintains standard property insurance for all premises and appropriate terrorism insurance. Electronic equipment is insured separately.

QIB reviews its insurance coverage on an ongoing basis and believes the coverage to be in accordance with industry practice in Qatar.

Information Technology

QIB has implemented technology upgrades in recent years, developing its IT Data Centre into one that offers E-banking services, enhanced security features, upgraded global networking and high performance connectivity among branches. The IT Data Centre was established in order to secure a developed IT environment that allows QIB to present new electronic banking services, strengthen its IT platform, link the branch networks together and provide communications solutions with local and global banks. The IT Data Centre is located at QIB's head office. QIB recently received the ISO 27001 certification for banking information security from the International Organisation for Standardisation (**ISO**) which highlights QIB's commitment to information security, operations and general IT security procedures. QIB was the first bank in Qatar to obtain the Business Continuity Certification BS25999.

As in previous years, QIB continues to invest in IT projects to improve customer service, straight-through processing, strengthen security (such as supervision and safety) and in its disaster recovery. QIB undertakes daily and other periodic data back-ups which are stored at its disaster recovery site.

MANAGEMENT AND EMPLOYEES

QIB is domiciled and registered in Qatar as an Islamic bank under the regulatory oversight of the QCB. This section sets out QIB's organisational structure as at the date of this Base Prospectus. QIB's executive management currently comprises a Board of Directors, an Executive Committee (the "**EC**") and a number of appointed Board and Management Committees.

The Board of Directors

The Board of Directors oversees the conduct of QIB's business and is primarily responsible for providing effective governance, including the appointment of executive management, approval of business strategies, approval of the annual budget, evaluation of QIB's performance and implementation of an appropriate control framework to address the major risks faced by QIB. The Board of Directors meets at least six times a year and comprises nine members (the "**Directors**"). The Board of Directors met 11 times during 2011.

Name	Positions	Appointment/Election
Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani	Chairman of the Board since April 2005 and Board member since June 2004. Chairman of QInvest. Chairman of QIB (UK). Chairman of the Aldaman for Islamic Insurance. Member of the Board of Directors of Arcapita. Member of the Board of Directors of Qatar Navigation. Member of the Board of Directors of QIC. Member of the Board of Directors of Credit Suisse Group AG.	Appointed by election at the general assembly meeting held on 13 March 2011.
Mr. Mohammad Bin Abdullatif Al Mana	Vice Chairman since April 2005 and a Board member since April 1996. Coordinator between the Board of Directors and Fatwa and *Shari'a* Supervisory Committee of QIB. Founder member and Chairman of the Zakat Committee. Chairman of Al Jazeera and AFH, each an associated company of QIB. Chief Executive Officer of AQAR, a subsidiary of QIB. Member of the Board of Directors of Qatar Real Estate Investment Co., a public share holding company. Founder Member, Ex-Chairman and current Member of the Board of Directors of Retaj Co., one of the largest real estate development and investment companies in the state. Chairman of the Board of Directors of the Supreme Council for Welfare of the Elderly People.	Appointed by election at the general assembly meeting held on 13 March 2011.
Mr. Abdullatif Bin Abdulla Al Mahmmoud	Board member since April 1996 and Managing Director since 2005. Board member of the Social Development Centre (Qatar Foundation). Board member of Al Damaan. Board member and Chairman of Retaj Marketing and Project Management Co. Board Member and Chairman of Al Mada'en Investment and Development Co.	Appoined by election at the general assembly meeting held on 13 March 2011.

Name	Positions	Appointment/Election
Mr. Issa Bin Rabia Al Kuwari	Board member since April 2002. Member of QIB's Audit and Risk Committee. He holds a number of political posts, including Vice President of Qatari Shura Council and committee memberships within the Ministry of Interior and the Ministry of Municipal Affairs and Agriculture. Board member of Aqar.	Appointed by election at the general assembly meeting held on 13 March 2011.
Mr. Mohamed Bin Issa Al Mohanadi	Board member since 1996 and Head of the Audit and Risk Committee and Member of the Benefits and Compensation Committee. Board member of Qatar Telecom (Q-Tel). Managing Director of Al Jazeera.	Appointed by election at the general assembly meeting held on 13 March 2011.
Mr. Abdul Rahman Abdulla Abdul Ghani Nasser	Board member since April 1996. Member of QIB's Executive Committee. Board Member of Al Jazeera. Board member of Qatar Industrial Manufacturing Co. Board member of United Development Co. Chairman of Qatar Drilling Co. Chairman of Abdullah Abdul Ghani & Bros. (Toyota) and Abdullah Abdul Ghani & Sons Trading & Contracting group.	Appointed by election at the general assembly meeting held on 13 March 2011.
Mr. Mansour Mohamed A, Fattah Al Muslah	Board member since April 1996. Member of the Executive Committee and Zakat Committee. Chairman of Aqar. Board member of Al Jazeera. Chairman of Al Andalus Private Schools. Chairman of Board of Trustees, Mayfair Islamic Centre, London.	Appointed by election at the general assembly meeting held on 13 March 2011.
Mr. Abdulla Bin Saeed Al Eidah	Board member since April 2005 and member of the Audit Committee and Benefits and Compensation Committee. Member of Executive Committee. General Manager of Borouq Investment. Vive Chairman of Sailiya Club.	Appointed by election at the general assembly meeting held on 13 March 2011.
Mr. Nasser Rashid S. Al-Kaabi	Board member since March 2008 and Head of the Benefits and Compensation Committee. Member of Executive Committee. Board member of Aqar. Vice Chairman of Qatar Industrial Manufacturing Co. Board member of Gulf Cement Co. Vice Chairman of the National Agricultural and Food Manufacturing and Marketing Co. Board member of Qatar Islamic Insurance Co. Chairman of Qatar Sand Treatment Plant Co. Chairman of Al Sharma'a Readymix Concrete Co. Vice Chairman of the Board of Trustees of the Qatar Diabetic Society, a subsidiary of Qatar Foundation.	Appointed by election at the general assembly meeting held on 13 March 2011.

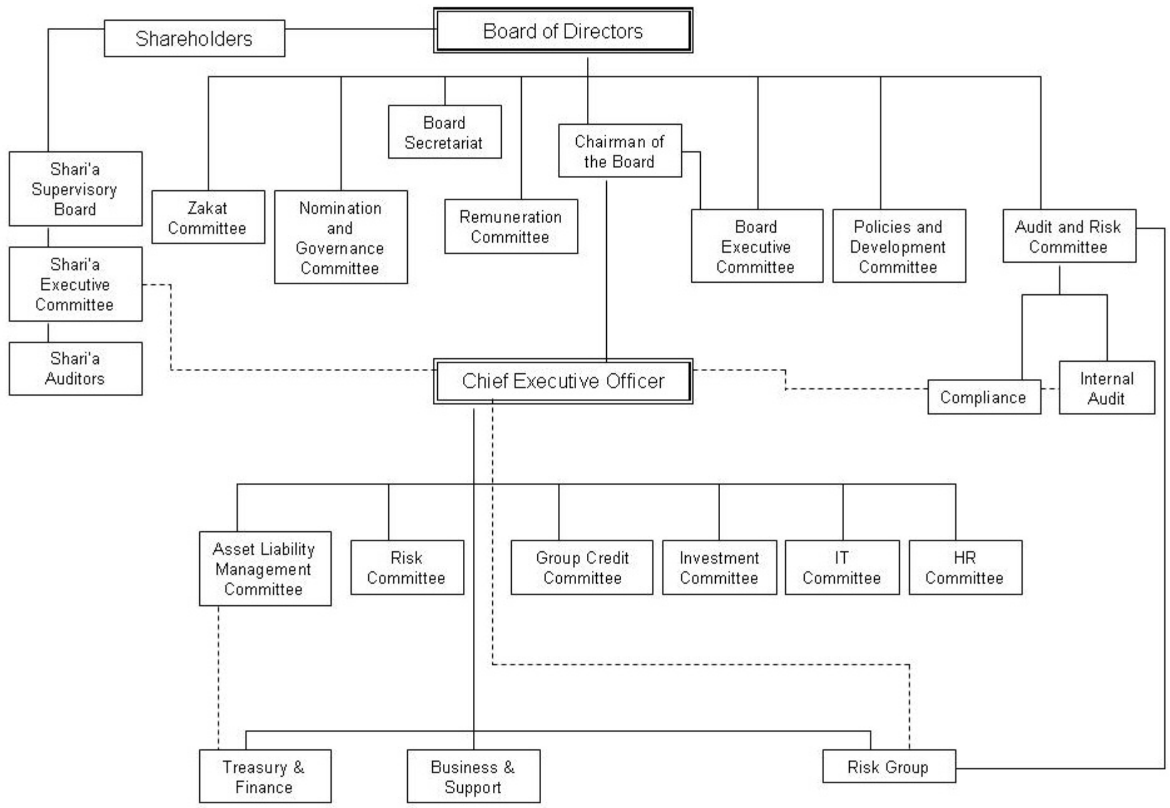
Board Committees

Each of the Committees is appointed by the Board of Directors and each Committee elects its own Chairman. QIB's principal Board committees are set out below:

Committee	Key purposes/responsibilities
Executive Committee (the "**EC**") (six members of the Board of Directors plus the Chief Executive Officer and senior executives of QIB).	• Coordinate the activities of all divisions and subsidiaries and discuss common issues related to QIB.
The EC held seven meetings during 2011.	• Support the implementation of QIB's strategy and vision.
	• Approve credit facilities above the authorized limit set for management up to the Executive Committee limit delegated by the Board of Directors.
	• Authorise those individual transactions and sectoral limits which fall within the authorities delegated to the Executive Committee by the Board of Directors.
	• Approve and recommend action to be taken on impaired loans in line with the delegated limits and authorities as approved by the Board of Directors and in line with QCB regulations.
Audit and Risk Committee (three members)	• Review of financial control, internal control and risk management framework and systems.
The Audit and Risk Committee held five meetings during 2011.	• Review accounting principles and significant management assumptions underlying financial statements.
	• Review annual financial statements, and consider whether they are complete in all aspects.
	• Review interim financial reports with management and the external auditors, before filing with regulators.
	• Review and coordinate resolution of any disagreements between management and internal or external auditors.
	• Establish the risk appetite of QIB and monitor the overall portfolio and risk management and policies profile for compliance with directives.
	• Review and approve the charter, plans, activities, staffing and organisational structure of the Internal Audit function and Compliance function.
	• Review and approve the appointment, replacement or dismissal of the audit personnel and external auditors as well as their remuneration.
	• Review the effectiveness of the system for monitoring compliance with laws and regulations.
Policy and Development Committee (four members).	• Studies, prepares and develops strategies, objectives, policies, systems, plans, budgets and work procedures manuals.

Committee	Key purposes/responsibilities
The Policy and Development Committee held one meeting in 2011.	• Ensures that QIB's policies and practices are conducted in accordance with established and approved business operating standards. • Reviews the operating efficiency of the various functions within QIB and measures the alignment of functional procedures with corporate objectives and business procedures. • Monitors QIB's quarterly performance against strategy, business plan and budget. • Refers deviations of policies and procedures from required standards to management for action. • Responsible for developing QIB's corporate and social responsibility strategy.
Compensation and Benefits Committee (four members).	• Selects and evaluates applicants for senior executive posts and makes recommendations as to appointments to the Board of Directors.
The Compensation and Benefits Committee held 10 meetings in 2011.	• Determines senior staff rewards and privileges.
Zakat Committee (three members).	• Promotes interdependence and integration among the Muslim community by distributing zakat contributions to organisations in the fields of humanitarian aid and general development.
The Zakat Committee held five meetings in 2011.	• Responsible for developing good relations with charitable humanitarian aid groups and institutions that provide assistance in general development. • Develops QIB's zakat collection and disbursement policy and ensures appropriate standards of accountability are observed.

The following chart sets out QIB's organisation structure as at the date of this Base Prospectus:



Executive Management

QIB's executive management team is responsible for the overall day-to-day management of QIB. The team is led by the acting Chief Executive Officer, Ahmad Meshari who was appointed by the Board of Directors in October 2010.

The executive management team comprises the following members:

Name	Position
Ahmad Meshari Muhaidi	Acting CEO
Syed Maqbul Quader	Group Chief Risk Officer
Gourang Hemani	Chief Financial Officer
Constantinos Constantinides	Chief Strategy Officer
Giles Cunningham	Chief International Officer
Bert de Ruiter	General Manager, Wholesale Banking
Dorai Anand	General Manager, Personal Banking Group
Salah Al-Hail	General Manager, Real Estate Group
Ahmed A. Al-Kuwari	General Manager, Human Capital Group
Suresh Rajagopalan	Acting Chief Operating Officer
Tariq Rahmat	Head of Treasury

The CEO and each other member of the executive management team participate in QIB's stock option programme, see note 32 to the 2011 Financial Statements.

Biographies

Below is a brief summary of the main experience of QIB's key senior management:

Mr. Ahmad Meshari – Acting CEO of QIB: Mr. Ahmad Meshari assumed his current position as Acting Chief Executive Officer in October 2010.

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

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

Mr. Syed Maqbul Qader – Group Chief Risk Officer: Mr. Qader has worked in banking for more than 39 years. Over the last two decades Mr. Qader has worked for leading banks in the GCC region in senior positions in corporate banking and risk functions. Mr. Qader was previously the Chief Credit Officer of National Bank of Bahrain, and subsequently General Manager for Corporate Banking Group at Al Rajhi Bank in Saudi Arabia.

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

Mr. Gourang Hemani – Chief Financial Officer: Mr. Hemani has 22 years of accounting and finance experience with international banks and with leading audit firms. Mr. Hemani started his carrier with PriceWaterhouse Coopers in India and progressed through Standard Chartered Bank in India followed by a long career with Banque Saudi Fransi in Saudi Arabia handling various roles including Asset Liability Management, Treasury Middle Office and Financial Planning. Mr. Hemani's last assignment, prior to joining QIB, was with Banque Saudi Fransi as Deputy Chief Financial Officer. Mr. Hemani is a CFA Charter holder, Financial Risk Manager (FRM) and Chartered Accountant from India.

Mr. Constantinos Constantinides – Chief Strategy Officer: Mr. Constantinides joined QIB as Chief Strategy Officer to lead its transformation programme. Prior to that Mr. Constantinides held senior roles at Al Rajhi Bank for eight years, including General Manager of Strategy responsible for business development and regional expansion and Deputy General Manager in Retail Banking. As a management consultant with Accenture for seven years, Mr. Constantinides has led several strategic initiatives for European banks and financial institutions. Mr. Constantinides holds an MBA in International Strategy from the University of Birmingham.

Mr. Giles Cunningham – Chief International Officer: Mr. Cunningham has 22 years of international experience in banking and finance with leading institutions in the MENA region and the UK. Mr. Cunningham has worked with organisations such as Lloyds TSB, General Insurance and Zubair Corporation in Oman in senior roles including CEO – Middle East and Managing Director – International Retail Banking & International Strategy. Mr. Cunningham's last assignment, prior to joining QIB, was with Lloyds Banking Group as Senior Strategy & Advisor – Wealth & International Banking. Mr. Cunningham holds a BA (Hons), ACIB & MBA from Sheffield Hallam University.

Mr. Dorai Anand – General Manager of QIB's Personal Banking Group: Mr. Anand has over 20 years' experience in the banking industry, particularly in retail banking, consumer assets business, customer service & operations. Mr. Anand has held various senior management roles with leading conventional and Islamic banks. Most of his career was spent with Citibank. For the last 8 years Mr. Anand was with Al Rahji Bank in Saudi Arabia. Prior to joining QIB, Mr. Anand was GM Retail Banking Group with Al Rahji Bank. Mr. Anand holds an MBA.

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

Mr. Salah Al-Hail – General Manager of QIB's Real Estate group: Mr. Al-Hail has close to 20 years' experience working with financial organisations. Prior to joining QIB, Mr. Al-Hail spent nearly ten years with QNB, the largest bank in Qatar. His duties there included managing a team of staff in the areas of project management, purchasing and procurement, security and safety and real estate management. Prior to his tenure at QNB, Mr. Al-Hail worked on Qatar's Physical Development Plan as well as other key infrastructure and development projects in the country.

Dr. Ahmed A. Al-Kuwari – General Manager of QIB's Human Capital group: Dr. Al-Kuwari joined QIB in late 2008. Before he joined QIB, Dr. Al-Kuwari worked with Qatar University as Assistant Professor of Management in the College of Business & Economics. He also managed a Government Modernisation Project aimed at improving government sectors' performance and services between 2003 and 2008. Dr. Al-Kuwari holds a PhD in Management from the School of Business & Economics, University of Exeter, U.K. in addition to a Master's Degree in Public Administration from Seattle University, U.S.A.

Mr. Suresh Rajagopalan – Acting Chief Operating Officer: Mr. Rajagopalan has approximately 21 years of experience in Banking Technology with leading banks in the MENA region and Asia such as First Gulf Bank, Global Trust Bank, Vysya Bank in India and Infosys. His last assignment was with National Bank of Egypt as Chief Information Officer. Mr. Rajagopalan holds an MA in Computer Applications and BA in Science.

Mr. Tariq Rahmat – Head of Treasury: Mr. Rahmat has more than 30 years of experience in treasury related assignments at various financial centres. Mr. Rahmat's prior experience includes roles as Country Head of Bank Alfalah Limited, Head of Treasury at BNP Paribas and Head of Corporate Sales at Riyad Bank. Mr. Rahmat holds a university degree from Canterbury (UK).

The registered office and headquarters of QIB, including its Directors and the members of its executive management team, are at Grand Hamad Street, P.O. Box 559, Doha, Qatar (telephone: +974 4440 9409).

There are no interests of the Directors or members of its executive management team in transactions which are or were unusual in their nature or conditions or significant to the business of QIB. QIB is not aware of any potential conflicts of interest between the duties owed by the Directors and members of the executive management team to QIB and their private interests or other duties.

Executive Management Committees

QIB has a number of executive management committees whose purpose is to assist the CEO in performing his duties. Each committee has a required quorum and resolutions are passed by a majority of the votes cast except in the case of the Credit Committee and the Investment Committee which require unanimity. The executive management committees include:

Management Committee

- Ensures that all actions undertaken support QIB's vision, purpose and aims.
- Establishes fundamental values, ethical principles and the strategic direction in which QIB operates.
- Monitors and evaluates all areas of QIB's performance.

Asset Liability Management Committee

- Monitors and reviews the performance of QIB's treasury activities, including banking and trading book portfolios in terms of profitability, credit performance, other risks and volatility and volumes.
- Monitors and reviews QIB's management of liquidity risk, including capital position, pricing of funding and deposits, and liquidity contingency plans.
- Monitors and reviews QIB's management of foreign exchange risk.
- Reviews the introduction of new treasury products across QIB.

- Ensures compliance of QIB entities with treasury limits and ratios (i.e. mismatches and excesses) that have been approved by the Board of Directors, QCB, any applicable foreign regulator or senior management.

- Reviews information on movements of market interest/profit and foreign exchange rates both national and international, macro economic and political developments, and competitor's action, which may affect QIB's funding, liquidity, profitability or market share.

- Oversees QIB's intergroup transfer pricing policy for cost of funds allocation within the management information system.

- Establishes and amends QIB's base rates applicable to each entity and related changes in deposits and risk asset profit rate structures.

Credit Committee

- Reviews, recommends and implements credit policies and procedures across QIB.

- Reviews and recommends amendments to delegated authorities.

- Reviews adequacy of credit risk controls and the standard and quality of reporting to the Board.

- Approves or declines financing facilities within its delegated authority.

- Monitors and reviews country exposures across QIB.

- Monitors and reviews financing compliance by QIB with QCB regulations, applicable local regulations and Board policy.

- Reviews the introduction of new credit products across QIB.

Investment Committee

- Approves purchases/sales of investments within delegated authority and related accounting.

- Reviews the introduction of new investment products across QIB.

- Ensures that local and foreign investments are considered in line with the parameters set by the Board and embedded as part of QIB's operational processes.

- Monitors and reviews the performance of all investment activities across QIB in terms of profitability, financial performance, risks and volumes.

- Ensures compliance with investment limits and ratios approved by the Board of Directors, QCB, foreign regulators or senior management.

Risk Committee

- Ensures that risk policies are in place to manage the risks to which QIB is exposed, including market, operational, liquidity, credit, insurance, regulatory and legal risk, and reputational risk.

- Sets risk tolerance limits and policies, as well as checks compliance with limits.
- Defines the broad risk framework and risk exposures under which QIB should operate its businesses and expand into new markets.
- Monitors, on a regular basis, QIB's risk management performance and obtains, on a regular basis, reasonable assurance that QIB's risk management policies for significant risks are being adhered to.
- Considers and provides advice to the Board, when appropriate, on the risk impact of any strategic decision that the Board may be contemplating, including considering whether any strategic decision is within the risk tolerance established for QIB and its individual business units.
- Monitors, in coordination with the Audit and Risk Committee, the independent assessment of significant risk-related issues, including any arising from any continuous audit process relating to risk issues.

Information Technology Committee

- Responsible for monitoring the development and continuing support of the information systems across QIB, the integration of systems and MIS reporting.
- Reviews and prepares plans for the development of information technology across QIB in the short and long term.
- Supervises the development and revision of information technology policies and monitors the progress of all information technology projects.

Human Resources Committee

- Responsible for ensuring effective human capital management across QIB and that appropriate policies and procedures are in place.
- Leads QIB's recruitment, retention, selection and assessment processes.

Shari'a Supervisory Board

The General Assembly of QIB appoints the SSB which must consist of at least three members who are experts in Islamic jurisprudence. The SSB may include an expert in the field of Islamic Financial Institutions who also has knowledge of Islamic jurisprudence. Members should not hold positions of responsibility in QIB other than as part of the SSB; they should be independent. This policy is part of QIB's Corporate Governance Policy. The SSB currently consists of:

- His Eminence Sheikh Walid Bin Hadi (Chairman);
- Professor Abdul Sattar Abou Ghudda (Member); and
- Dr. Mohammed Othman Shabeer (Member).

As outlined above the primary function of the SSB is to review QIB's proposed transactions and activities and issue fatwas that approve or reject such proposed transactions or activities for compliance with Islamic *Shari'a*.

The SSB provides advice to all of QIB's departments with regards to any of its business activities. In addition, the SSB deals with enquiries received from third parties regarding QIB's business, whether such third parties are local or international and whether they are involved in the *Shari'a*-compliant investment sector or not.

QIB is bound by the resolutions and fatwas of the SSB. The SSB may suspend or reject any activity or procedure that is not compliant with *Shari'a* principles. The SSB may propose remedies to address any violation of the *Shari'a* principles. Any income that may be received from non-*Shari'a* compliant sources is not recognised as profit. If an investment is deemed non-*Shari'a* compliant, QIB may be required to sell or otherwise dispose of its interest in such investment, with proceeds from such disposal to be donated to a designated charity acceptable to QIB and the SSB.

- The SSB meets at least four times each year.

In addition to the SSB, QIB has a dedicated internal *Shari'a* Audit Department, which continually examines, monitors and reports on QIB's activities for *Shari'a* compliance.

Through its direct monitoring and QIB's internal *Shari'a* Audit Department, the SSB ensures that QIB's activities and investments do not constitute any of the following:

- involvement in unlawful entertainment, such as casinos, gambling, cinema, music and pornographic materials;

- involvement in hotels and leisure companies that provide any of the above products or services; and

- any other activity deemed to be in contradiction of the *Shari'a* rules and principles.

Employees

As at 30 June 2012, QIB had 844 employees on a full-time basis and 157 outsourced employees on yearly contracts, including call centre agents and direct sales agents. QIB's goal is to be the employer of choice in Qatar. All QIB employees are provided with life and health insurance coverage. Dependants of QIB employees who are entitled to family benefits also receive health insurance coverage.

QIB employees with Qatari citizenship benefit from a pension scheme. Both Qatari and non-Qatari national employees are also covered by end of service benefits, which are provided for on the basis of each employee's salary and length of service at each reporting date.

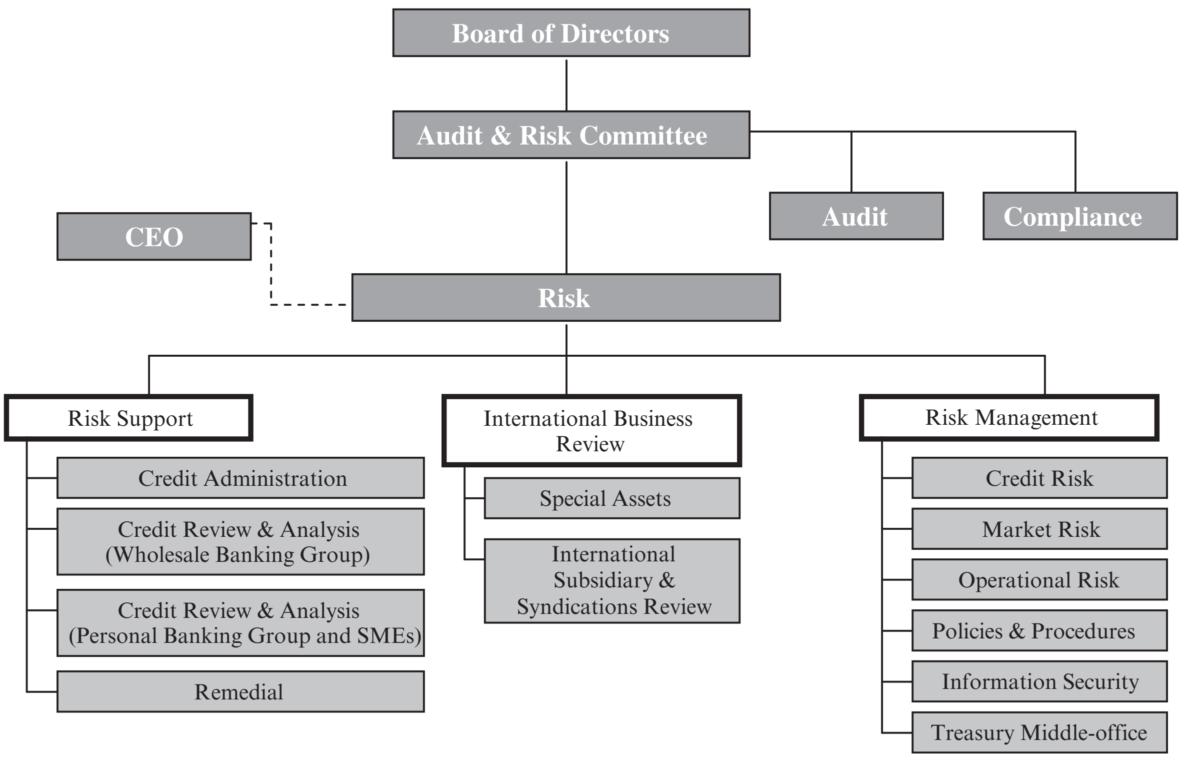
As at the date of this Base Prospectus, Qatari nationals represent approximately 26 per cent. of QIB's workforce, which is more than the 20 per cent. required under Qatari law. Approximately 80 per cent. of QIB's branch managers are Qatari nationals. QIB's objective is to increase the number of Qatari nationals in its workforce to 40 per cent. over the next five years. QIB has implemented Qatari national development and sponsorship programmes by implementing a plan of sponsoring ten students every year, with the aim of developing young Qatari nationals with technical and professional skills. QIB also provides summer internship training to students from leading universities in Qatar who are Qatari nationals.

RISK MANAGEMENT

Overview

QIB is exposed to different types of risks in its normal course of business, including credit risk, liquidity and funding risk, market risk, equity investment risk, profit rate risk, operational risk and compliance and/or reputational risk from its use of financial instruments. The role of the Risk Group is to manage QIB's risks by seeking to ensure that its business activities and transactions provide an appropriate balance of return for the risk assumed and remain within QIB's risk appetite, which is collectively managed throughout the organisation by adherence to QIB's Enterprise Risk Management Framework which was implemented by the Audit and Risk Management Committee, having received approval by the Board of Directors. The Risk Group is therefore responsible for managing the overall quality of QIB's assets, continuously monitoring QIB's portfolio, and taking corrective action if and when required.

An overview of QIB's risk management structure is set out below.



QIB continues to strengthen its risk assessment procedures by employing skilled risk officers and by introducing and implementing new procedures and systems such as an automated risk management solution which includes a Basel II calculation engine, automated assets and liability management software and automated operational risk management software.

QIB believes that the measures adopted to monitor and control credit and counterparty risks have enabled it to contain these risks within acceptable limits and that its portfolio does not presently contain any counterparty, obligor or other similar exposure that may result in a loss that is above the acceptable level approved by the Board of Directors.

QIB views risk as an integral part of the management of its activities. Risk is assessed by reference to acceptable thresholds which are set at the Board and Risk Committee levels through the risk appetite framework.

The Board of Directors has overall responsibility for the establishment and oversight of QIB's risk management framework. The Board of Directors evaluates risk in co-ordination with the Chief Executive Officer and various board and management committees. These committees are responsible for formulating QIB's risk management policies, while the implementation of such policies is carried out by the Risk Group, headed by the Group Chief Risk Officer. For a brief outline of the role and responsibilities of each committee, see "*Directors and Management*" above.

Policies and Standards

QIB's lending principles are laid out in a series of corporate policies, standards, guidelines, directives and procedures, all of which are reviewed on a regular basis to keep them current and appropriate to QIB's risk limits. The structure, limits, collateral requirements, ongoing management, monitoring and reporting of QIB's credit exposures are all governed by these lending principles.

In summary, the principles provide that:

- all credit facilities and investments must meet in principle the *Shari'a* guidelines, the QCB regulations and should be in line with QIB's internal policies;
- all credit facilities and investments should be risk-rated based on QIB's internal risk rating guidelines;
- all credits as well as investments must be approved by an Authorised Officer and/or Committee in accordance with QIB's authority matrix;
- QIB must avoid speculative business and any focus on a sector or industry should be based on stable outlooks; and
- as directed by the Board and management, all credit facilities and investments made must be targeted to ensure QIB is able to limit its concentrations, reduce volatilities in the portfolio, achieve optimum earnings and manage liquidity.

Credit Risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and causes QIB to incur a financial loss. It arises principally from QIB's financing activities.

QIB's credit risk management framework includes:

- the establishment and maintenance of an authorisation structure and limits for the approval and renewal of credit facilities;
- reviewing and assessing credit exposure in accordance with an authorisation structure and limits prior to facilities being approved and committed to customers. If any authorising body is not unanimous in approving a credit proposal, the proposal is referred to a higher authorising body or rejected if there is no higher body. Renewals and reviews of facilities are subject to the same review process which consists of preparing a credit application to the relevant authority within QIB;
- diversification of financing and investment activities which is based on guidelines from the QCB and the risk appetite framework approved by the Board of Directors and executive management;
- ensuring that credit quality is not compromised for growth, employing policies and tools which use QIB's credit risk rating and scoring systems and pricing appropriately for the credit risk taken;
- limiting any concentration of exposures to industry sectors, geographic locations and counterparties; and
- reviewing compliance policies on an ongoing basis (in accordance with ratios set by QCB guidelines), with agreed exposure limits relating to counterparties, industries and countries, and reviewing limits in accordance with QIB's overall risk management strategy and market trends.

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

In addition, QIB manages its credit exposure by generally obtaining security where appropriate and limiting the duration of exposure. Generally, facilities are fully secured by tangible assets in accordance with Islamic standards. The Risk Group is responsible for monitoring the limits set by the QCB such as LTV (65 per cent. at the day of authorising the limit), loan repayment to income limits (50 per cent. at the day of authorising the limit) and real estate financing caps.

Regular audits of business units and group credit processes are undertaken by the Internal Audit and Compliance departments.

Exposure to credit risk and provisioning

QIB's total credit risk exposure (including contingent liabilities and off balance sheet exposures) as at 31 December 2011 and 31 December 2010 was QAR 63,964 million (U.S.$17,573 million) and QAR 56,596 million (U.S.$15,548 million), respectively. QIB measures its exposure to credit risk using the gross amount of the financial assets concerned and deducting amounts offset, profit suspended, profit deferred and any impairment losses. Further details on QIB's exposure to credit risk are included in note 3(a) to the 2011 Financial Statements.

The following table sets out QIB's customer financing portfolio as at 31 December 2011 and 31 December 2010 classified by type, by industry segment and by customer type.

	As at 31 December	
	2011	**2010**
	(QAR million)	
By type		
Musharaka	58	58
Murabaha and musawama	24,055	23,536
Istisna'a contracts	3,200	3,201
Mudaraba financing	860	982
Ijarah financing	5,664	5,902
Other	22	66
Total due from financing activities	**33,860**	**33,746**
By industry		
Government	299	299
Government and semi-Government institutions	1,971	3,486
Industry	310	1,273
Trading	9,481	9,055
Contracts	1,697	1,122
Consumer financing	4,334	5,574
Housing	14,160	11,166
Other	1,609	1,771
Total due from financing activities	**33,860**	**33,746**
By customer		
Retail	5,888	5,574
Corporate	10,335	14,028
SMEs	310	422
Finance with real estate mortgage	14,160	11,166
Other	3,168	2,556
Total due from financing activities (gross)	**33,860**	**33,746**
Deferred profit	(3,901)	(4,031)
Specific provision	(311)	(298)
Suspended profit	(52)	(66)
Total due from financing activities (net)	**29,596**	**29,352**

QIB takes a prudent approach to the provisioning of assets in line with the QCB's requirements. Individual financing facilities are categorised on a sliding scale into: (i) performing; (ii) watch list; (iii) substandard; (iv) doubtful; and (v) bad. The latter three categories are non-performing classifications and require a provision against the outstanding facility (after taking into account collateral secured against the facility). Outstanding facilities are reviewed on an individual basis and classified accordingly as:

- ***Substandard***: facilities with a due payment outstanding for more than 90 days (but less than 180 days), requiring a 20 per cent. provision against the unsecured portion of such facility;

- ***Doubtful***: facilities with a due payment outstanding for more than 180 days (but less than 270 days), requiring a 50 per cent. provision against the unsecured portion of such facility; and

- ***Bad***: facilities with a due payment outstanding for more than 270 days, requiring a 100 per cent. provision against the unsecured portion of such facility.

QIB takes a prudent approach to the provisioning of assets in line with the QCB's requirements. Auditors from the QCB monitor and verify all accounts in detail for each bank under its regulation. Every October, QIB is required to file a draft of its provisions with the QCB, which has the authority to increase provisioning if it sees fit.

QIB monitors concentration of credit risk by sector and by geographic location.

Allowances for impairment

A credit is considered impaired when, in the opinion of the management, there is a reasonable doubt regarding the timely collection of the financing amount and the profit. QIB provides an allowance for impairment losses that represents its estimate of incurred losses due from its financing portfolio. The main component of this allowance is a specific loss component that relates to individually significant exposures.

QIB employs a specific approach to provisioning and loan loss evaluation across all its loan portfolios. Prompt identification of problem loans is a key risk management objective (any unpaid profit or principal for a period of 30 days or recurring past dues remain the most significant indicators to identify a problem triggering classification). QIB maintains specific impairment allowances in accordance with QCB guidelines for credit losses which reduce the carrying value of credit assets where there is evidence of deterioration in credit quality.

QIB reviews its financing portfolio to assess impairments on at least a quarterly basis and provides a report about the non-performing loans and provisions at the end of October of each year to the QCB, which may request additional provisioning from QIB. At the end of each financial year, QIB is required to provide the QCB with its final provisions in accordance with QCB guidelines.

Note 3(a) to the 2011 Financial Statements contains a table showing an impairment analysis in respect of QIB's financing portfolio as well as an ageing analysis in respect of financing amounts past due but not yet impaired.

Risk reserve

In addition to undertaking specific credit risk and impairment provisioning, QIB maintains a risk reserve in accordance with QCB requirements. The QCB requires such a reserve to be established at between 1.5 per cent. to 2.0 per cent. of a bank's outstanding financing portfolio. Facilities granted to or secured by the Government or secured by cash collateral are excluded from the financing portfolio for the purposes of assessing the required risk reserve amount. The use of the risk reserve is subject to the prior approval of the QCB.

In February 2012, the QCB raised the risk reserve to a minimum of 2.5 per cent. of each bank's outstanding financing portfolio. Banks have two years to achieve this requirement, needing to reach a minimum of risk reserve of 2.0 per cent. of their outstanding financing portfolio by the end of 2012, and 2.5 per cent. by the end of 2013.

As at each of 30 June 2012, 31 December 2011 and 31 December 2010, QIB's risk reserve amounted to QAR 429 million (U.S.$117.9 million).

Write-off policy

QIB writes off due amounts from financing activities (and any related allowances for impairment) when management determines that the due amounts from such financing activities are not collectable, that is, when there is no realistic prospect of recovery. This is determined after all possible efforts of collecting the amounts have been exhausted by the remedial subdivision of the Risk Group. The business units and their respective Credit Officers, Relationship Officers and Managers will assist in the collection process and the subsequent remedial action process of defaulting accounts.

The collection, remedial and settlement processes are accelerated if required by a Credit Officer from the Risk Group. QIB systematically writes off the outstanding amounts of the finance amount or profit if they are not collected within the maximum timeframe assigned following exhaustion of all available means. Similarly, upon a customer's bankruptcy, balances previously classified as impaired are also written off. As at 31 December 2011 and 2010, provisions written off amounted to QAR 0.07 million (U.S.$0.02 million) and QAR 0.4 million (U.S.$0.11 million), respectively. This increase is a result of QIB's adoption of a more conservative approach in relation to writing off financings that are considered uncollectable.

Collateral

QIB holds collateral against due amounts from financing activities in the form of real property mortgages, security pledges and pledges of other assets and guarantees. QIB accepts guarantees mainly from well reputed local or international banks, well established local or multinational large corporates and high net-worth private individuals. Collateral is generally not held against investments. As at 30 June 2012, collateral held by QIB amounted to approximately QAR 59 billion (U.S.$16.2 billion).

Liquidity Risk

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

QIB's approach to managing liquidity risk is to ensure that management has diversified funding sources and closely monitors liquidity (on a daily and monthly basis) to ensure adequate funding. QIB maintains a portfolio of short-term liquid assets, largely made up of short-term liquid trading investments and inter-bank placements. QIB also maintains statutory reserves with the QCB. All liquidity policies and procedures are subject to review and approval by ALCO.

Exposure to liquidity risk

The key measure used by QIB for measuring liquidity risk is the ratio of net liquid assets, that is, total assets by maturity against total liabilities by maturity.

Details of QIB's net liquid assets appear in note 3(b) to the 2011 Financial Statements. The net liquid assets shown measure the maturity profile of QIB's assets and liabilities by contractual repayment arrangements, which have been determined on the basis of the period remaining to the contractual maturity date measured at the statement of the financial position date. This basis of measurement does not take account of the effective maturities of certain types of deposit (in particular of QIB's on demand deposits where the deposit retention history indicates that the average maturity of a deposit is 1.85 years). The maturity profile of QIB's net liquid assets is monitored by management to ensure adequate liquidity is maintained.

Market Risk

QIB assumes exposure to market risk in the ordinary course of its business from its equity investments (such as shares) and its real estate and other investments arising due to general and specific market movements. QIB uses methodologies such as Value at Risk, Stress Testing and Scenario Analysis to measure and reduce its market risks and monitors the limits set for its market risk exposures on a regular basis.

The Board of Directors has set risk limits based on country limits and/or counterparties which are closely monitored by the Risk Group and reported weekly to senior management and discussed fortnightly by ALCO. Monitoring of such limits chiefly involves the risk that the daily market risk exposures exceed the risk tolerance levels established by QIB, by closely monitoring trigger levels and ensuring that breaches are promptly and appropriately reported and escalated and that corrective action is taken. New limits will be established only for any new approved business activity or for any new approved client or portfolio. Allocation of new limits will be analysed by the Risk Group in order to assess the contribution of additional risk or the advantages of the diversification to be brought by such changes. Any approval for changes and cancellations of existing limits will also be similarly monitored as outlined above. Reallocation of limits may occur to accommodate new or existing portfolios or business lines. The reallocation will be reviewed by the Risk Group to ensure that it is in line with the overall market risk and limit monitoring policy.

QIB also manages its market risk through diversification of investments in terms of geographical distribution and industry concentration. Management believes that the impact of market risk on QIB is minimal given the fact that its assets and liabilities are repriced within a period of one year. In addition, QIB complies with Basel II requirements and QCB regulations.

Equity price risk is the risk that the fair value of QIB's equity securities portfolio decreases as a result of changes in the levels of equity price indices and the value of individual stocks. Note 3(c) to the 2011 Financial Statements shows QIB's exposure to a 10 per cent. change in certain equity indices in each of 2011 and 2010 on the assumption that all other relevant factors remain unchanged.

Profit rate risk or rate of return risk

Profit rate risk refers to the risk that a change of profit rates might affect QIB's future income. Exposure to profit rate risk is managed by QIB through diversification of its assets portfolio and by matching the maturities of asset and liabilities.

In line with the policy approved by the Board of Directors, ALCO performs regular reviews of QIB's assets and liabilities in order to ensure that the maturity gap between assets and liabilities is maintained at a minimum level and also to ensure that financings and investments are made for quality assets at higher rates of return.

When calculating a rate of return, a gapping method is employed for allocating positions into time bands with remaining maturities or re-pricing dates, whichever is earlier. ALCO takes necessary steps to ensure that the management processes relating to the identification, measurement, monitoring, reporting and control of the rate of return risk (including appropriate structure) are in place. Since the rate of return risks emanate from various balance sheet positions, the Risk Group ensures that proper analysis is undertaken of the risk exposures arising from the consolidated balance sheet activities.

QIB manages rate of return risk by monitoring external and internal factors impacting on return spreads. In general, profit rates earned on assets reflect the benchmark of the previous period and do not correspond immediately to changes in increased benchmark rates.

Note 3(c) to the 2011 Financial Statements contains an analysis of QIB's profit rate sensitivity gap over various maturity periods during 2011 and 2010. In general, QIB's profit paying liabilities with a maturity of up to one year exceed its profit bearing assets having similar maturities while the reverse is true of longer-dated assets and liabilities.

Foreign Exchange Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. QIB's functional currency is the Qatari riyal. The Board of Directors has set limits on positions by currency. Positions are closely monitored and a *Shari'a*-compliant hedging strategy is used to ensure positions are maintained within established limits. Note 3(d) to the 2011 Financial Statements shows QIB's net foreign currency positions at 31 December 2011 and 31 December 2010. More than 90 per cent. of QIB's assets and liabilities, equity of unrestricted investment accountholders, non-controlling interest and shareholders' equity at 31 December 2011 were denominated in Qatari riyal or U.S. dollars (the riyal has been pegged to the dollar at a fixed exchange rate since 1980). QIB's principal other net currency exposures are in euro and pounds sterling and it uses *Shari'a*-compliant forward contracts to mitigate these and other currency risks.

Note 3(e) to the 2011 Financial Statements shows QIB's sensitivity to changes of 2 or 3 per cent. in certain currency exchange rates in terms of the effect on its income statement in each of 2011 and 2010.

Operational Risk Management

Operational risk is the risk of direct or indirect loss due to an event or action (including external events) causing a failure of technology, process or personnel. QIB seeks to minimise actual or potential losses from operational failures through a framework of policies and procedures that aim to identify, assess, control, manage and report those risks.

Other risks to which QIB is exposed are regulatory risk, legal risk and reputational risk. Regulatory risk is the risk of negative impact to business activities, earnings or capital as a result of failure to comply with or a failure to adapt to current and changing regulations, law, industry codes or rules, regulatory expectations, or ethical standards. Regulatory risk is controlled through a framework of compliance policies and procedures which includes a control and self assessment exercise. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through regular examinations of issues that are considered to have reputational repercussions for QIB, with guidelines and policies being issued as appropriate by the Board.

The Operational Risk subdivision of the Risk Group (the "**OR**") covers three key operational risk areas:

- **People Risk:** The risk of a loss intentionally or unintentionally caused by an employee, such as employee error or deliberate wrongdoing, or involving employees, such as in the area of employment disputes. This risk area covers internal organisational problems and losses and requires defining limits on decision making powers and responsibility levels;

- **Process Risk:** Risks related to the execution and maintenance of transactions, and the various aspects of running a business, including products and services. This requires establishing policy updates, procedure implementation, publishing regular management reports and automating processes as much as possible;

- **System Risk:** The risk of loss caused by piracy, theft, failure, breakdown or other disruption in technology, data or information or by technology that fails to meet business needs. This requires ensuring that systems maintenance, technology development methodologies, backup and recovery processes have been established, communicated and implemented; and

- **External Risk:** The risk of loss due to damage to physical property or assets from natural or non–natural causes. This category also includes the risk presented by actions of external parties, such as the fraud or, in the case of regulators, the execution of change that would alter the firm's ability to continue operating in certain markets. This requires establishing policy updates, procedure implementation, complying with regulatory requirements and ensuring that systems maintenance, technology development methodologies are up-to date.

The OR has the following responsibilities:

- establishing processes for the identification, assessment, mitigation, monitoring and reporting of operational risk that is appropriate to QIB's needs in accordance with its strategy and policy;

- reviewing any new or changed activity, such as new product, process or system changes and conversions for operational risk evaluation prior to going live;

- evaluating the adequacy of the countermeasures in terms of effectiveness in reducing the probability of a given operational risk to an acceptable level;

- establishing internal control procedures in coordination with the units to address operational risk;

- generating appropriate and adequate management reports to monitor assessment of exposures and all types of operational risks faced, assessing quality and appropriateness of risk mitigation actions, ensuring adequate controls and systems are in place to identify and address problems at an early stage;

- implementing appropriate communication and distribution mechanisms to ensure that the policies are communicated and understood throughout QIB; and
- providing guidance relating to various risk management tools, monitors, handle incidents, and preparing reports for management and the Board.

Capital Management/Adequacy

As at 30 June 2012, QIB's Tier 1 capital ratio and its total capital ratio were each 16.61 per cent.

QIB's capital adequacy ratio is calculated in accordance with the Basel II guidelines and QCB instructions. The following table shows the risk weighted values and capital charge for capital adequacy ratio purposes of QIB as at 30 June 2012 compared with the levels at 31 December 2011.

	Total Risk		**Risk weighted**	
	30 June 2012 (unaudited)	**31 December 2011**	**30 June 2012 (unaudited)**	**31 December 2011**
	(QAR thousand, except percentages)			
Credit risk	45,929	33,388	45,929	33,388
Market risk	578	351	7,224	4,382
Operational risk	294	266	3,672	3,328
Total capital charge/risk weighted assets	**46,801**	**34,004**	**56,825**	**41,098**
Tier 1 capital	9,390	7,636	16.52%	18.58%
Tier 1 + Tier 2 capital	9,438	7,636	16.61%	18.58%

The minimum ratio limit determined by the QCB is 10 per cent. and under Basel II is 8 per cent.

Basel II

QIB is currently compliant with Basel II having adopted the Standardised Approach for credit risk, the Basic Indicator Approach for operational risk and the Standardised Approach for market risk.

Compliance methodology with regard to Pillar II risks and the Internal Capital Adequacy Assessment Process under Basel II is under consideration, pending guidance from the QCB. Compliance with Internal Rating Basis Approaches for credit risk is being planned over the next two to three years. QIB is also considering a shift to the Internal Models approach for market risk and the Standardised Approach for operational risk, in a similar timeframe.

QIB is monitoring risk adjusted profitability transaction by transaction. This methodology is planned to be gradually increased to portfolio levels. In parallel to the regulatory approaches, QIB is evaluating the gradual adoption of an economic capital regime so as to reflect its portfolio risks more accurately. QIB is also evaluating its options for group-wide compliance of the Basel II approaches, with the aim of achieving uniformity in respect of regulatory and economic capital across its associates.

QIB is adopting an enterprise-wide risk management philosophy. The framework, project outlines and objectives have been set and aim to integrate the various types of risk that QIB will be exposed to in the future. A risk appetite statement reflecting QIB's profile by linking the business strategy with coherent forward-looking risks factors is under process.

Basel III

The QCB issued a circular on 15 February 2011 requiring all national banks to provide the QCB with a comprehensive report on the implementation of Basel III. QIB submitted its report to the QCB in May 2011. In terms of improving the quality of each bank's capital base, the QCB envisages a target capital adequacy ratio of 10 per cent., and a total capital adequacy ratio of 14.5 per cent. if a capital conservation buffer is put in place.

In the course of submitting its report to the QCB under the circular, QIB confirmed its ability to meet the enhanced capital requirements under Basel III. Further, the capital calculation requirements of Basel III do not materially affect the calculation of either Tier 1 or Tier 2 capital as derived by QIB under current Basel II guidelines and QCB instructions.

For compliance with liquidity ratios required under Basel III, the QCB issued circular AR71/2012 in August 2012 providing templates and guidance for the computation of the liquidity coverage, net stable funding, and leverage ratios. The circular requires banks to submit their calculations to the QCB for observation starting with their financial position as at the end of August 2012. QIB is currently preparing the relevant reports and continues to develop its liquidity management strategy and approach in line with the guidance received to date from the QCB.

Following its review of these various reports, the QCB will coordinate with individual banks in order to issue further instructions on the implementation of Basel III. QIB currently expects that Basel III implementation will commence in Qatar during 2013.

RELATED PARTY TRANSACTIONS

QIB enters into transactions in the ordinary course of its business with subsidiary companies, associates, shareholders, directors, officers of QIB and entities of which they are principal owners. These parties have been granted financing and have made deposits with QIB. In addition, QIB has contingent liabilities to its related parties. All transactions with related parties are undertaken substantially on terms that are comparable with those relating to QIB's transactions with its other customers. QIB's related party transactions as at and for the periods specified are set out below:

	30 June 2012 (unaudited)		31 December 2011	
	Directors	**Associates**	**Directors**	**Associates**
	(QAR thousand)			
Consolidated statement of financial position items				
On financial position items:				
Assets				
Due from financing activities	**122,199**	**2,689,782**	209,714	2,221,692
Other assets	**—**	**—**	—	165,194
Liabilities				
Call accounts	**191,805**	**212,512**	152,402	172,460
Off balance sheet items:				
Contingent liabilities, guarantees and other commitments	**82,777**	**764,891**	26,495	522,995

	For the six month period ended 30 June			
	2012 (unaudited)		2011 (unaudited)	
	Directors	**Associates**	**Directors**	**Associates**
	(QAR thousand)			
Consolidated statement of income items				
Income from financing activities	**2,685**	**—**	7,453	24,518
Profit paid on call accounts	**8,901**	**2,085**	9,062	509

	For the six month period ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Key management remuneration	**23,109**	15,106

SELECTED FINANCIAL INFORMATION

The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to:

- QIB's consolidated audited financial statements as at and for the year ended 31 December 2011 (the "**2011 Financial Statements**") including the comparative numbers for the year ended 31 December 2010 which were restated as described in note 39 to the 2011 Financial Statements; and

- QIB's unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2012 (the "**Interim Financial Statements**") including the comparative numbers for the six months ended 30 June 2011.

QIB's consolidated financial statements have been prepared in accordance with Financial Accounting Standards ("**FAS**") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("**AAOIFI**"), the *Shari'a* Rules and Principles as determined by QIB's *Shari'a* Supervisory Board, related regulations of the QCB and applicable provisions of the Qatar Commercial Companies Law No. 5 of 2002. For matters which are not covered by AAOIFI standards, QIB uses International Financial Reporting Standards ("**IFRS**"). Investors should not rely on interim results as being indicative of the results QIB may expect for the full year.

The following table sets forth selected financial information for QIB for the years ended 31 December 2011 and 31 December 2010 and for the six month periods ended 30 June 2012 and 30 June 2011. The financial information has been presented in Qatari riyal, QIB's functional and reporting currency, and, for convenience only, in U.S. dollars using the fixed exchange rate of USD 1.00 = QAR 3.64.

	30 June 2012 (Unaudited)	**30 June 2011 (Unaudited)**	**31 December 2011**	**31 December 2010 (Restated)**
Consolidated income statement data *(QAR millions)*				
Net operating income	1,540	1,302	2,682	2,280
General and administrative expenses	358	294	701	445
Depreciation of fixed assets	33	23	50	35
Net profit for the period/year attributable to shareholders	737	703	1,365	1,262
Consolidated statement of financial position data *(QAR millions)*				
Total assets	63,165	50,144	58,286	51,877
Due from and investments with banks and financial institutions	5,207	4,427	7,369	12,431
Due from financing activities	35,771	24,727	29,596	29,352
Financial investments	15,323	14,478	14,810	3,433
Customers' accounts	9,732	6,694	9,2869	8,731
Sukuk financing instruments.	2,718	2,715	2,717	2,713
Equity of unrestricted investment account holders	23,713	19,784	18,654	21,639
Due to banks and financial institutions	13,115	7,502	13,342	8,412
Total shareholders' equity	10,931	10,572	11,202	9,052
Consolidated income statement data *(USD millions)*				
Net operating income	423	358	737	626
General and administrative expenses	98	81	193	122
Depreciation of fixed assets	9	6	14	10
Net profit for the period/year attributable to shareholders	202	193	375	347

	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)	31 December 2011	31 December 2010 (Restated)
Consolidated statement of financial position data ***(USD millions)***				
Total assets	17,353	13,776	16,013	14,252
Due from and investments with banks and financial institutions	1,430	1,216	2,024	3,415
Due from financing activities	9,827	6,793	8,131	8,064
Financial investments	4,210	3,977	4,069	943
Customers' accounts	2,674	1,839	2,551	2,398
Sukuk financing instruments	747	746	746	745
Equity of unrestricted investment account holders	6,515	5,435	5,125	5,945
Due to banks and financial institutions	3,603	2,061	3,665	2,311
Total shareholders' equity	3,003	2,904	3,078	2,487
Profitability ratios				
Return on average assets (%)[1]	1.21	1.38	2.48	2.77
Return on average total shareholders' equity (%)[2]	6.66	7.16	13.48	13.98
Basic and diluted earnings per share (QAR)	3.12	3.08	5.87	5.87
Capital ratios				
Total shareholders' equity/total assets (%)	17.31	21.08	19.22	17.45
Capital adequacy ratio (%)[3]	16.61	22.67	18.58	17.37
Liquidity and business indicators				
Due from and investments with banks and financial institutions/due to banks and financial institutions (%)	39.70	59.01	55.23	147.78
Liquid assets[4]/total assets (%)	30.08	33.85	34.57	51.65
Financing[5]/total deposits[6] (%)	76.83	72.77	71.69	75.68
Financing[5]/customers' accounts and equity of unrestricted investment account holders (%)	106.95	93.39	105.93	96.65
Customers' accounts and equity of unrestricted investment account holders/total deposits[6] (%)	71.83	77.92	67.68	78.31
Non-performing financing assets (NPA)[7]/gross financing[7] (%)	0.92	1.45	1.10	1.29
Provision for financing assets[8]/NPA (%)	88.80	94.96	97.84	83.07

1 The return on average assets (%) figures determined for the six month periods ended 30 June 2012 and 30 June 2011 are not annualised figures. The return on average assets (%) figures are determined by dividing net profit for the period/year attributable to shareholders by average assets for the period/year. For the years ended 31 December 2011 and 31 December 2010, average assets is determined by adding the total assets at the beginning and at the end of the year and dividing by two and amounted to QAR 55,082 million (U.S.$15,132 million) in 2011 and QAR 45,575 million (U.S.$12,521 million) in 2010. For the six month periods ended 30 June 2012 and 30 June 2011, average assets are determined by adding total assets at the beginning and at the end of the period and dividing by two and amounted to QAR 60,725 million (U.S.$16,683 million) in the 2012 period and QAR 51,011 million (U.S.$14,014 million) in the 2011 period.

2 The return on average total shareholders' equity (%) figures determined for the six month periods ended 30 June 2012 and 30 June 2011 are not annualised figures. The return on average total shareholders' equity (%) figures are determined by dividing net profit for the period/year attributable to shareholders by average total shareholders' equity for the period/year. For the years ended 31 December 2011 and 31 December 2010, average total shareholders' equity is determined by adding the total shareholders' equity at the beginning and at the end of the year and dividing by two and amounted to QAR 10,127 million (U.S.$2,782 million) in 2011 and QAR 9,028 million (U.S.$2,480 million) in 2010. For the six month periods ended 30 June 2012 and 30 June 2011, average total shareholders' equity is determined by adding total shareholders' equity at the beginning and at the end of the period and dividing by two and amounted to QAR 11,067 million (U.S.$3,040 million) in the 2012 period and QAR 9,812 million (U.S.$2,696 million) in the 2011 period.

3 The capital adequacy ratio of QIB is calculated in accordance with the Basel II guidelines and QCB instructions.

4 Liquid assets comprise of cash and balance with the QCB (excluding cash reserve with the QCB), Due from and investments with banks and financial institutions (less than one year), Due from financing activities (less than one year) and Financial investments (less than one year).

5 Financing comprises Due from financing activities.

6 Total deposits comprise of Customers' accounts, Equity of unrestricted investment account holders and Due to banks and financial institutions.

7 Non-performing financing assets comprise non-performing Due from financing activities and gross financing represents Total due from financing activities.

8 Provision for financing assets represent specific provision against non-performing Due from financing activities.

9 Customers' accounts for the year ended 31 December 2011 was reclassified in the Interim Financial Statements from QAR 9,003 million to QAR 9,286 million by moving QAR 283 million from Other Liabilities to Customers' accounts.

OVERVIEW OF QATAR

Qatar

Unless indicated otherwise, information in this section has been derived from Government publications.

Country Profile

Qatar is an independent state in the Southern Arabian Gulf. Qatar shares a land border and maritime boundaries with Saudi Arabia and maritime boundaries with Bahrain, the UAE and Iran. Qatar covers an area of approximately 11,493 square kilometres. Doha is the capital city of Qatar, the seat of government and Qatar's cultural, commercial and financial centre. It includes the country's main seaport and international airport and has an advanced road system linking it with the international road network. According to the most recent Government census, Qatar's population was 1,699,435 in April 2010 indicating a 128.4 per cent. growth in population since the census prior to that was carried out in 2004. The Qatar Statistics Authority more recently estimated Qatar's population at 1,713,266 at the end of July 2012. A large portion of Qatar's population is comprised of non-Qatari nationals.

In terms of foreign relations and membership of international organisations, Qatar, together with Bahrain, Kuwait, Oman, Saudi Arabia and the UAE form the GCC. Furthermore, Qatar is a member of the Organisation of the Petroleum Exporting Countries ("**OPEC**"), the Gas Exporting Countries Forum (which was established in 2008 and has its headquarters in Doha) and the United Nations. It is also a member of numerous international and multilateral organisations, including the International Monetary Fund, the International Bank for Reconstruction and Development, the World Trade Organisation, the League of Arab States, The Organisation of the Islamic Conference, the Multinational Investment Guarantee Organisation and UNESCO.

Legal System

Over the last decade, Qatar's legal system has been significantly reformed by the enactment of various pieces of legislation intended to bring Qatari laws in line with international laws, standards and practices. Qatar's civil law sets forth civil law principles, including with respect to conflict of laws, contracts, rights and obligations, security, ownership and torts. Qatar's commercial law addresses commercial affairs and entities, competition, commercial obligations and contracts, and commercial paper. The commercial law also provides comprehensive provisions addressing bankruptcy matters, permitting creditors to file claims against any corporate entity, except for certain professional companies and other companies that are at least majority owned by the Government. Finally, the Commercial Companies Law addresses matters with respect to the ownership of shares, limited liability, capital contributions, payment of dividends, shareholder rights and obligations and general principles of corporate governance. The Commercial Companies Law also introduces the concept of a single member limited liability company, and is not dissimilar to the companies laws of more mature legal systems.

The Government has passed other significant legislation in recent years, including the Foreign Investment Law, the Central Bank Law, the Money Laundering Law, the Doha Securities Market Law (now the Qatar Exchange Law) and the Qatar Financial Centre Law (the "**QFC Law**"), as well as competition, intellectual property, labour, property and environmental laws.

Following the establishment of the QFC in 2005, the QFC Law established a legal and regulatory regime to govern the QFC that is generally parallel to and separate from Qatari laws and the Qatari legal system, except for Qatari criminal law. The QFC has established its own rules and regulations applicable to, among others, financial services companies, and which cover such topics as employment, companies, anti-money laundering, contracts and insolvency. In accordance with the rules and regulations of the QFC, the Qatar Financial Centre Regulatory Authority (the "**QFCRA**") regulates, authorises and supervises banking, financial and insurance related businesses carried on, in or from the QFC in accordance with legislative principles of an international standard, modelled closely on those used in London and other major financial centres. In addition, the Qatar International Court and Dispute Resolution Centre comprises the QFC Civil and Commercial Court, the Regulatory Tribunal and a Dispute Resolution Centre. The QFC Civil and Commercial Court deals with matters arising under the QFC Law, the QFC Regulatory Tribunal hears appeals against the decisions of the QFC Authority and other QFC institutions and the Dispute Resolution Centre offers international arbitration and mediation services.

Economic Overview

Qatar is one of the most prosperous countries in the world, with a nominal GDP per capita of QAR 364,536 (U.S.$100,147) in 2011 based on Qatar's 2011 mid-year population figure of 1,732,638. Over the last several years, Qatar has been one of the fastest growing economies in the world. As of January 2011, Qatar's proven reserves of hydrocarbons amount to approximately 181.3 billion barrels of oil equivalent. These hydrocarbons consist of proven reserves of approximately 883.2 trillion cubic feet of natural gas, 2.3 billion barrels of crude oil and 22.1 billion barrels of condensate. Virtually all of Qatar's proven reserves of natural gas and condensate are located in the North Field, which is estimated by the U.S. Energy Information Administration to be the largest non-associated gas field in the world, representing approximately 15 per cent. of the world's natural gas reserves in 2009. Qatar has over 100 years of proven gas reserves at projected long-term production levels.

Qatar's carefully planned exploitation of its hydrocarbon reserves resulted in a nominal GDP CAGR of 27.5 per cent. from 2004 to 2011. Qatar's economy achieved a new record in 2011 with a total nominal GDP of QAR 631,609 million (U.S.$173,519 million) representing a growth of 36.3 per cent. in 2011 compared to 2010. The increase of Qatar's total nominal GDP in 2011 has been attributed to the expansion in the production levels of gas-related products, LNG and condensates, coupled with high hydrocarbon prices. The oil and gas sector contributed 51.7 per cent. and 57.7 per cent. of Qatar's total nominal GDP in 2010 and 2011, respectively. As Qatar reaches the end of its successful 20 year LNG development plan, LNG production is expected to plateau at a high, but steady, level over the next few years. Future growth in gas production is expected to come from the Barzan Project, which is a gas project under development to provide domestic pipeline gas. Qatar has focused on diversifying its economy in recent years in an effort to reduce its historical dependence on oil and gas revenues. The construction and real estate sectors have recently made substantial contributions to Qatar's economic growth and significant investments have been made to increase economic returns from, in particular, petrochemicals, financial services, infrastructure development and tourism. As a result, nominal GDP for the non-oil and gas sector grew at a CAGR of 25.7 per cent. between 2004 and 2011, reflecting a slightly lower annual growth rate than the oil and gas sector for the same period. Nominal GDP for the non-oil and gas sector reached QAR 267,150 million (U.S.$73,393 million), or 42.3 per cent. of Qatar's total nominal GDP, in 2011.

In recent years, Qatar has focused on developing and exploiting its natural gas resources beyond the LNG industry by implementing a downstream strategy driven by opportunities to generate additional revenue from its existing oil and gas production. Qatar Petroleum ("**QP**") has developed pipeline gas projects both for regional export markets and for domestic petrochemicals and industrial consumption. In addition, QP is the majority shareholder in a number of industrial companies located primarily at Ras Laffan City and Mesaieed Industrial City, which use natural gas as feedstock and/or fuel to produce various value added products, such as petrochemicals, fertiliser, steel, iron and metal coating, both for domestic consumption and for export. Qatar has also invested in exploiting various gas-to-liquid ("**GTL**") technologies and has two joint venture projects currently in operation to generate GTL products like distillates.

Throughout a period characterised by rapid growth and development, Qatar has demonstrated fiscal responsibility by managing its budget and public finances prudently. Qatar has historically had low levels of indebtedness but there was an increase in indebtedness starting in 2009 and continuing through 2012 mainly due to the support given by Qatar to the commercial banking sector during the global financial crisis in 2009 and the issuance of bonds and treasury bills by the QCB in 2010, 2011 and 2012 to absorb excess liquidity among domestic commercial banks and to develop a yield curve for riyal-denominated domestic bonds. Qatar's total direct external indebtedness was QAR 87,873 million (U.S.$24,141 million) as of 31 March 2012. Most of Qatar's significant energy projects are funded on a stand-alone, limited recourse basis.

The significant revenues generated by the oil and gas sector (which contributed 85.14 per cent. and 81.16 per cent. of Qatar's annual revenues in the fiscal years ended 31 March 2011 and 31 March 2012, respectively) have provided sustained liquidity while ensuring sizeable surpluses in the fiscal and external accounts. Qatar has had budget surpluses since the fiscal year ended 31 March 2001, with an estimated budgeted surplus of QAR 44,514 million (U.S.$12,229 million) or 21.8 per cent. of total Government revenues for the fiscal year ended 31 March 2012. In addition, Qatar's trade activity is strong, with total goods exported (including re-exports) in 2010 valued at QAR 262,277 million (U.S.$72,054 million) and total imports in 2010 valued at QAR 76,210 million (U.S.$20,937 million), together constituting 73.0 per cent. of total nominal GDP. Between 2007 and 2010, the value of Qatar's exports increased by 65.7 per cent., while the value of imports decreased by 0.8 per cent. The external sector has been characterised by a large current account surplus each year since 2000 and robust growth in imports has been counterbalanced by a significant rise in hydrocarbon exports.

In recent years, Qatar has used its budget surpluses to diversify the economy through increased spending on infrastructure, social programmes, healthcare and education, which have modernised Qatar's economy. Qatar's economic growth has also enabled it to diversify its economy through domestic and international investment into different classes of assets. This diversification will be important to Qatar's future Government revenues as the growth rate of the State's revenue from the oil and gas sector is expected to stabilise given the completion of several of the State's long-term hydrocarbon investment programmes. In 2005, the QIA was established to propose and implement investments for Qatar's growing financial reserves, both domestically and abroad. Through the QIA, Qatar has invested in private equity, the banking sector, real estate, publicly traded securities and alternative assets. With its growing portfolio of international and domestic long-term strategic investments, the QIA has continued to develop Qatar's economic diversification strategy while contributing to the nation's significant economic expansion.

The QIA has provided financial support to Qatar's financial sector as a response to the global economic downturn and as a preventative measure to preserve the general stability in Qatar's banking sector. In early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector through a plan to purchase equity ownership interests of up to 20 per cent. in the domestic banks listed on the QE. In line with the plan, from 2009 through to 2011, the QIA acquired equity positions ranging from 5 per cent. to 20 per cent. in various domestic banks, including QIB, Commercial Bank of Qatar, Qatar International Islamic Bank, Ahli Bank and Doha Bank. The total equity injections in the domestic banks currently amounts to QAR 11.2 billion (U.S.$3.1 billion). The Government is expected to give these banks an option to buy back their shares over the next five years.

In addition to the equity purchases, the QIA also assisted the banking sector by purchasing certain portions of their investment and real estate portfolios. On 22 March 2009, the QIA purchased the investment portfolios of seven of the nine domestic banks listed on the QE at a total purchase price of approximately QAR 6,500 million (U.S.$1,786 million) paid through a combination of cash and domestic Government bonds. This purchase price was equal to the value of such investment portfolios as registered in the records of each bank as of 28 February 2009. In an effort to further boost liquidity and encourage lending, in early June 2009, the QIA made a second round of investments and bought the real estate portfolios and investments of nine domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QAR 15,000 million (U.S.$4,121 million). The total support to the banking sector, which includes purchases of real estate and investment portfolio in domestic banks as well as the equity injections, has been QAR 32,700 million (U.S.$8,984 million).

Annual Indicators

The following table sets forth certain economic data for Qatar for the years indicated (*Source: Qatar Central Bank*).

	2006	2007	2008	2009	2010	2011[1]
GDP (QAR million)	206,644	259,411	419,583	355,986	463,489	630,883
Growth Rate (%)	33.7	25.5	44.6	-15.2	30.2	36.1
Oil Sector Share (%)	57.3	56.5	54.9	44.8	51.7	57.8
Growth Rate (%)	28.6	23.7	53.5	-30.8	50.3	52.0
Non-Oil Sector Share (%)	42.7	43.5	45.1	55.2	48.3	42.2
Growth Rate (%)	41.1	28.0	35.1	3.8	13.9	19.1
GDP Per Capita (QAR Thousand)	198.4	211.6	289.1	217.2	270.3	364.1
CPI-Inflation (%)[2]	11.84	13.76	15.10	-4.86	-2.46	1.93

1 Preliminary estimates set out in QCB's Quarterly Statistical Bulletin, June 2012.

2 On yearly basis.

BANKING INDUSTRY AND REGULATION IN QATAR

Unless otherwise indicated, information in this section has been derived from publications of the Government, the QCB and the QFC's annual report and website.

Qatar Central Bank

The QCB was established in 1993 and operates in coordination with the Ministry of Economy and Finance. The QCB is managed by a board of directors and chaired by its Governor. The board of directors includes the Deputy Governor of the QCB and at least three other members, including representatives from the Ministry of Economy and Finance, the Ministry of Business and Trade and the Economic Adviser, from the Emiri Diwan.

In its supervisory capacity, the QCB oversees the activities of Qatar's commercial banks and non-bank financial institutions (with the exception of insurance companies) with a view to minimising banking and financial risk in Qatar's financial sector. The QCB conducts regular inspections of commercial banks and reviews reports and other mandatory data submitted by commercial banks, including monthly capital adequacy compliance reports.

The QCB has initiated single factor stress testing of the portfolios of commercial banks in Qatar. The testing covers the four broad areas of liquidity risk, credit risk, interest rate risk and equity market risk. The results of these stress tests illustrate the possible impact of adverse financial conditions on a commercial bank's capital adequacy ratio or return on assets. Recent stress testing of commercial banks, conducted on an aggregate basis by the QCB, suggested that neither the capital adequacy ratio nor the returns on assets of Qatar's domestic banks would be significantly impaired. The QCB has implemented regulations regarding non-performing loans, large exposures, country risk, money market and foreign exchange accounts, credit ratios, fixed assets for banks' use, reserve requirements and banks' investments. The QCB has the authority to impose penalties in the event that banks fail to comply with these regulations. It requires commercial banks to maintain a minimum reserve requirement of 4.75 per cent. and a capital adequacy requirement of 10 per cent. in line with the Basel II guidelines. The QCB has also established the Qatar Credit Bureau which provides analytical data and supports banks in their implementation of advanced risk management techniques outlined by Basel II. The QCB plans to implement Basel III standards earlier than the required timeline for completion of different aspects of the Basel III framework which fall between 2013 and 2019. Commercial banks are required to have their annual accounts audited by the QCB's approved independent auditors and to obtain prior approval from the QCB to appoint senior management.

The IMF's staff report for the 2010 Article IV consultation was completed on 20 January 2011. The report noted that almost all banks in Qatar are above the minimum threshold for the common equity requirement of 4.5 per cent. and have Tier 1 capital in excess of the 6 per cent. prescribed under Basel III. The IMF Report further noted that the QCB is conducting regular stress tests on banks and that it had published its first Financial Stability Report as of November 2010. The IMF Report acknowledged Qatar's commitment to establish a single regulator for the financial system under the umbrella of the QCB as an appropriate response to addressing regulatory and supervisory gaps and strengthening financial sector reforms.

The IMF's staff report for the 2011 Article IV consultation, which was completed on 12 January 2012, noted that the Qatari banking system continued to remain resistant to any economic shocks. The IMF Report further noted that results of stress tests done on banks indicated that the Qatari banking system has the ability to withstand credit and market risks, and that the exposure of local Qatari banks to European banks was limited, with local banks' exposures (loans and investments) to the European banking sector being approximately U.S.$3.3 billion as at the end of June 2011.

The QCB also issues domestic currency and conducts bank clearing operations and settlements. The investment department of the QCB manages the investments of the QCB's financial reserves. These investments are primarily in the form of securities issued or guaranteed by other sovereigns with maturities of up to 10 years and are maintained at a level at least equal to 100 per cent. of the riyals issued by the QCB at any time.

The QCB, in order to ensure better regulation and risk management in the domestic Islamic and conventional banking sector, issued instructions in 2011 to conventional banks to wind up their Islamic banking operations by the end of 2011. The QCB also imposes certain exposure limits and credit controls on commercial banks. Credit facilities in excess of 20 per cent. of any bank's capital and reserves cannot be extended to a single customer's borrower group and credit and investment facilities in excess of 25 per cent. of any commercial bank's capital and reserves cannot be extended to a single customer's borrower group. Credit facilities extended to a single major shareholder's borrower group in any bank cannot exceed 10 per cent. of that bank's capital and reserves.

The QCB sets a maximum limit on loans and Islamic finance against transfer of salaries of QAR 2 million for Qatari citizens and QAR 400,000 for non-Qatari residents, with an overall cap on non-Qatari residents of QAR 1 million. The QCB provides that the maximum terms on loans and Islamic finance are six years for Qatari citizens and four years for non-Qatari residents. Maximum rates of interest are set at the QCB lending rate (the "**QCB Rate**") on top of which 1.5 per cent. is added for Qatari citizens and non-Qatari residents. The QCB also sets caps in relation to the amount of total monthly obligations that an individual can have against salary which is set at 75 per cent. of the sum of basic salary and social allowance for Qatari citizens and 50 per cent. of total salary for non-Qatari residents.

The QCB regulations dictate that the maximum credit card withdrawal limit of an individual in Qatar is double his or her net total salary for both Qatari citizens and the non-Qatari residents. The QCB provides that maximum rates of interest for credit cards are set at 1 per cent. monthly for Qatari citizens and non-Qatari residents. The QCB also provides that the maximum rate of interest arising from credit cards is set at 0.25 per cent. monthly for Qatari citizens and for non-Qatari residents.

The QCB has specific regulations applicable to real estate financing. In cases where an individual's salary is the main source of repayment, the QCB provides that the maximum limit of total real estate finance available is 70 per cent. of the value of mortgaged properties. In addition, the maximum period permitted for repayment of the real estate finance is 20 years, including any grace period. The QCB regulations dictate that the maximum salary deductions, including instalments and other liabilities is capped at 75 per cent. of the basic salary and social allowance for Qatari citizens, and capped at 50 per cent. of total salary for non-Qatari residents, provided that the salary and post retirement service dues are transferred to the bank offering the finance.

The QCB regulations also require that where real estate finance is granted to an individual whose salary is not the main source of repayment, the maximum limit of total finance available to that individual is 60 per cent. of the value of the mortgaged properties and that the maximum repayment period of that real estate finance is 15 years, including any grace period. QCB regulations also provide that these maximum limits may be increased to 70 per cent. if cash is regularly transferred to the bank through a formal assignment of claims to cover the full instalment during the repayment period, including rents and other contractual incomes and revenues. The QCB has determined that real estate finance risk should not exceed 150 per cent. of the bank's capital and reserves at any time.

The main exposure restrictions imposed by QCB are set out below:

Capital

Capital adequacy

- Basel II minimum ratio is 10 per cent.
- For credit and market risk the standardised approach is to be followed.
- For operational risk, the basic indicator approach is to be followed.
- Banks are subject to a capital adequacy ratio ("**CAR**") imposed by, and calculated in accordance with regulations of the QCB.

Credit and concentration

- Maximum limit for a single customer may not exceed 20 per cent. of a bank's capital and reserves. Maximum limit for any shareholder who owns five per cent. or more of the bank's share capital either directly or through his minor children, spouse or through the companies in which they own 50 per cent. or more of the shares may not exceed 10 per cent. of a bank's capital and reserves. Maximum limit of total of investment and credit concentration to a single customer is 25 per cent. of a bank's capital and reserves.
- Total real estate financing may not exceed 150 per cent. of a bank's Tier 1 Capital.

Foreign investment

Foreign investment in Qatari banks is not permitted, save with a specific permission from the Council of Ministers. This restriction does not apply to Qatari banks listed on the QE, although foreign investors are restricted to holding, in aggregate, not more than 25 per cent. of the shares of any company so listed. This limit may be increased for individual companies in certain circumstances.

Required Reserve

On 15 April 2008 the QCB specified that a reserve requirement of 4.75 per cent. of a bank's total deposits are to be kept with the QCB. The percentage is calculated on the basis of the average daily total deposits balances during the period from the 16th of each month to the 12th of the following month.

Risk Reserve

The QCB requires local banks to charge a risk reserve of a minimum of 1.5 per cent. on total credit facilities. The risk reserve is not charged as an income statement expense but as an appropriation account and included under shareholders' equity as a separate line item.

The following table sets out the QCB's balance sheet data as at 31 December 2008 to 31 December 2011 and as at 30 June 2012.

	As at 31 December				As at 30 June
	2008	2009	2010	2011	2012
	(in millions of QAR)				
Assets:					
Foreign assets:					
Gold	1,267.0	1,587.1	2,062.0	2,279.0	2,321.6
Foreign government securities	24,019.3	54,568.6	87,155.0	27,168.7	41,297.6
Balances with foreign banks	10,267.3	10,474.2	22,451.1	29,765.5	48,612.9
IMF reserve position	85.9	87.4	85.9	85.6	84.6
SDR holdings	168.6	1,534.5	1,508.3	1,505.8	1,488.8
Total foreign assets	35,808.1	68,251.8	113,262.3	60,804.6	93,805.5
Claims on commercial banks	8,215.4	2,528.0	3,239.6	5,050.3	3,837.5
Unclassified assets	435.0	499.7	535.8	616.3	667.3
Total assets	**44,458.5**	**71,279.5**	**117,037.7**	**66,471.2**	**98,310.3**
Liabilities:					
Reserve money:					
Currency issued	6,912.8	7,191.4	7,974.3	9,092.3	10,120.6
Required reserves	10,033.5	11,791.9	14,611.0	16,433.0	18,250.4
Deposits of local banks	6,677.1	26,920.0	69,223.3	5,660.4	11,486.6
Total reserve money[(1)]	23,623.4	45,903.3	91,808.6	31,185.7	39,857.6
Foreign liabilities	18.4	1,451.9	1,441.2	1,455.1	1,416.8
Government deposits	1,015.2	468.1	668.4	13,914.0	22,041.0
Capital accounts	9,982.5	11,063.8	12,092.8	12,167.1	12,167.1
Reserve revaluation	1,843.8	2,593.4	3,220.9	3,296.1	3,394.9
Unclassified liabilities	7,975.2	9,799.0	7,805.7	4,453.2	19,432.9
Total liabilities	**44,458.5**	**71,279.5**	**117,037.7**	**66,471.2**	**98,310.3**

Note:

(1) Excess reserves maintained by banks along with QMR deposits place with QCB.

Source: Qatar Central Bank

Interest Rates

Prior to 2000, the QCB imposed certain ceilings on the credit and deposit interest rates offered by commercial banks. The QCB removed these restrictions in order to further liberalise the financial sector. Since 2000, Qatar's banking system has been free from any form of interest rate ceilings, other than in respect to credit cards.

The QCB utilises three different interest rates: a lending rate, a deposit rate and a repo rate. The lending rate applies to the lending facility through which commercial banks can obtain liquidity from the QCB. The deposit rate applies to the deposit facility through which commercial banks can place deposits with the QCB. Both of these facilities may be rolled over to the next day, when transactions are executed electronically. The repo rate is a pre-determined interest rate set by the QCB for repo transactions entered into between the QCB and commercial banks. Also, an overnight liquidity facility rate of 3 per cent. applies to overnight lending by the QCB to commercial banks.

Prior to July 2007, the QCB tracked the interest rates of the U.S. Federal Reserve. However, and especially since the global financial crisis, the QCB has not deemed it necessary to change interest rates in tandem with the U.S. Federal Reserve on all occasions in view of domestic macroeconomic conditions, in particular trends in inflation. Although the QCB's money market rates are largely influenced by the movements in the interest rates of the U.S. Federal Reserve due to the peg on the exchange rate, the QCB acted independently in 2010 and 2011 by changing its policy rate even as the U.S. Federal Reserve continued to keep interest rates unchanged at near-zero levels. The QCB deposit rate which had been kept at 2 per cent. from May 2008 till July 2010 was thereafter reduced by 125 basis points in total in three phases to its current level of 0.75 per cent. by August 2011. Since April 2011, the QCB lending rate has been reduced in two phases by 100 basis points in total to 4.5 per cent. and the QCB repo rate has been reduced in two phases by 105 basis points in total to 4.5 per cent.. The surplus liquidity conditions in 2010 and 2011 were reflected in the general softening of inter-bank interest rates across the maturity spectrum.

On 6 May 2012, the QCB and Bloomberg launched the first ever Qatar Interbank Offer Rate ("**QIBOR**") fixings, in a move aimed at encouraging a more active interbank market in Qatar.

QIBOR, which uses the contributed offer rates quoted by 9 panel banks, is calculated by Bloomberg and published on the QCB website and Bloomberg Professional service. QIBOR fixings for 8 different tenures ranging from overnight to one year is publicly available each business day making market activity transparent to other banks around the world.

Liquidity

The QCB, on behalf of the Government, issues bonds to absorb domestic liquidity and develop a yield curve for riyal-denominated domestic bonds. The QCB has issued a number of domestic bonds since 1999, including six issues in 2009 and three issues in 2010 (including one *sukuk* issue). In 2011, the QCB also issued bonds amounting to QAR 50 billion (U.S.$13.7 billion) to Qatari domestic banks, of which roughly two thirds went to Islamic banks and the rest to conventional banks. The funds so generated were transferred by the QCB to the State of Qatar's account and the State of Qatar used these funds for various governmental uses and for investment. The QCB also prescribes reserve requirements for commercial banks to be maintained with the QCB in order to control domestic liquidity.

Banking System

Commercial Banks

Commercial banks in Qatar consist of six locally owned conventional commercial banks (including Qatar National Bank, which is 50 per cent. Government owned), four Islamic institutions that operate according to Islamic *Shari'a* principles (including the prohibition on the charging of interest on loans) and seven foreign banks with established branches in Qatar.

Commercial banks are the primary financial institutions in Qatar, providing deposit taking, credit and investment services, as well as foreign exchange and clearance services. The deposits made in Qatar's commercial banks are not insured as there is no deposit insurance scheme in Qatar.

The QCB requires commercial banks to maintain a capital adequacy ratio of 10 per cent. in accordance with the Basel II guidelines. Historically, commercial banks have complied with this ratio. In 2011, the average banking sector capital adequacy ratio ("**CAR**") was 20.6 per cent., an increase of 4.5 per cent. points from 2010. The CAR for 2010 was 16.1 per cent., the same ratio as in 2009, and in 2008 there was a CAR of 15.5 per cent. In 2011, the average banking sector regulatory tier 1 capital-to-asset ratio for all banks was 12.6 per cent. compared to 11.1 per cent. in 2010 and 11.5 per cent. in 2009. Currently, Qatar's commercial banks are compliant with Basel II pillar one, and are working to become compliant with the remaining risk components of pillars two and three.

The QIA has provided financial support to Qatar's financial sector as a response to the global economic downturn and as a preventative measure to preserve the general stability in Qatar's banking sector. In early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector through a plan to purchase equity ownership interests of up to 20 per cent. in the domestic banks listed on the QE. In line with the plan, from 2009 through to 2011, the QIA acquired equity positions ranging from 5 per cent. to 20 per cent. in various domestic banks, including QIB, the Commercial Bank of Qatar, the Qatar International Islamic Bank, the Ahli Bank and the Doha Bank. The total equity injections in the domestic banks currently amount to QAR 11.2 billion (U.S.$3.1 billion). The Government is expected to give these banks an option to buy back their shares over the next five years.

In addition to the equity purchases, the QIA also assisted the banking sector by purchasing certain portions of their investment and real estate portfolios. On 22 March 2009, the QIA purchased the investment portfolios of seven of the nine domestic banks listed on the QE at a total purchase price of approximately QAR 6,500 million (U.S.$1,786 million) paid through a combination of cash and domestic Government bonds. This purchase price was equal to the value of such investment portfolios as registered in the records of each bank as of 28 February 2009. In an effort to further boost liquidity and encourage lending, in early June 2009, the QIA made a second round of investments and bought the real estate portfolios and investments of nine domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QAR 15,000 million (U.S.$4,121 million). The total support to the banking sector, which includes purchases of real estate and investment portfolio in domestic banks as well as the equity injections has been QAR 32,700 million (U.S.$8,984 million).

The amount of credit extended by commercial banks to the private sector grew by a compound annual growth rate of 100.7 per cent. between 2007 and 2011, increasing by 16.1 per cent. in 2011 to QAR 221,645 million (U.S.$60,891 million) from QAR 190,862 million (U.S.$52,435 million) in 2010. In 2011, credit extended to the real estate sector amounted to 34.3 per cent. of total private sector credit extended by commercial banks, while credit extended to the services sector and consumer credit amounted to 13.4 per cent. and 30.7 per cent. of total private sector credit, respectively. In 2011, the amount of credit extended to the real estate sector showed the sharpest increase, with an annual growth rate of approximately 49.3 per cent.. The amount of credit to contractors declined by 11.9 per cent. in 2011 compared to 2010.

The level of "non performing" commercial bank loans in Qatar has been low over the past five years. The level of non-performing loans was 1.2 per cent. in 2008, 1.7 per cent. in 2009, 2.0 per cent. in 2010 and 1.7 per cent. in 2011. Under QCB regulations, non performing loans are determined by reference to a range of indicators, and include loans that meet one of the following conditions for at least three months: (i) the borrower is not able to meet its loan repayments and the loan is past due; (ii) other credit facilities of that borrower are past due; (iii) the existing credit limits granted to that borrower for its other credit facilities are not renewed; or (iv) a borrower exceeds its agreed credit limit by 10 per cent. or more without prior authorisation. Commercial banks in Qatar categorise non performing loans into three groups: sub standard, doubtful and bad. Sub standard loans are those that have not performed for three or more months, doubtful loans are those that have not performed for six or more months, and bad loans are those that have not performed for nine or more months. The QCB also obliges national banks to form a "risk reserve" from their net profits, which should not be less than 1.5 per cent. of the total direct credit facilities granted by the bank and its branches and subsidiaries inside and outside Qatar. This figure is calculated according to each bank's consolidated balance sheet, after deduction of the specific provisions, suspended interests and deferred profits for Islamic banks, with the exception of credit facilities extended to the Ministry of Economy and Finance, credit facilities guaranteed by the Ministry of Economy and Finance and credit facilities secured by cash collateral (with a lien on cash deposits). The QCB issued a circular number 102/2011 in December

2011 which instructed that the risk reserve level that national banks must adhere to will be increased from 1.5 per cent. to 2 per cent. of the total direct credit facilities granted by the banks by the end of 2012, and to 2.5 per cent. by the end of 2013.

The following table sets out the consolidated balance sheet of the Qatari commercial banking sector as at 31 December 2008 to 2011 and as 30 June 2012.

	As at 31 December				As at 30 June
	2008	**2009**	**2010**	**2011**	**2012**
	(in millions of QAR)				
Assets:					
Reserves:					
Cash	1,544.6	1,538.4	1,879.4	2,079.1	2,217.9
Balances with the QCB	16,561.7	38,361.3	83,578.5	21,802.1	29,756.6
Foreign assets:					
Cash	181.2	262.5	403.4	1,212.0	1,197.6
Claims on foreign banks	50,268.5	43,712.7	41,781.8	59,836.3	50,667.2
Foreign credit	21,845.6	18,561.6	20,560.5	26,867.3	28,474.7
Foreign investments	26,873.2	25,957.9	28,379.1	31,523.8	30,196.3
Domestic Assets:					
Due from Banks in Qatar	32,777.0	35,323.4	27,999.1	38,656.4	30,043.4
Domestic Credit	220,807.3	251,915.9	293,920.0	376,695.2	431,136.8
Domestic Investments	22,110.0	41,844.4	56,174.7	121,567.2	121,017.1
Fixed Assets	3,012.7	3,372.3	4,082.3	4,196.6	4,514.1
Other Assets	5,933.2	7,048.7	8,723.4	9,864.5	9,513.4
Total assets	**401,915.0**	**467,899.1**	**567,482.2**	**694,300.5**	**738,735.1**
Liabilities:					
Foreign Liabilities:					
Non-resident deposits	14,428.8	22,021.5	29,680.8	19,835.2	26,678.9
Due to foreign banks	67,763.9	79,208.1	97,103.4	133,276.7	162,470.4
Debt securities	3,896.5	7,230.3	12,525.1	8,420.1	24,237.7
Domestic Liabilities:					
Resident deposits	198,050.3	224,840.3	277,106.7	343,777.2	351,575.5
Due to domestic banks	33,271.5	32,606.4	23,419.9	32,246.4	25,894.3
Due to QCB	6,782.3	2,719.1	3,413.2	4,910.3	2,614.6
Debt securities	76.8	300.0	115.0	7,541.3	0.0
Margins	1,379.4	1,881.6	1,047.8	1,096.2	981.3
Capital accounts	48,300.1	53,801.7	62,793.1	87,744.6	96,207.3
Provisions	4,253.1	5,864.6	7,315.8	8,162.0	9,512.1
Unclassified liabilities	23,712.3	37,425.5	52,961.4	47,290.5	38,563.0
Total liabilities	**401,915.0**	**467,899.1**	**567,482.2**	**694,300.5**	**738,735.1**

Source: Qatar Central Bank

The following table summarises the capital adequacy ratio and the ratio of non-performing loans to total capital for the Qatari banking system as at 31 December 2008 to December 2011.

	As of 31 December			
	2008	**2009**	**2010**	**2011**
Capital adequacy ratio (per cent.)	15.5	16.1	16.1	20.6
Non-performing loans/capital (per cent.)	1.0	1.2	1.3	1.0

Source: Qatar Central Bank website – Bank's Performance Indicators. (http://www.qcb.gov.qa/English/Pages/BanksPerformanceIndicators.aspx)

The following table sets out the distribution of Qatari commercial bank credit facilities as at 31 December 2008 to 31 December 2011 and as at 30 June 2012.

	As at 31 December				As at 30 June
	2008	**2009**	**2010**	**2011**	**2012**
	(in millions of QAR)				
Public Sector:					
Government	13,205.9	34,722.4	36,303.1	40,801.2	31,967.0
Government institutions	36,794.6	26,265.9	50,452.2	90,618.9	136,991.7
Semi government institutions	10,588.9	13,468.9	16,302.7	17,750.3	23,199.0
Total public sector loans	**60,589.4**	**74,457.2**	**103,058.0**	**149,170.4**	**192,157.7**
Private sector:					
General trade	21,884.3	24,685.8	24,875.2	26,855.3	29,566.1
Industry	5,500.8	5,525.7	6,648.2	6,534.0	6,249.8
Contractors	11,454.2	12,987.9	18,410.6	16,219.9	15,195.4
Real estate	33,278.9	40,430.9	51,041.8	76,220.4	81,976.5
Consumption	56,771.0	53,235.6	56,735.1	67,975.3	74,152.5
Services	26,440.6	31,171.7	29,541.1	29,709.0	26,781.1
Other	4,888.1	9,421.1	3,610.0	4,010.9	5,057.7
Total private sector loans	**160,217.9**	**177,458.7**	**190,862.0**	**221,644.8**	**238,979.1**
Total domestic loans	**220,807.3**	**251,915.9**	**293,920.0**	**376,695.2**	**431,136.8**
Loans outside Qatar	**21,845.6**	**18,561.6**	**20,560.5**	**26,867.3**	**28,474.7**
Total loans	**242,652.9**	**270,477.5**	**314,480.5**	**403,562.5**	**459,611.5**

Source: Qatar Central Bank

The following table sets out the breakdown of Qatari commercial bank deposits as at 31 December 2008 to 31 December 2011 and as at 30 June 2012.

	As at 31 December				As at 30 June
	2008	2009	2010	2011	2012
Public Sector:					
By term and currency:					
In Qatari Riyal					
Demand deposits	10,885.2	10,331.4	13,877.7	19,274.6	16,761.9
Time and savings deposits	18,208.7	38,340.5	41,875.4	47,655.1	43,877.7
In foreign currencies					
Demand deposits	15,638.7	12,005.7	10,086.2	25,101.1	22,951.6
Time and savings deposits	31,102.6	7,500.1	6,231.9	33,844.8	24,263.7
By sector:					
Government	19,413.4	15,411.5	18,485.8	40,824.6	26,354.3
Government institutions	43,104.8	32,917.7	32,276.5	57,350.9	54,821.9
Semi government institutions	13,317.3	19,848.5	21,308.9	27,700.1	26,678.7
Total public sector deposits	**75,835.2**	**68,177.7**	**72,071.2**	**125,875.6**	**107,854.9**
Private sector:					
By term and currency:					
In Qatari Riyal					
Demand deposits	36,714.6	39,220.5	51,793.1	61,926.2	67,232.1
Time and savings deposits	71,090.6	103,078.9	137,392.9	131,942.2	149,878.2
In foreign currencies					
Demand deposits	6,160.3	7,213.6	10,024.3	11,823.2	10,564.3
Time and savings deposits	8,249.6	7,149.6	5,825.2	12,210.0	16,046.0
By sector:					
Personal	65,867.5	70,231.3	90,828.1	103.093.1	117,147.0
Companies and institutions	56,347.6	86,431.3	114,207.4	114.808.5	126,573.6
Total private sector deposits	**122,215.1**	**156,662.6**	**205,035.5**	**217,901.6**	**243,770.6**
Total deposits:					
By currency:					
In Qatari Riyal	136,899.1	190,971.3	244,939.1	260,798.1	277,749.9
In foreign currencies	61,151.2	33,869.0	32,167.6	82,979.1	73,825.6
By term:					
Total demand deposits	69,398.8	68,771.2	85,781.3	118,185.1	117,509.9
Total time and savings deposits	128,651.5	156,069.1	191,325.4	225,652.1	232,753.5
Non-resident deposits	**14,428.8**	**22,021.5**	**29,680.8**	**19,835.2**	**26,678.9**
Total deposits	**212,479.1**	**246,861.8**	**306,787.5**	**363,612.4**	**378,254.4**

Source: Qatar Central Bank

Qatar Development Bank

Qatar Development Bank ("**QDB**") was established by the Government in 1997, with contributions from national banks under the name of Qatar Industrial Development Bank. In 2006, QDB became a government-owned bank and the following year changed its name to Qatar Development Bank. QDB's main objective is to contribute to the development and diversification of economic and industrial investments in Qatar. QDB finances small and medium sized industrial projects and provides technical assistance and advice to industrialists for the implementation of their projects. QDB also provides consultancy services and financing for projects in the education, agriculture, fisheries, healthcare, animal resources and tourism sectors. As of 31 December 2011, QDB's paid up capital was QAR 2.9 billion (U.S.$796.7 million).

Qatar Financial Centre

The QFC is a financial and business centre established by the Government in 2005 with a view to attracting international financial services institutions and multinational corporations to Doha in order to grow and develop the market for financial services in the region. Unlike other financial centres in the region, the QFC is an onshore financial and business environment.

The QFC comprises: the QFCA, the QFCRA and the QFC Dispute Resolution Centre. The QFCA determines the commercial strategy of the QFC and is responsible for legislation and compliance matters relating to the QFC legal environment. The QFCRA regulates, authorises, supervises and, when necessary, disciplines banking, securities, insurance and other financial businesses carried on in or from the QFC. The QFCRA also registers and supervises the directors and other designated officers of the businesses authorised by it. The QFCRA's regulatory approach is modelled closely on that of the UK's Financial Services Authority. The QFC Civil and Commercial Court has jurisdiction over civil and commercial disputes arising between: (i) entities established within the QFC; (ii) employees or contractors employed by entities established in the QFC and the employing entity; (iii) QFC entities and residents of State of Qatar; and (iv) QFC institutions and entities established in the QFC. The QFC Regulatory Tribunal hears appeals against decisions of the QFCRA, QFCA and other QFC institutions. The QFC Dispute Resolution Centre offers international arbitration and mediation services. The QFCA, QFCRA, the QFC Civil and Commercial Court and the Regulatory Tribunal are all statutory independent bodies reporting to the Council of Ministers.

Firms operating under the QFC umbrella fall into two categories: those providing financial services, which are regulated activities, and those engaged in non-regulated activities in support of financial services. All QFC firms must apply to the QFCA for a business license to conduct a permitted activity in or from the QFC. Firms planning to conduct regulated activities also need to apply to the QFCRA for authorisation. The operations of the Company Registration Office are handled by the QFCA. Approximately 52 per cent. of the firms operating under the QFC umbrella, as of March 2012, are regulated financial institutions, including global financial institutions. The QFCA imposed a tax rate of 10 per cent. on local source business profits effective 1 January 2010.

Financial institutions licensed by the QFCRA as "Category-1" financial institutions are authorised to operate as universal banks and, among other things, may make various types of loans and accept deposits in any currency. Under the QFC licensing policy, such institutions are currently prohibited from conducting retail banking with, or on behalf of, retail customers unless they obtain authorisation from the QFCRA. Financial institutions authorised by the QFCRA as "Category-2," "Category-3" or "Category-4" are permitted to undertake certain more limited activities, and "Category-5" institutions may undertake Islamic finance activities.

Proposed single regulator

Although postponed indefinitely, the Ministry of Business and Trade has announced its intention to establish a single financial regulator in Qatar, which will regulate the banking, insurance and securities sectors, and QFC. The proposed single regulator would incorporate the Banking Supervision Division of QCB, the QFMA, the regulatory division of the QE and the Qatar Financial Centre Regulatory Authority and would also supervise the insurance sector in Qatar.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Trustee and the Principal Paying Agent (as defined in the Conditions).

The Master Wakala Purchase Agreement, as supplemented by each Supplemental Purchase Contract

A master wakala purchase agreement (the "**Master Wakala Purchase Agreement**") between QIB and the Trustee, as supplemented and amended from time to time, and each Supplemental Purchase Contract applicable to a Series of Certificates are and will be governed by Qatari law.

Sale of Wakala Portfolio

On the Issue Date of the relevant Series, QIB agrees, in connection with the issue of a Series of Certificates, from time to time to sell and transfer to the Trustee, and the Trustee agrees to purchase from QIB by way of sale and transfer on the relevant Issue Date, QIB's undivided rights, title, interests, benefits and entitlements in certain assets constituting the Wakala Portfolio in a schedule to the relevant Supplemental Purchase Contract.

The Trustee will be under an obligation to invest a proportion of the Proceeds of each Series in a Wakala Portfolio in accordance with the terms of the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract.

Purchase Price

The purchase price payable for the Wakala Portfolio of any relevant Series of Certificates (the "**Purchase Price**") will be set out in the relevant Supplemental Purchase Contract.

Records

All records in respect of the Wakala Assets will be retained by QIB.

Representations and Warranties

QIB will only provide very limited representations and warranties in respect of the Wakala Assets on the Issue Date of the relevant Series.

Undertakings of QIB

QIB provides only very limited undertakings in the Master Purchase Agreement.

Management Agreement

A management agreement (the "**Management Agreement**") will be entered into on the Closing Date between the Trustee and QIB, in its capacity as managing agent of the Wakala Portfolio (the "**Managing Agent**") and is governed by English law. Under the Management Agreement, the Managing Agent shall be obliged, in accordance with an investment plan (the "**Wakala Investment Plan**") to manage the Wakala Portfolio through the provision of certain services (the "**Services**") including, but not limited to, ensuring timely receipt of all revenues from the Wakala Portfolio (the "**Wakala Portfolio Revenues**"), collecting or enforcing the collection of such Wakala Portfolio Revenues and using its reasonable endeavours to apply such Wakala Portfolio Revenues in the nature of capital or principal payments in respect of the relevant Wakala Assets (including fixed rentals (in the case of Ijara Assets) and cost element (in the case of Murabaha Receivables)) (the "**Wakala Portfolio Principal Revenues**") in acquiring further Eligible Wakala Assets from QIB in accordance with the terms of the Management Agreement.

Appointment of QIB as Managing Agent

The Trustee will appoint the Managing Agent to service the Wakala Portfolio applicable to each Series of Certificates. In particular, the Managing Agent:

(a) will manage the Wakala Portfolio in accordance with the Wakala Investment Plan, the terms of which will be completed in respect of each Series;

(b) shall use its reasonable endeavours to do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) to ensure the assumption and compliance by the counterparties to each Ijara Contract, contract in respect of Murabaha Receivables, Istisna'a forward lease agreement and/or other income-generating *Shari'a*-Compliant Assets constituting the Wakala Assets of its covenants, undertakings or other obligations thereunder;

(c) shall, in conjunction with acting as Mudarib under the Master Restricted Mudaraba Agreement, ensure that, on the Issue Date of a Series (but not necessarily thereafter), at least 51 per cent. of the aggregate of the Value of: (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, on such Issue Date shall be derived from Ijara Assets, and/or any other income-generating *Shari'a*-Compliant Assets that have associated with them underlying tangible assets;

(d) shall ensure that, at all times, the Wakala Tangibility Ratio shall be at least 30 per cent. and should the Wakala Tangibility Ratio should fall below 30 per cent., the Managing Agent shall as soon as reasonably possible thereafter:

    (i) acquire sufficient Eligible Wakala Assets that have associated with them underlying tangible assets; or

    (ii) substitute any Wakala Assets that do not have associated with them underlying tangible assets for Eligible Wakala Assets of a tangible nature or that have associated with them underlying tangible assets,

    to raise the Wakala Tangibility Ratio to a level that is equal to or greater than 30 per cent. of the Value of the relevant Wakala Portfolio at such time;

(e) monitor, subject to, and in accordance with its usual and standard practices from time to time, the Value and income generating properties of the Mudaraba Assets and use its best endeavours to manage the Mudaraba Portfolio such that the aggregate of the Value of the relevant Mudaraba Portfolio and any Wakala Portfolio Principal Revenues held by the Managing Agent on the Business Day immediately preceding the relevant Dissolution Date, equal to or greater than the relevant Mudaraba Capital;

(f) shall, upon the maturity of, or default or potential default in respect of, any Original Wakala Asset, remove such Original Wakala Asset from the relevant Wakala Portfolio for each Series and shall substitute such asset with an Eligible Wakala Asset in accordance with the Management Agreement and the Wakala Asset Sale Undertaking Deed, or as otherwise agreed between the Trustee and the Managing Agent;

(g) shall use its reasonable endeavours to discharge or procure the discharge of all its obligations in its capacity as party to each Ijara Contract, contract in respect to Murabaha Receivables, Istisna'a forward lease agreement and/or other *Shari'a*-compliant agreement constituting the relevant Wakala Portfolio, it being acknowledged that the Managing Agent may appoint one or more agents to discharge their obligations on its behalf;

(h) in relation to the Wakala Istisna'a Assets, shall:

    (i) procure the delivery of the Wakala Istisna'a Assets in accordance with the relevant Transaction Contracts relating to the Wakala Istisna'a Assets; and

    (ii) ensure that the design and construction of the Wakala Istisna'a Assets is carried out in accordance with all applicable laws and good industry practice,

    provided that any breach of such obligations shall not constitute a breach of the Management Agreement for the purposes of any QIB Event but shall result in the Mudarib being required to substitute the relevant Wakala Istisna'a Asset in accordance with the Management;

(i) may pay on behalf of the Trustee any costs, expenses, losses and Taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio;

(j) shall use its best endeavours to ensure the timely receipt of all Wakala Asset Revenues, investigate non-payment of Wakala Asset Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Asset Revenues under the relevant contract or instrument as and when the same shall become due;

(k) shall use its best endeavours to ensure that the Expected Wakala Portfolio Income Revenues are at least equal to the Wakala Portfolio Income Revenues;

(l) shall maintain the Collection Accounts and the Wakala Reserve Account in accordance with the Management Agreement;

(m) shall obtain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Management Agreement;

(n) if a Liquidity Facility is to be provided, provide such Liquidity Facility in accordance with the Conditions and the Management Agreement;

(o) ensure that lessees maintain industry standard insurances in respect of the Ijara Assets and fulfil all structural repair and major maintenance obligations in respect of the relevant Ijara Assets (each in accordance with the terms of any underlying Ijara Contract);

(p) in the event that, on a Dissolution Date: (i) QIB fails to pay an Exercise Price (as defined in the Purchase Undertaking Deed and Sale Undertaking Deed respectively) in accordance with clause 3.2 (*Exercise and Undertaking*) of the Sale Undertaking Deed or clause 3.2 (*Exercise and Undertaking*) of the Purchase Undertaking Deed or (ii) the Managing Agent fails to pay to the Transaction Account the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets:

    (i) the Trustee shall maintain its ownership interest in the applicable Wakala Portfolio;

    (ii) the Managing Agent shall continue to perform the Services in respect of such Wakala Portfolio; and

    (iii) unless otherwise instructed by the Delegate (in circumstances where the delegation has become effective), the Managing Agent shall, for the period for which the relevant Exercise Price (as defined in the Purchase Undertaking Deed and Sale Undertaking Deed respectively) remains outstanding, continue to credit all Wakala Asset Revenues in accordance with the Management Agreement; and

(q) shall carry out any incidental matters relating to any of the above.

Standard of Care

The Managing Agent shall perform its duties under the Management Agreement in accordance with all applicable laws and regulations, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to the *Shari'a*.

Fees

QIB has received a fee for acting as Managing Agent which comprises a fixed basic fee of U.S.$1,000 and may also receive an incentive amount calculated as the remaining balance (if any) of the Wakala Reserve Account, as more particularly described in "*Operation of Collection Accounts and Wakala Reserve Accounts (Wakala Assets)*" below.

Operation of Collection Accounts and Wakala Reserve Accounts (Wakala Assets)

The Managing Agent will maintain on its books a separate non-interest bearing ledger account (a "**Collection Account**"). All Wakala Portfolio Revenues which are not Wakala Portfolio Principal

Revenues ("**Wakala Portfolio Income Revenues**") received by the Managing Agent in respect of Wakala Assets of each Series will be credited to the Collection Account and applied by the Managing Agent in the following order of priority:

(a) *first*, payment of all or any due and payable Management Liabilities Amounts and any amounts due and repayable under the Liquidity Facility;

(b) *second*, to the relevant Transaction Account an amount equal to the lesser of the Wakala Percentage of the Required Amount for the corresponding Periodic Distribution Date and the balance of the Collection Account; and

(c) the balance of the Income Collection Account immediately following the payment of the amounts set out in paragraphs (a) and (b) on such day shall be retained by the Managing Agent as a reserve and credited to a reserve ledger account in the name of the Managing Agent (the "**Wakala Reserve Account**").

For these purposes, "**Required Amount**" means the aggregate of the amounts described in paragraphs (i), (ii) and (iii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) and, in relation to a Dissolution Date, the aggregate of the amounts described in paragraphs (i), (ii), (iii) and (iv) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*).

The Managing Agent is required, under the Management Agreement, to use all Wakala Portfolio Revenues which do not comprise Wakala Portfolio Income Revenues to invest in additional Eligible Wakala Assets, which will form part of the Wakala Portfolio of that relevant Series.

On each Periodic Distribution Date, the Managing Agent will apply any amounts standing to the credit of the Wakala Reserve Account by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time (after taking into account any payments made or to be made pursuant to the Master Restricted Mudaraba Agreement); and (ii) the Required Amount due on the corresponding Periodic Distribution Date (a "**Shortfall**"). The Managing Agent will be entitled to deduct amounts standing to the credit of the Wakala Reserve Account for its own account, **provided that** such amounts shall be repaid by it if so required to fund a Shortfall in respect of the relevant Series.

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable); and (iii) the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets is less than the Required Amount, due on such date then the Managing Agent may utilise any amounts standing to the credit of the Wakala Reserve Account to the extent of such Shortfall.

Upon final termination or dissolution of the Trust as provided in Condition 11 (*Capital Distributions of the Trust*), and **provided that** all obligations owed by QIB to the Trustee have been met, the Managing Agent shall be entitled to retain the remaining balance (if any) of the Wakala Reserve Account (after any payments into the Transaction Account as provided above) for its own account as an incentive amount.

Representations and Warranties

The Managing Agent shall make certain limited representations and warranties including, *inter alia*, as to due incorporation, power and authority and the validity of its obligations under the Management Agreement.

Termination of Appointment

QIB's appointment as Managing Agent may be terminated without notice upon the occurrence of any QIB Event (see "*Summary of the Principal Transaction Documents – Purchase Undertaking Deed*" below). The occurrence of an QIB Event will also be a Dissolution Event allowing the Trustee, at its option, to declare (or, upon written request of Certificateholders representing not less than 20 per cent.

in face amount of the relevant Series of Certificates for the time being outstanding and being indemnified and/or secured and/or pre-funded to its satisfaction, requiring it to declare) the Certificates of the relevant Series to be immediately due and payable.

The payment obligations of the Managing Agent under the Management Agreement are and will be direct, unconditional, unsecured and general obligations of the Managing Agent and shall rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of the Managing Agent.

Incentive Amount

Upon final termination and dissolution of the Trust, and **provided that** all obligations owed by QIB to the Trustee have been met, the Managing Agent shall be entitled to retain the remaining balance (if any) of the Wakala Reserve Account for its own account as an incentive amount.

The Master Restricted Mudaraba Agreement

A restricted mudaraba agreement (the "**Master Restricted Mudaraba Agreement**") will be entered into on the Closing Date between the Trustee (in its capacity as Rabb-al-Maal) and QIB (in its capacity as Mudarib) and will be governed by the laws of Qatar.

In relation to each Series of Certificates the Trustee (in its capacity as Rabb-al-Maal) has agreed to deposit the relevant Mudaraba Capital into a ledger account maintained by the Rabb-al-Maal with the Mudarib (the "**Mudaraba Account**") and enter into a restricted *mudaraba* (each a "**Restricted Mudaraba**") with QIB as the Mudarib in accordance with the terms of the Master Restricted Mudaraba Agreement and a Restricted Mudaraba Contract. Pursuant to the Restricted Mudaraba, the Mudarib shall, on the Issue Date, invest the relevant Mudaraba Capital to acquire an ownership interest in a portfolio of Mudaraba Real Estate Ijara Assets, Mudaraba Non-Real Estate Ijara Assets, Mudaraba Istisna'a Assets, Murabaha Receivables, *Shari'a*-Compliant Assets that have associated with them underlying tangible assets and *Shari'a*-Compliant Investments owned by QIB and each ownership interest in an asset will constitute a Mudaraba Asset, and together such Mudaraba Assets will constitute the Mudaraba Portfolio of that Restricted Mudaraba Contract.

Pursuant to the terms of the Master Restricted Mudaraba Agreement, the Mudarib shall be obliged to maintain separate ledgers to record: (1) any amount of Mudaraba Portfolio Principal Revenues received in respect of the relevant Restricted Mudaraba; (2) the amount of Mudaraba Profit received in respect of the relevant Mudaraba Portfolio which is payable to the Rabb-al-Maal; and (3) any amounts of Mudaraba Profit remaining after deducting amounts payable to the Rabb-al-Maal. The Mudarib will, to the extent possible, reinvest Mudaraba Portfolio Principal Revenues received in respect of the Mudaraba Portfolio of each Series of Certificates in Eligible Mudaraba Assets, in each case in accordance with the terms of the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba Contract and the related Mudaraba Investment Plan, provided that the Value of such further Eligible Mudaraba Assets are not less than the consideration given for, the purchase price of or the amounts otherwise applied in the acquisition of such assets provided that, subject to the terms of the Master Restricted Mudaraba Agreement if sufficient Eligible Mudaraba Assets are not available for such purposes, the Mudaraba Portfolio Principal Revenues may be held in the Mudaraba Account until such time as sufficient Eligible Mudaraba Assets become available.

Pursuant to the Master Restricted Mudaraba Agreement, the Mudaraba Tangibility Ratio shall, at all times, be at least 30 per cent. In the event that, at any time, the Mudaraba Tangibility Ratio should fall below 30 per cent., the Mudarib shall as soon as reasonably possible: (a) acquire sufficient additional Eligible Mudaraba Assets that have associated with them underlying tangible assets; or (b) substitute any Mudaraba Assets that do not have associated with them underlying tangible assets for Eligible Mudaraba Assets of a tangible nature or that have associated with them underlying tangible assets in order to raise the Mudaraba Tangibility Ratio to a level that is equal to or greater than 30 per cent.

Under the terms of the Master Restricted Mudaraba Agreement, in relation to each Restricted Mudaraba, the Mudarib shall be obliged, among other things, to ensure that the Mudaraba Capital is invested in accordance with the terms of the Master Restricted Mudaraba Agreement, the Restricted Mudaraba Contract and the related Mudaraba Investment Plan, ensure that lessees in respect of the Ijara Assets maintain industry standard insurances in respect of the relevant Ijara Assets and fulfil all structural repair and major maintenance obligations in respect of the relevant Ijara Assets (each in accordance with the terms of any underlying Ijara Contract), to monitor, subject to, and in accordance with its usual and standard practices from time to time, on a monthly basis the Value and the income generating properties of the relevant Mudaraba Assets, use its reasonable endeavours to reinvest all Mudaraba Portfolio Principal Revenues in Eligible Mudaraba Assets and monitor, subject to, and in accordance with its usual and standard practices from time to time, on a monthly basis the Value and income generating properties of the Mudaraba Assets and use its best endeavours to manage the Mudaraba Portfolio such that the Value of the relevant Mudaraba Portfolio and any Mudaraba Portfolio Principal Revenues held by the Mudarib is, on the Business Day immediately preceding the relevant Dissolution Date, equal to or greater than the relevant Mudaraba Capital.

In respect of any Mudaraba Istisna'a Assets, the Mudarib will: (a) procure the delivery of the Mudaraba Istisna'a Assets in accordance with the relevant transaction contracts relating to the Mudaraba Istisna'a Assets; and (b) ensure that the design and construction of the Mudaraba Istisna'a Assets is carried out in accordance with all applicable laws and good industry practice, provided that any breach of such obligation shall not constitute a QIB Event but shall result in the Mudarib being required to substitute the relevant Mudaraba Istisna'a Asset in accordance with the Master Restricted Mudaraba Agreement.

The Mudarib shall make profit distributions in relation to a Restricted Mudaraba Contract on a Mudaraba Income Distribution Date (as such term is defined in the Conditions), in respect of each Mudaraba Income Distribution Period, of the relevant Restricted Mudaraba by the Mudarib. The profits (if any) generated by the Mudaraba Capital, being an amount equal to: all revenues received in respect of the Mudaraba Assets during such Mudaraba Income Distribution Period, minus the aggregate of: (a) the Mudaraba Portfolio Principal Revenues received during that Mudaraba Income Distribution Period; (b) any costs (consisting of direct costs and allocated costs) and/or provisions associated with the Mudaraba Assets during the Mudaraba Term; and (c) any Taxes incurred in connection with the Master Restricted Mudaraba Agreement or that Restricted Mudaraba Contract (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the Mudaraba Term) but excluding the Mudarib's obligations (if any) to pay any Taxes or additional amounts under, or in connection with, Condition 12 (*Taxation*) (the "**Mudaraba Profit**") in relation to the applicable Restricted Mudaraba Contract for a Mudaraba Income Distribution Period will, to the extent received by the Mudarib, on the applicable Mudaraba Income Distribution Date, (i) first be allocated and, in the case of any interest of QIB, distributed on a *pro rata* basis in accordance with any respective ownership interests of: (a) QIB and (b) the Mudaraba in the Mudaraba Portfolio and (ii) following such initial allocation and distribution, allocated to the Rabb-al-Maal and the Mudarib in accordance with the profit sharing ratio set out in the Master Restricted Mudaraba Agreement and the Rabb-al-Maal's share of such Mudaraba Profit will be paid into the Transaction Account by the Mudarib on such Mudaraba Income Distribution Date. The Mudarib shall be entitled to use for its own account any amounts received in the nature of Mudaraba Profit provided that such amounts shall be repaid when required in accordance with the terms of the Master Restricted Mudaraba Agreement.

In the event that, on a Mudaraba Income Distribution Date, the portion of the Mudaraba Profit in relation to a Restricted Mudaraba Contract payable to the Rabb-al-Maal is greater than the Mudaraba Percentage of the then applicable Required Amount on the immediately following Periodic Distribution Date under the relevant Series of Certificates to which that Restricted Mudaraba Contract relates, the amount of any excess shall be credited to a reserve ledger account in the name of the Mudarib (the "**Mudaraba Reserve Account**"). The portion of Mudaraba Profit payable to the Transaction Account on such Mudaraba Income Distribution Date in relation to such Series shall be reduced accordingly. The Mudarib will be entitled to use amounts standing to the credit of the Mudaraba Reserve Account for its own account, **provided that** such amounts shall be repaid by the Mudarib if so required to fund a Shortfall in respect of the relevant Series.

On each Mudaraba Income Distribution Date, the Mudarib will, after taking into account any payments made or to be made pursuant to the Management Agreement, apply any amounts standing to the credit of the Mudaraba Reserve Account, by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time; and (ii) the Required Amount due on the corresponding Periodic Distribution Date (a "**Shortfall**").

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable); and (iii) the deposit in the Transaction

Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets, is less than the Required Amount due on such date, then the Mudarib will utilise any amounts standing to the credit of the Mudaraba Reserve Account in order to cover any Shortfall.

Upon final termination or dissolution of the Trust as provided in Condition 11 (*Capital Distributions of the Trust*), after all amounts due under the Certificates of the relevant Series have been satisfied in full, the Mudarib shall be entitled to retain the remaining balance (if any) of the Mudaraba Reserve Account (after any payments into the Transaction Account as provided above) for its own account as an incentive amount.

The Mudarib shall, in relation to a Restricted Mudaraba Contract, liquidate the relevant Restricted Mudaraba on the applicable Mudaraba End Date and shall distribute an amount (the "**Final Liquidation Proceeds**") equal to the aggregate of:

(a) an amount equal to the Value of the relevant Mudaraba Portfolio; plus

(b) any Mudaraba Portfolio Principal Revenues held by the Mudarib in relation to such Restricted Mudaraba Contract at the relevant time that have not yet been invested in further Eligible Mudaraba Assets.

For these purposes, "**Transaction Contract**" means any contract (other than a Transaction Document) in connection with the Mudaraba Assets or the Wakala Assets entered into or to be entered into by any Transaction Party; and

"**Transaction Party**" means any person (other than QIB) which is or will become a party to any Transaction Contract.

The parties to the Master Restricted Mudaraba Agreement agree that, on the applicable Mudaraba End Date, any amounts standing to the credit of the Mudaraba Reserve Account after all amounts due under the Certificates of the relevant Series have been satisfied in full shall be paid to the Mudarib as an incentive amount for its performance. The Rabb-al-Maal acknowledges that it shall have no entitlement in respect of any surplus amounts that are paid to the Mudarib as an incentive amount.

Upon the maturity of a Series or the occurrence of a Dissolution Event, the relevant Restricted Mudaraba will be liquidated and the Mudarib will distribute the Final Liquidation Proceeds in accordance with the Master Restricted Mudaraba Agreement and the Restricted Mudaraba Contract. Upon receipt by the Trustee of a Cancellation Notice, the Trustee acknowledges and agrees that the Mudarib shall transfer on the relevant Cancellation Date to QIB the Cancellation Mudaraba Assets, provided that the aggregate Value of such Cancellation Mudaraba Assets shall be no greater than the Mudaraba Percentage of the aggregate face amount of the Cancellation Certificates.

The acts of the Mudarib under the Master Restricted Mudaraba Agreement and each Restricted Mudaraba Contract will be monitored and audited from time to time by the *Shari'a* Board of QIB in accordance with normal operating procedures.

Undertakings of the Rabb-al-Maal

The Rabb-al-Maal provides only very limited undertakings in the Master Restricted Mudaraba Agreement.

The Master Declaration of Trust, as supplemented by each Supplemental Declaration of Trust

A master declaration of trust (the "**Master Declaration of Trust**") will be entered into on the Closing Date between QIB, the Trustee and the Delegate and is governed by English law. A Supplemental Declaration of Trust between the same parties shall be entered into on the Issue Date of each Series of Certificates and shall also be governed by English law.

Upon issue of the Global Certificate initially representing the Certificates of any Series, the Master Declaration of Trust and the relevant Supplemental Declaration of Trust shall together constitute the Trust declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series of Certificates comprise (unless otherwise specified in the relevant Supplemental Declaration of Trust), *inter alia*, the Sukuk Assets, the Trustee's rights under the Purchase Undertaking Deed and certain other documents it has entered into and any amounts it may have deposited in the relevant Transaction Account, subject to the terms of the relevant Supplemental Declaration of Trust.

Pursuant to the Master Declaration of Trust, the Trustee will, in relation to each Series of Certificates, *inter alia*:

(a) hold the relevant Trust Assets on trust absolutely for the holders of the Certificates *pro rata* according to the face amount of Certificates of that Series held by each Certificateholder, in accordance with the provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust;

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust;

(c) subject to being indemnified and/or secured and/or pre-funded to its satisfaction enforce the Trust Assets including, insofar as it is able, taking all reasonably necessary steps to enforce each of the Master Declaration of Trust, the Purchase Undertaking Deed, the Master Restricted Mudaraba Agreement, the Management Agreement and any other relevant Transaction Document if QIB shall have at any time failed to perform its obligations under it;

(d) collect the proceeds of the Trust Assets in accordance with the terms of the Master Declaration of Trust and, if applicable, the terms of the relevant Supplemental Declaration of Trust;

(e) distribute the proceeds of any enforcement of the Trust Assets, as described in the Master Declaration of Trust and in the Master Restricted Mudaraba Agreement (see the section entitled "*Summary of the Principal Transaction Documents – Master Restricted Mudaraba Agreement*");

(f) maintain proper books of account in respect of the relevant Trust; and

(g) take such other steps as are reasonably necessary to ensure that the Certificateholders of each Series receive the distributions to be made to them in accordance with the Transaction Documents and the Corporate Services Agreement.

In the Master Declaration of Trust, the Trustee also undertakes that, *inter alia*:

(a) it may or shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) upon being directed to do so by the Certificateholders enforce the obligations of QIB under the Master Declaration of Trust, the Purchase Undertaking Deed, the Master Restricted Mudaraba Agreement, the Management Agreement and any other Transaction Document to which QIB is a party;

(b) to the extent that it prepares accounts, it shall cause to be prepared and certified by its auditors in respect of each financial accounting period accounts in such form as will comply with all relevant legal and accounting requirements and all requirements for the time being of any stock exchange on which the Certificates are listed; and

(c) following the occurrence of a Dissolution Event in respect of any Series of Certificates and, subject to Condition 15 (*Dissolution Events*), it shall: (i) promptly notify the Certificateholders of the occurrence of such Dissolution Event; and (ii) take all such steps as are necessary to enforce the obligations of QIB under the Purchase Undertaking Deed, the Management Agreement and the relevant Restricted Mudaraba Contract in accordance with the provisions of the Management Agreement, the Master Restricted Mudaraba Agreement and any other Transaction Document to which QIB is a party.

The Trustee irrevocably and unconditionally appoints the Delegate (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) to exercise all of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by the Master Declaration of Trust that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a

Dissolution Event or a Potential Dissolution Event, exercise all of the rights of the Trustee under the Purchase Undertaking Deed and any of the other Transaction Documents and the Corporate Services Agreement (**provided that** no obligations, duties or covenants of the Trustee pursuant to the Master Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the delegation) and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust (the foregoing being the Delegation of the Relevant Powers). The appointment of such delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

In addition to the Delegation of the Relevant Powers, certain powers under the Master Declaration of Trust have been vested solely in the Delegate, including, *inter alia*, the power to determine the occurrence of a Dissolution Event, the power to waive or authorise a breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such, and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee.

A Collection Account, a Transaction Account, a Wakala Reserve Account and a Mudaraba Reserve Account will be established in respect of each Series of Certificates. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise: (i) the Rabb-al-Maal's portion of any Mudaraba Profit; (ii) payments from the relevant Collection Account immediately prior to each Periodic Distribution Date (see "*Summary of the Principal Transaction Documents – Management Agreement*") below); and (iii) the Exercise Price received from QIB under the relevant Sale Agreement (see "*Summary of the Principal Transaction Documents – Purchase Undertaking Deed*" and "*Summary of the Principal Transaction Documents – Sale Undertaking Deed*" below). The Master Declaration of Trust provides that all monies credited to the Transaction Account in respect of each Series will be applied by the Trustee in the following order of priority in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*):

(a) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust;

(b) *second*, (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all amounts properly incurred and documented (each in the opinion of the Delegate) owing to it under the Transaction Documents in its capacity as Trustee; (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as Trustee Administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;

(c) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(d) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment of the Dissolution Amount; and

(e) *fifth*, only if such payment is made on a Dissolution Date, payment of any residual amount to the Managing Agent as an incentive amount for its performance.

In addition, under the Master Declaration of Trust QIB undertakes to the Trustee that, if any amount payable by QIB to the Trustee pursuant to any Transaction Document is not recoverable from QIB for any reason whatsoever and the Trustee suffers any cost, expense, loss or taxes as a result of the Trustee's holding of the Trust Assets (which cost, expense or loss is not recoverable under the relevant Transaction Documents), then QIB will indemnify the Trustee against all losses, claims, costs, charges and expenses, but excluding the costs of funding the same, to which it may be subject or which it may incur under or in respect of the Transaction Documents.

The Master Declaration of Trust specifies that, on or after the relevant Dissolution Date of a Series of Certificates, the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series, subject to the priority of payments set out in the Conditions. The Certificateholders have no claim or recourse against the Trustee in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Following the distribution of the Trust Assets to the Certificateholders in accordance with the Conditions and the Master Declaration of Trust, the Trustee shall not be liable for any further sums, and accordingly the Certificateholders may not take any action against the Trustee or any other person to recover any such sum, in respect of the Certificates or the Trust Assets.

The Trustee shall not be bound in any circumstances to take any action to enforce or to realise such Trust Assets or take any action against QIB under any Transaction Documents to which QIB is a party unless directed or requested to do so by the Certificateholders in accordance with the Conditions, and then only to the extent indemnified to its satisfaction.

No Certificateholder shall be entitled to proceed directly against QIB unless: (i) the Trustee, having become bound so to proceed, fails to do so within 30 days of becoming so bound and such failure is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against QIB) holds at least 20 per cent. of the aggregate face amount of the Certificates then outstanding.

The foregoing is subject to the following: after enforcing or realising such Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 6(e) (*Trust – Operation of Wakala Reserve Account*), Condition 6(f) (*Trust – Operation of Mudaraba Reserve Account*) and Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of such Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such Certificates and the right to receive any such sums unpaid shall be extinguished. Under no circumstances shall the Trustee or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking Deed or any Sale Agreement, and the sole right of the Trustee and the Certificateholders against QIB shall be to enforce the obligation of QIB to pay the Dissolution Amount and any other amounts due under the Transaction Documents.

Certificateholders, by subscribing for or acquiring Certificates, acknowledge that no recourse may be had for the payment of any amount owing in respect of any Certificates against the Trustee or the Delegate, in any circumstances whatsoever, or the relevant Trust to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee or the Delegate and the relevant Trust shall be extinguished.

Certificateholders should note that through, *inter alia*, the Purchase Undertaking Deed, the Trustee and the Delegate will have recourse to QIB and the ability of the Trustee to pay the amounts due in respect of the Certificates will ultimately be dependent on QIB.

Purchase Undertaking Deed

A purchase undertaking deed (the "**Purchase Undertaking Deed**") will be entered into on the Closing Date by QIB in favour of the Trustee, which will be governed by English law.

Under the Purchase Undertaking Deed, QIB irrevocably undertakes in favour of the Trustee to purchase from the Trustee the relevant Wakala Portfolio applicable to a Series of Certificates (each undertaking in respect of a Series, a "**Purchase Undertaking**") on:

(a) the relevant Scheduled Dissolution Date; or

(b) any earlier due date following the occurrence of a Dissolution Event;

at the Exercise Price specified in the Purchase Undertaking Deed.

In order to exercise these rights, the Trustee (or the Delegate on its behalf) will be required to deliver an exercise notice to QIB under the Purchase Undertaking Deed.

The Exercise Price payable by QIB upon exercise of the relevant Purchase Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the Purchase Undertaking; (ii) an amount equal to any accrued and unpaid Periodic Distribution Amounts less any amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts, in each case on the date on which the payment of the Exercise Price is made pursuant to the Purchase Undertaking Deed; (iii) an amount equal to the sum of: (1) any amounts repayable but unpaid by the Trustee to the Managing Agent under a Liquidity Facility; and (2) without duplication or double-counting, any other outstanding Management Liabilities Amounts; and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date. Any obligation of the Trustee to repay any amounts advanced pursuant to the Liquidity Facility shall be set-off against payment by QIB of that portion of the Exercise Price under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable) comprising (i) any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; and (ii) any Management Liabilities Amounts repayable but unpaid by the Trustee to the Managing Agent in accordance with the terms of the Management Agreement.

QIB agrees in the Purchase Undertaking Deed that all payments by it under the Purchase Undertaking Deed will be made without set off or counterclaim of any kind and without any such deduction or withholding for or on account of Tax unless required by law and, in the event that there is any deduction or withholding, QIB shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no withholding or deduction had been made.

Subject to payment of the Exercise Price in accordance with the Purchase Undertaking Deed, the parties will enter into a sale agreement (a "**Sale Agreement**") to effect the sale and transfer by the Trustee to QIB of the relevant Wakala Portfolio on the Dissolution Date of the relevant Series of Certificates. The specific terms applicable to each such sale will be confirmed in the Sale Agreement and the form of each such Sale Agreement is scheduled to the Purchase Undertaking Deed.

Sale Undertaking Deed

A sale undertaking deed (the "**Sale Undertaking Deed**") will be entered into on the Closing Date, by the Rabb-al-Maal in favour of QIB, which will be governed by English law.

Under the Sale Undertaking Deed, the Trustee will irrevocably undertake to QIB to sell and transfer the relevant Wakala Portfolio applicable to a Series of Certificates (each undertaking in respect of a Series, a "**Sale Undertaking**") to QIB in the event of certain tax gross-ups being required or, in the event that QIB exercises a call option in relation to a Series (the "**Optional Dissolution Right**").

Under the terms of the Sale Undertaking Deed, and subject to the Trustee being entitled to redeem the Certificates upon the occurrence of a Tax Event (as defined in Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*)) or, if specified as applicable in the applicable Final Terms of a Series, the exercise of an Optional Dissolution Right, QIB may (by exercising its right under the Sale Undertaking Deed and delivering an exercise notice to the Trustee (with a copy to the Delegate) specifying the Tax Redemption Date or Optional Dissolution Date, which must not be less than 45 nor more than 60 days' notice (in the case of an Optional Dissolution Date) or 90 days' notice (in the case of a Tax Redemption Date) after the date on which the exercise notice is given and (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable to the particular Series) must also be a Periodic Distribution Date) oblige the Trustee to sell and transfer the relevant Wakala Portfolio at the relevant Exercise Price two Business Days prior to the Tax Redemption Date or Optional Dissolution Date, as the case may be. The exercise of QIB's right under the Sale Undertaking Deed is subject to the Trustee (or the Delegate on its behalf) not having previously delivered an exercise notice under, and as defined in, the Purchase Undertaking Deed.

The Exercise Price payable by QIB upon exercise of the relevant Sale Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the Sale Undertaking; (ii) an amount equal to any accrued and unpaid Periodic Distribution Amounts less any amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts, in each case on the date on which the payment of the Exercise Price is made pursuant to the Sale Undertaking Deed; (iii) an amount equal to the sum of: (1)

any amounts repayable but unpaid by the Trustee to the Managing Agent under a Liquidity Facility; and (2) without duplication or double-counting, any other outstanding Management Liabilities Amounts; and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date. Any obligation of the Trustee to repay any amounts advanced pursuant to the Liquidity Facility shall be set-off against payment by QIB of that portion of the Exercise Price under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable) comprising (i) any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; and (ii) any Management Liabilities Amounts repayable but unpaid by the Trustee to the Managing Agent in accordance with the terms of the Management Agreement.

QIB agrees in the Sale Undertaking Deed that all payments by it under the Sale Undertaking Deed will be made without set off or counterclaim of any kind and without any such deduction or withholding for or on account of Tax unless required by law and, in the event that there is any such deduction or withholding, QIB shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no withholding or deduction had been made.

Subject to payment of the Exercise Price in accordance with the Sale Undertaking Deed, the parties will enter into a Sale Agreement to effect the sale and transfer by the Trustee to QIB of the relevant Wakala Portfolio on the Dissolution Date of the relevant Series of Certificates. The specific terms applicable to each such sale will be confirmed in the Sale Agreement and the form of each such Sale Agreement is scheduled to the Sale Undertaking Deed.

Wakala Asset Substitution Undertaking Deed

A wakala asset substitution undertaking deed (the "**Wakala Asset Substitution Undertaking Deed**") will be entered into on the Closing Date by the Trustee in favour of QIB (in its capacity as Trustee for the Certificateholders), which will be governed by English law.

Pursuant to the Wakala Asset Substitution Undertaking Deed, the Trustee will, with respect to each Series, give a Wakala Asset Substitution Undertaking in favour of QIB pursuant to which the Trustee undertakes, upon receipt of a substitution notice, to transfer certain Wakala Assets to QIB in exchange for the receipt of certain new Wakala Assets from QIB, on the condition that the Value of the new Wakala Assets is at least equal to the Value of the Wakala Assets being substituted on such date.

Redemption Undertaking Deed

A redemption undertaking deed (the "**Redemption Undertaking Deed**") will be entered into on the Closing date by the Trustee in favour of QIB, which will be governed by English law.

In accordance with the exercise of the right granted under Condition 14(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by QIB and/or any of its Subsidiaries*), the Trustee undertakes (each undertaking in respect of a Series, a "**Redemption Undertaking**"), following the receipt of a Cancellation Notice by the Trustee, to cancel any relevant Certificates indentified to it by QIB and/or any of its subsidiaries and to transfer on any Cancellation Date the Cancellation Wakala Assets, the Value of which shall be no greater than the Wakala Percentage of the aggregate outstanding face amount of the Cancellation Certificates.

The exercise of QIB's right under the relevant Redemption Undertaking is subject to: (i) the Trustee (or the Delegate on its behalf) not having previously delivered an Exercise Notice under, and as defined in, the Purchase Undertaking Deed; and (ii) QIB not having previously delivered an Exercise Notice under, and as defined in, the Sale Undertaking Deed.

Representations of no Immunity

In each of the Transaction Documents to which QIB is a party, QIB has represented and warranted that it has entered into such Transaction Document in connection with the exercise of its powers to raise money. Accordingly, QIB has, in each of those Transaction Documents, acknowledged and agreed that it is not entitled to claim for itself or any of its assets immunity from legal process in actions taken in relation to any Transaction Document and brought against QIB in a court of competent jurisdiction irrespective of the identity of the holders of beneficial interests in the Certificates.

TAXATION

The following is a general description of certain Qatari, Cayman Islands and European Union tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those countries or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments of profit, principal and/or other amounts under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Qatar

The following is a general description of certain Qatar income tax considerations relating to the Certificates. It does not purport to be a complete analysis of all income tax considerations relating to the Certificates nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Certificates should consult their own tax advisers to determine the income tax consequences for them of acquiring, holding and disposing of the Certificates and receiving distributions, payments of principal, profit and/or other amounts under the Certificates and the consequences of such actions under the Qatar income tax regulations.

This general description of taxation in Qatar is based upon (a) Law No. 21 of the Year 2009 (the "**Qatar tax law**"), (b) Decision No. 10 of 2011 of the Ministry of Economy and Finance (the "**Executive Regulations**"), (c) Circular No.2 of 2011 and (d) the published practices that have been adopted and applied by the Public Revenues and Taxes Department at the Ministry of Economy and Finance, each as in effect on the date of this Base Prospectus. This general description is subject to any subsequent change in Qatar tax law, regulations and practice that may come into force after such date.

Under the Qatar tax law, tax is imposed on income derived from a source in Qatar. Income derived from a source in Qatar includes gross income arising from an activity carried on in Qatar, contracts wholly or partially performed in Qatar and real estate situated in Qatar (including the sale of shares in companies or partnerships, the assets of which consist mainly of real estate situated in Qatar). The gross income of Qatari natural persons resident in Qatar, including their shares in the profits of legal entities, is exempt from Qatar tax as is the capital gains on the disposal of real estate and securities derived by natural persons provided that the real estate and securities so disposed of do not form part of the assets of a taxable activity. Natural or legal persons deemed subject to income tax in Qatar will either pay tax at the standard rate of 10 per cent. on the net taxable income or, the tax will be withheld at source from the gross payment to be made.

A withholding tax applies to certain payments made to "non-residents" (as defined in the Qatar tax law) in respect of activities not connected with a permanent establishment in Qatar. Particularly, the Qatar tax law specifies a withholding tax rate of 7 per cent. on payments of interest. The Executive Regulations which apply to the Qatar tax law provide for certain exemptions to withholding tax on interest payments. These exemptions are: (i) interest on deposits in banks in Qatar; (ii) interest on bonds and securities issued by the State of Qatar and public authorities, establishments, corporations and companies owned wholly or partly by the State of Qatar; (iii) interest on transactions, facilities and loans with banks and financial institutions; and (iv) interest paid by a permanent establishment in Qatar to the head office or to an entity related to the head office outside Qatar.

In any case, all payments made under the Programme (including payments to the Certificateholders) have been exempted from withholding tax by an exemption issued by the Ministry of Economy and Finance and dated 16 September 2012.

There is no stamp duty, capital gains tax or sales tax applicable in Qatar (however, unless specifically exempt under the Qatar tax law, gains of a capital nature are treated as income and taxed at the same rate as income).

Cayman Islands

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

There are no income, corporation, capital gains tax or estate duty, inheritance tax or gift tax in effect in the Cayman Islands on the basis of present legislation. The Trustee has obtained an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, that for a period of 20 years from the date of issue no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (1999 Revision)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of a Certificate may be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$ 730. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

EU Savings Directive

Under the EU Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

A number of non EU countries and territories and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State.

In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The European Commission has proposed certain amendment to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional adviser.

SUBSCRIPTION AND SALE

Certificates may be sold from time to time by the Trustee to any one or more of Deutsche Bank, HSBC Bank plc, QInvest LLC and Standard Chartered Bank (the "**Dealers**"). The arrangements under which Certificates may from time to time be agreed to be sold by the Trustee to, and purchased by, the Dealers are set out in a programme agreement (the "**Programme Agreement**") dated 1 October 2012 (the "**Programme Agreement**") and made between, amongst others, the Trustee, QIB and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Certificates, the price at which such Certificates will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Trustee in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Certificates.

General

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Certificates or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Trustee, QIB and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Certificates or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Trustee and QIB. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

United States of America

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates comprising the relevant Series, as certified to the Principal Paying Agent or the Trustee by such Dealer (or, in the case of a sale of a Series of Certificates to or through more than one Dealer, by each of such Dealers as to the Certificates of such Series purchased by or through it, in which case the Principal Paying Agent, the Trustee or QIB shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Certificates during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Certificates comprising any Series, any offer or sale of Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and QIB for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that, no such offer of Certificates referred to above shall require the Trustee, QIB or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of Certificates to the public**" in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" for the purposes of this paragraph means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Certificates which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Trustee;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or QIB; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold Certificates, and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Malaysia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia; and

(b) accordingly, the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates have been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Singapore

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer or sell any Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor pursuant to Section 274 of the SFA; (ii) to a relevant person as defined in Section 275(2) of the SFA pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Certificates are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(b)(i)(B) of the SFA (in the case of that trust);

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities.

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the information contained in this Base Prospectus does not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Base Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the U.A.E.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates to a Saudi Investor will comply with the KSA Regulations.

Investors are informed that Article 17 of the Regulations place restrictions on secondary market activity with respect to the Certificates, including as follows:

(a) a Saudi Investor (referred to as a "**transferor**") who has acquired Certificates pursuant to a private placement may not offer or sell Certificates to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:

  (i) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

  (ii) the Certificates are offered or sold to a sophisticated investor; or

  (iii) the Certificates are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Certificates if he/she sells his entire holding of Certificates to one transferee; and

(d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Certificates.

Kingdom of Bahrain

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it will not make this offer available to the public in the Kingdom of Bahrain.

Qatar (excluding the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver, directly or indirectly, any Certificates in the State of Qatar, except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall not make any invitation to the public in the Cayman Islands to subscribe for any Certificates.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issuance of Certificates thereunder was duly authorised by a resolution of the Board of Directors of the Trustee dated 25 September 2012. The Trustee has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates. The entry into the Transaction Documents to which it is a party was authorised by a resolution of the shareholders of QIB dated 16 September 2012 and a resolution of the board of directors of QIB dated 15 September 2012.

Listing of Certificates

The admission of Certificates to the Official List will be expressed as a percentage of their nominal amount (excluding any due but unpaid Periodic Distribution Amounts). It is expected that each Series of Certificates which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Certificate initially representing the Certificates of such Series.

Application has been made to the Irish Stock Exchange for Certificates issued under the Programme to be admitted to the Official List and admitted to trading on the Regulated Market. The listing of the Programme in respect of Certificates is expected to be granted on or around 1 October 2012. Prior to the official listing and admission to trading however, dealings will be permitted by the Irish Stock Exchange in accordance with its rules. Transactions on the Regulated Market will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Certificates may be issued pursuant to the Programme.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Trustee or QIB is aware) which may have, or have had during the twelve months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Trustee, QIB and any of QIB's Subsidiaries.

Significant/Material Change

Since 31 December 2011 there has been no material adverse change in the prospects of QIB or its Subsidiaries and, since 30 June 2012, there has not been any significant change in the financial or trading position of QIB or its Subsidiaries.

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

Auditors

The consolidated financial statements of QIB as of and for the year ended 31 December 2010 have been audited in accordance with The International Standards on Auditing and Auditing Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions by PricewaterhouseCoopers, independent auditors, as stated in their report appearing herein. The consolidated financial statements of QIB as of and for the year ended 31 December 2011 have been audited in accordance with International Standards on Auditing and the Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions by Ernst & Young, Qatar, independent auditors, as stated in their report appearing herein. Both PricewaterhouseCoopers and Ernst & Young are public accountants registered to practise as auditors with the Department of Companies Controls, Ministry of Business & Trade in Qatar.

The unaudited interim condensed consolidated financial statements of QIB as at and for the six-month period ended 30 June 2012 have been reviewed in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" by Ernst & Young, Qatar as stated in their report appearing herein.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Documents on Display

For the period of 12 months following the date of this Base Prospectus, physical copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available for inspection from the registered office of the Trustee and from the specified office of the Principal Paying Agent for the time being in London:

(a) the Memorandum and Articles of Association of the Trustee and QIB;

(b) the audited consolidated financial statements of QIB for the years ended 31 December 2010 and 31 December 2011 in each case, together with the audit reports prepared in connection therewith, and the unaudited interim condensed consolidated financial statements of QIB for the six months ended 30 June 2012 together with any review report prepared in connection therewith;

(c) the Management Agreement, the Master Wakala Purchase Agreement and each Supplemental Purchase Contract, the Master Restricted Mudaraba Agreement and each Restricted Mudaraba Contract, the Purchase Undertaking Deed, the Redemption Undertaking Deed, the Sale Undertaking Deed, the Wakala Asset Substitution Undertaking Deed, the Agency Agreement, the Master Declaration of Trust and Supplemental Declaration of Trust and the Corporate Services Agreement;

(d) a copy of this Base Prospectus; and

(e) any future supplements to the Base Prospectus including Final Terms (save that a Final Terms relating to a Certificate which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of Certificates and identity) and any other documents incorporated herein or therein by reference (free of charge).

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The appropriate common code and the International Securities Identification Number in relation to the Certificates of each Series will be specified in the applicable Final Terms. The applicable Final Terms shall specify any other clearing system as shall have accepted the relevant Certificates for clearance together with any further appropriate information.

Passporting

The Trustee may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the United Kingdom to be issued by the FSA to the competent authority in any Member State.

Dealers transacting with QIB and its Subsidiaries

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to QIB and its Subsidiaries in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of QIB or QIB's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with QIB routinely hedge their credit exposure to QIB consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

FINANCIAL INFORMATION

The financial information included in this Base Prospectus has not been prepared in accordance with IFRS and there may be material differences in the financial information had IFRS been applied to the historical financial information. See "*Summary of Significant Differences Between The Financial Accounting Standards Issued By AAOIFI and International Financial Reporting Standards*".

Qatar Islamic Bank (S.A.Q)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012

ERNST & YOUNG

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR ISLAMIC BANK (S.A.Q)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Islamic Bank (S.A.Q) ("QIB" or the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 June 2012, comprising of the interim consolidated statement of financial position as at 30 June 2012, the related interim consolidated statement of income for the three-month and six-month periods ended 30 June 2012, and the related interim consolidated statements of changes in shareholders' equity, changes in off-balance sheet equity of investment accountholders and cash flows for the six-month period then ended and the related explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.

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

Date: 11 July 2012
Doha

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Notes	30 June 2012 (Unaudited) QR'000	31 December 2011 (Audited) QR'000	30 June 2011 (Unaudited) QR'000
Assets				
Cash and balances with Central Bank		2,209,817	1,832,513	2,089,395
Due from and investments with banks and financial institutions		5,206,598	7,368,705	4,426,767
Due from financing activities	5	35,771,479	29,595,870	24,727,312
Financial investments	6	15,322,586	14,810,188	14,477,828
Assets of a subsidiary held for sale	7	322,145	324,505	378,327
Other investments		1,206,240	1,206,119	1,044,052
Investment in associates		891,345	884,917	759,607
Other assets		1,636,382	1,645,076	1,634,634
Fixed assets		381,912	402,195	390,236
Goodwill	3	216,056	216,056	216,056
Total assets		63,164,560	58,286,144	50,144,214
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, NON-CONTROLLING INTEREST AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and financial institutions		13,114,637	13,342,262	7,502,294
Customers' accounts		9,731,732	9,286,244	6,693,841
Liabilities of a subsidiary held for sale	7	193,174	195,282	228,738
Other liabilities		1,092,519	1,241,404	858,813
Sukuk financing instruments		2,718,464	2,716,691	2,714,918
Total liabilities		26,850,526	26,781,883	17,998,604
Equity of unrestricted investment accountholders	8	23,712,997	18,653,837	19,784,451
Non-controlling interest		1,670,006	1,648,005	1,789,445
Shareholders' equity				
Share capital		2,362,932	2,362,932	2,362,932
Legal reserve	9	6,370,016	6,370,016	6,372,579
General reserve		666,571	666,571	666,571
Risk reserve	10	428,500	428,500	428,500
Fair value reserve		22,547	(30,514)	(38,320)
Translation reserve		(36,934)	(38,856)	(34,018)
Proposed cash dividend		-	1,063,319	-
Retained earnings		1,117,399	380,451	813,470
Total shareholders' equity		10,931,031	11,202,419	10,571,714
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, NON-CONTROLLING INTEREST AND SHAREHOLDERS' EQUITY		63,164,560	58,286,144	50,144,214

Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman

Ahmed Meshari
Acting Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF INCOME
For the six month period ended 30 June 2012

	Notes	**Three month period ended 30 June 2012 (Unaudited) QR'000**	Three month period ended 30 June 2011 (Unaudited) QR'000	**Six month period ended 30 June 2012 (Unaudited) QR'000**	Six month period ended 30 June 2011 (Unaudited) QR'000
Income					
Income from financing activities, net		494,140	405,935	**984,502**	863,256
Income from investing activities, net		175,132	186,959	**341,808**	311,250
Income from financing and investing activities, net		**669,272**	592,894	**1,326,310**	1,174,506
Commission and fees income	11	**126,152**	60,828	**233,953**	125,354
Commission and fees expenses		**(11,992)**	(5,240)	**(20,185)**	(10,764)
Income from commission and fees, net		**114,160**	55,588	**213,768**	114,590
Foreign exchange gain, net		**(20,243)**	5,654	**216**	13,361
Net operating income		**763,189**	654,136	**1,540,294**	1,302,457
Expenses and impairment losses					
General and administrative expenses		**(179,955)**	(168,091)	**(358,215)**	(293,988)
Depreciation of fixed assets		**(16,490)**	(12,109)	**(33,314)**	(23,147)
Impairment losses on due from financing activities, net		**14,626**	7,480	**1,135**	(20,518)
Impairment losses on financial investments and other receivables		**(116,765)**	-	**(188,060)**	(21,000)
Net profit from continuing operations		**464,605**	481,416	**961,840**	943,804
Income from subsidiary held for sale	7	**967**	3,297	**2,870**	3,297
Net profit before taxes		**465,572**	484,713	**964,710**	947,101
Income taxes		**(4,216)**	(4,459)	**(4,216)**	(4,459)
Net profit for the period		**461,356**	480,254	**960,494**	942,642
Less:					
Equity of unrestricted investment accountholders share from net profit		**(93,930)**	(74,786)	**(174,535)**	(188,450)
Non-controlling interest		**8,061**	3,321	**3,623**	1,724
Sukuk holders' share of profit		**(26,317)**	(26,317)	**(52,634)**	(52,634)
Net profit for the period attributable to shareholders		**349,170**	382,472	**736,948**	703,282
Earnings per share					
Basic and diluted earnings per share (in Qatari Riyals per share)		1.48	1.67	**3.12**	3.08

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended 30 June 2012

	Share capital QR'000	*Legal reserve QR'000*	*General reserve QR'000*	*Risk reserve QR'000*	*Fair value reserve QR'000*	*Translation reserve QR'000*	*Proposed cash dividend QR'000*	*Retained earnings QR'000*	*Total QR'000*
Six month period ended 30 June 2012									
Balance as at 1 January 2012	2,362,932	6,370,016	666,571	428,500	(30,514)	(38,856)	1,063,319	380,451	11,202,419
Cash dividend for the year 2011	-	-	-	-	-	-	(1,063,319)	-	(1,063,319)
Net profit for the period	-	-	-	-	-	-	-	736,948	736,948
Fair value reserve, net	-	-	-	-	53,061	-	-	-	53,061
Translation reserve ,net	-	-	-	-	-	1,922	-	-	1,922
Balance as at 30 June 2012 (Unaudited)	**2,362,932**	**6,370,016**	**666,571**	**428,500**	**22,547**	**(36,934)**	**-**	**1,117,399**	**10,931,031**
Six month period ended 30 June 2011									
Balance as at 1 January 2011	2,166,022	4,654,922	666,571	428,500	(6,424)	(53,706)	1,083,011	185,108	9,124,004
Prior year restatements	-	2,563	-	-	-	-	-	(74,920)	(72,357)
Balance after restatement	2,166,022	4,657,485	666,571	428,500	(6,424)	(53,706)	1,083,011	110,188	9,051,647
Shares issued to QIA	196,910	1,715,094	-	-	-	-	-	-	1,912,004
Cash dividend for the year 2010	-	-	-	-	-	-	(1,083,011)	-	(1,083,011)
Net profit for the period	-	-	-	-	-	-	-	703,282	703,282
Fair value reserve, net	-	-	-	-	(31,896)	-	-	-	(31,896)
Translation reserve , net	-	-	-	-	-	19,688	-	-	19,688
Balance as at 30 June 2011 (Unaudited)	2,362,932	6,372,579	666,571	428,500	(38,320)	(34,018)	-	813,470	10,571,714

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

For the six month period ended 30 June 2012

	Balance at 1 January 2012 QR'000	*Movements during the period*				*Balance at 30 June 2012 QR'000*
		Investment QR'000	*Revaluation QR'000*	*Realized income QR'000*	*Agency fees QR'000*	
Restricted investments	**526,115**	**(109,356)**	**3,341**	**11,371**	**(590)**	**430,881**

	Balance at 1 January 2011 QR'000	*Movements during the period*				*Balance at 30 June 2011 QR'000*
		Investment QR'000	*Revaluation QR'000*	*Realized income QR'000*	*Agency fees QR'000*	
Restricted investments	834,696	(419,543)	(7,495)	1,540	(1,128)	408,070

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six month period ended 30 June 2012

	Six month period ended 30 June 2012 (Unaudited) QR'000	*Twelve month period ended 31 December 2011 (Audited) QR'000*	*Six month period ended 30 June 2011 (Unaudited) QR'000*
Cash flows from operating activities			
Net cash (used in) resulted from operating Activities	**(7,245,274)**	7,964,665	2,961,919
Cash flows from investing activities			
Purchase of financial investments	**(1,394,812)**	(13,647,512)	(10,397,307)
Additional investment in associate company	**(11,594)**	(501,862)	-
Proceeds from sale of financial investments	**727,225**	3,274,010	553,682
Net cash acquired with the subsidiary	-	231,188	231,188
Purchase of other investments	**(13,030)**	(295,594)	-
Proceeds from sale of other investments	**12,910**	209,603	70,810
Proceeds from sale of associates	**3,215**	198,438	-
Dividends received from associates	-	108,931	-
Proceeds from sale of fixed assets	-	101	-
Purchase of fixed assets	**(13,049)**	(82,421)	(42,837)
Net cash used in investing activities	**(689,135)**	(10,505,118)	(9,584,464)
Cash flows from financing activities			
Increase in share capital	-	1,912,004	1,912,004
Increase (decrease) in equity of unrestricted investment accountholders	**4,884,625**	(3,394,919)	(1,931,174)
Dividends paid to shareholders	**(1,063,319)**	(1,083,011)	(1,083,011)
Net cash resulted from (used in) financing activities	**3,821,306**	(2,565,926)	(1,102,181)
Net decrease in cash and cash equivalents	**(4,113,103)**	(5,106,379)	(7,724,726)
Cash and cash equivalents - beginning of the period	**7,813,018**	12,919,397	12,919,397
CASH AND CASH EQUIVALENTS – END OF THE PERIOD (NOTE 12)	**3,699,915**	7,813,018	5,194,671

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

The Bank operates through its head office located in Grand Hamad Street, Doha, and 30 branches in the State of Qatar. The Bank's shares are listed for trading on the Qatar Exchange.

The interim condensed consolidated financial statements of the Group for the period ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 11 July 2012.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation
The interim condensed consolidated financial statements of the Bank and its subsidiaries (together referred to as the "Group") for the six month period ended 30 June 2012 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011. In addition, results for the six month period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

Significant accounting policies
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011 except for the new and amended accounting standards, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, related regulations of Qatar Central Bank and applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards (the "IFRSs").

New and amended accounting standards
During the period, the Group has adopted the following standards effective for the annual period beginning on or after 1 January 2012.

IFRS 7 Financial Instruments (Disclosures)
The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when:

- Financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets).
- Financial assets are not derecognised in their entirety.

The amended disclosures are more extensive and onerous than previous disclosures. This amendment did not have any impact on the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New and amended accounting standards (continued)
The following amendments to standards became effective in 2012, but did not have any impact on the accounting policies, financial position or performance of the Group.

Standard	***Content***
IAS 12	Income Taxes – Tax recovery of underlying assets (Amendment)
IFRS 1	First-time adoption – Severe hyperinflation and removal of fixed dates for first-time adopters (Amendment)

Standards, amendments and interpretations issued but not adopted
The Group is currently considering the implications of the new IFRSs which are effective for future accounting periods and has not early adopted any of the new standards as listed below:

Standard/ Interpretation	***Content***	***Effective date***
IFRS 9	Financial Instruments: Classification & Measurement (Part 1)	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income (Amendment)	1 January 2013
IAS 19	Employee Benefits (Revised)	1 January 2013

Basis of consolidation
These interim condensed consolidated financial statements include the financial statements of the Bank and its following subsidiaries after elimination of intercompany transactions and balances.

	Country of Incorporation	***Principal Business Activity***	***Effective Percentage of Equity***
Aqar Real Estate Development and Investment ("AQAR") – (i)	Qatar	Property Investments	49%
QIB (UK)	United Kingdom	Investment banking	70%
QIB Sukuk Funding Limited	Qatar	Financing Company	100%
QInvest LLC – (i)	Qatar	Investment Banking	46.96%
Verdi – (ii)	Luxembourg	Real estate	46.96%
QWest – (ii)	France	Equity Investment	46.96%
QInvest Saudi Arabia – (ii)	Saudi Arabia	Investment Banking	44.80%
Polymer Holding – (ii)	Cayman Islands	Investment holding company	46.96%
Q Business Services – (ii)	Cayman Islands	Investment holding company	46.96%
Q Liquidity Limited – (ii)	Cayman Islands	Placements	46.96%
Q Saudi Alpha – (ii)	Cayman Islands	Investment holding company	46.96%
Q Saudi Beta – (ii)	Cayman Islands	Investment holding company	46.96%
Q Saudi Gamma – (ii)	Cayman Islands	Investment holding company	46.96%
Q Shipping Investments – (ii)	Cayman Islands	Shipping fund investment	46.96%
Q Shipping Services – (ii)	Cayman Islands	Investment holding company	46.96%
QInvest Holding Mauritius – (ii)	Mauritius	Investment holding company	46.96%
QInvest Luxembourg SARL – (ii)	Luxembourg	Investments	46.96%
QInvest Partners LLC – (ii)	Qatar (QFC)	Investment holding company	46.96%
QWMB Investment WLL – (ii)	Bahrain	Investment holding company	46.73%
Q Equity – (ii)	Cayman Islands	Equity Investments	46.96%
Q Green – (ii)	Cayman Islands	Investment holding company	46.96%
Q Finance – (ii)	Cayman Islands	Investment holding company	46.96%
Q Tamwil Mauritius – (ii)	Mauritius	Investment holding company	46.96%

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Notes:

(i) The Group has the power to cast majority of the votes in the Board of Directors meetings of these subsidiaries by virtue of representing highest number of members in the Board.

(ii) The Group has the power, indirectly through QInvest LLC, as these entities are fully owned by QInvest LLC and accordingly, these entities have been considered as subsidiaries of the Group.

3 BUSINESS COMBINATION

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

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

	Fair values at the acquisition date QR'000	*Carrying amounts immediately prior to acquisition QR'000*
Assets		
Cash and bank balances	231,188	231,188
Placements with financial institutions	444,289	444,289
Investment securities	1,563,335	1,563,335
Assets of a subsidiary held for sale	358,958	358,958
Investments in associates	446,915	446,915
Other assets	207,046	207,046
	3,251,731	**3,251,731**
Liabilities		
Liabilities of a subsidiary held for sale	(220,084)	(220,084)
Due to Banks	(18,014)	(18,014)
Other liabilities	(25,465)	(25,465)
	(263,563)	**(263,563)**
Net assets	**2,988,168**	**2,988,168**
Non-controlling interest (53.33%)	(1,593,590)	(1,593,590)
Total net assets acquired	**1,394,578**	**1,394,578**
Goodwill arising from acquisition	216,056	
Cost of business combination	1,610,634	
Consideration		
Cash consideration	656,110	
Fair value of QIB's equity interest in QInvest LLC held before the business combination	954,524	
	1,610,634	

3 BUSINESS COMBINATION (continued)

During the period ended 30 June 2012, in compliance with the provisions of International Financial Reporting Standard 3 “Business Combinations”, the Group has carried out a one time “Purchase Price Allocation” (PPA) exercise for the value paid for the acquisition of shares of QInvest LLC. PPA identifies the value paid for the tangible assets, intangible assets and the goodwill arising on the acquisition. The intangibles identified on acquisition of shares in Q-Invest LLC are not material and it was not considered.

4 SEGMENT REPORTING

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

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

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

Group function – treasury, investment, finance and other central functions.

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

4 SEGMENT REPORTING (continued)

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

30 June 2012	*Wholesale banking QR'000*	*Personal banking QR'000*	*Group function QR'000*	*Local & international subsidiaries QR'000*	*Adjustments and eliminations QR'000*	*Total QR'000*
Income from financing activities, net	704,130	283,030	-	(2,658)	-	984,502
Inter- segment	-	144,600	47,500	-	(192,100)	-
Income from investing activities, net	-	-	243,404	98,404	-	341,808
Foreign exchange gain, net	-	-	14,585	(14,369)	-	216
Equity of unrestricted investment accountholders' share from net profit	(34,472)	(134,373)	(5,690)	-	-	(174,535)
Sukuk holders' share of profit	-	-	(52,634)	-	-	(52,634)
Income from commission and fees, net	82,947	37,600	24,260	68,961	-	213,768
Net operating income	**752,605**	**330,857**	**271,425**	**150,338**	**(192,100)**	**1,313,125**
General and administrative expenses	(80,773)	(160,300)	(36,820)	(113,636)	-	(391,529)
Impairment losses	-	-	(145,202)	(41,723)	-	(186,925)
Income from subsidiary held for sale	-	-	-	2,870	-	2,870
Tax	-	-	-	(4,216)	-	(4,216)
Non-controlling interest	-	-	-	3,623	-	3,623
Segmental profit / (loss)	**671,832**	**170,557**	**89,403**	**(2,744)**	**(192,100)**	**736,948**

4 SEGMENT REPORTING (continued)

30 June 2011	*Wholesale banking QR'000*	*Personal banking QR'000*	*Group function QR'000*	*Local & international subsidiaries QR'000*	*Adjustments and eliminations QR'000*	*Total QR'000*
Income from financing activities, net	624,998	242,598	-	(4,340)	-	863,256
Inter – segment	-	150,820	18,470	-	(169,290)	-
Income from investing activities, net	-	-	239,572	71,678	-	311,250
Foreign exchange gain, net	-	-	9,691	3,670	-	13,361
Equity of unrestricted investment account holders' share from net profit	(43,601)	(145,402)	-	553	-	(188,450)
Sukuk holders' share of profit	-	-	(52,634)	-	-	(52,634)
Income from commission and fees, net	71,779	22,080	3,570	17,161	-	114,590
Net operating income	653,176	270,096	218,669	88,722	(169,290)	1,061,373
General and administrative expenses	(73,888)	(121,788)	(29,610)	(91,849)	-	(317,135)
Impairment losses	-	-	(41,518)	-	-	(41,518)
Income from subsidiary held for sale	-	-	-	3,297	-	3,297
Tax	-	-	-	(4,459)	-	(4,459)
Non-controlling interest	-	-	-	1,724	-	1,724
Segmental profit / (loss)	579,288	148,308	147,541	(2,565)	(169,290)	703,282

4 SEGMENT REPORTING (continued)

30 June 2012	*Wholesale banking QR'000*	*Personal banking QR'000*	*Group function QR'000*	*Local & international subsidiaries QR'000*	*Total QR'000*
Total assets	**27,646,583**	**8,786,406**	**23,619,027**	**3,112,544**	**63,164,560**
Total of liabilities and equity of unrestricted investment accountholders	**7,769,300**	**24,240,389**	**16,966,332**	**1,587,502**	**50,563,523**

31 December 2011	*Wholesale Banking QR'000*	*Personal Banking QR'000*	*Group Function QR'000*	*Local & International Subsidiaries QR'000*	*Total QR'000*
Total assets	22,585,004	7,095,008	25,331,841	3,274,291	58,286,144
Total of liabilities and equity of unrestricted investment accountholders	7,216,047	20,447,367	16,534,521	1,237,785	45,435,720

5 DUE FROM FINANCING ACTIVITIES

	30 June 2012 (Unaudited) QR'000	*31 December 2011 (Audited) QR'000*	*30 June 2011 (Unaudited) QR'000*
Due from financing activities	40,654,706	33,859,679	28,682,030
Deferred profit	(4,549,788)	(3,901,184)	(3,559,185)
Specific provision against non performing due from financing activities	(292,209)	(310,745)	(318,263)
Suspended profit	(41,230)	(51,880)	(77,270)
Net due from financing activities	**35,771,479**	29,595,870	24,727,312

6 FINANCIAL INVESTMENTS

	30 June 2012			
	At fair value through statement of income QR'000	***At fair value through equity QR'000***	***At amortised cost QR'000***	***Total QR'000***
Financial investment in:				
- Equity type instruments:				
Quoted	**144,351**	**791,197**	**-**	**935,548**
Unquoted	**728,252**	**953,099**	**-**	**1,681,351**
Total	**872,603**	**1,744,296**	**-**	**2,616,899**
- Debt-type instruments:				
Quoted	**91,110**	**-**	**983,782**	**1,074,892**
Unquoted	**30,273**	**-**	**11,600,523**	**11,630,795**
Total	**121,383**	**-**	**12,584,305**	**12,705,687**
Grand total	**993,986**	**1,744,296**	**12,584,305**	**15,322,586**

6 FINANCIAL INVESTMENTS (continued)

	31 December 2011			
	At fair value through statement of income QR'000	*At fair value through equity QR'000*	*At amortised cost QR'000*	*Total QR'000*
Financial investment in:				
- Equity type instruments:				
Quoted	165,913	901,013	-	1,066,926
Unquoted	619,750	1,052,364	-	1,672,114
Total	785,663	1,953,377	-	2,739,040
- Debt-type instruments:				
Quoted	-	-	1,063,124	1,063,124
Unquoted	-	-	11,008,024	11,008,024
Total	-	-	12,071,148	12,071,148
Grand total	785,663	1,953,377	12,071,148	14,810,188

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

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

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

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

30 June 2012	***Fair value QR'000***	***Level 1 QR'000***	***Level 2 QR'000***	***Level 3 QR'000***
Financial investments				
Investment at fair value through equity	**1,744,296**	**791,197**	**-**	**953,099**
Investment at fair value through income statement	**993,986**	**235,460**	**-**	**758,526**
Total	**2,738,282**	**1,026,657**	**-**	**1,711,625**

31 December 2011	*Fair value QR'000*	*Level 1 QR'000*	*Level 2 QR'000*	*Level 3 QR'000*
Financial investments				
Investment at fair value through equity	1,953,377	901,013	-	1,052,364
Investment at fair value through income statement	785,663	165,913	18,346	601,404
Total	2,739,040	1,066,926	18,346	1,653,768

7 ASSETS AND LIABILITIES OF A SUBSIDIARY HELD FOR SALE

	30 June 2012 (Unaudited) QR'000	*31 December 2011 (Audited) QR'000*	*30 June 2011 (Unaudited) QR'000*
Assets	**322,145**	324,505	378,327
Liabilities	**193,174**	195,282	228,738

	Six month period ended 30 June 2012 (Unaudited) QR'000	*Six month period ended 30 June 2011 (Unaudited) QR'000*
Profit for the period	**2,870**	3,297

8 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

	30 June 2012 (Unaudited) QR'000	*31 December 2011 (Audited) QR'000*	*30 June 2011 (Unaudited) QR'000*
Term	**14,049,425**	10,451,897	12,319,014
Saving accounts	**6,879,420**	5,540,883	4,903,406
Repayable on demand	**2,692,034**	2,542,372	2,503,297
	23,620,879	18,535,152	19,725,717
Share of profit	**97,623**	145,219	89,840
Share of fair value reserve	**(5,505)**	(26,534)	(31,106)
Total	**23,712,997**	18,653,837	19,784,451

9 LEGAL RESERVE

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

10 RISK RESERVE

In accordance with Qatar Central Bank regulations, the risk reserve at the end of each year should not be less than 1.5% of the total direct credit extended by the bank and its branches and subsidiaries as per the consolidated statement of financial position after excluding the specific provision, suspended profit, deferred income and financing to Ministry of Finance of the State of Qatar, guaranteed by Ministry of Finance and financing against cash collaterals. The Risk reserve will be used in full or partially only after obtaining prior approval from Qatar Central Bank. No transfer to risk reserve during the period as the required amount will be transferred at year end.

11 COMMISSION AND FEES INCOME

	Six month period ended 30 June 2012 (Unaudited) QR'000	*Six month period ended 30 June 2011 (Unaudited) QR'000*
Management fees	**62,705**	45,493
Banking service fees	**33,187**	18,513
Letters of credit and guarantee	**35,746**	25,900
Others	**102,315**	35,448
Total	**233,953**	125,354

12 CASH AND CASH EQUIVALENTS

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

	30 June 2012 (Unaudited) QR'000	*31 December 2011 (Audited) QR'000*	*30 June 2011 (Unaudited) QR'000*
Cash and current account with Central Bank	752,840	609,958	884,076
Due from and investments with banks and financial institutions	2,947,075	7,203,060	4,310,595
Total	**3,699,915**	7,813,018	5,194,671

13 CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2012 (Unaudited) QR'000	*31 December 2011 (Audited) QR'000*	*30 June 2011 (Unaudited) QR'000*
Letters of guarantees	**4,569,687**	3,358,006	3,298,483
Unused financing facilities commitments	**4,917,245**	3,470,466	2,852,979
Uncompleted part of Istisna'a commitments	**146,178**	248,106	1,266,063
Letters of credit and acceptances	**1,417,159**	620,115	643,644
Total	**11,050,269**	7,696,693	8,061,169

14 RELATED PARTY TRANSACTIONS

The Group has transactions in the ordinary course of business with directors, officers of the Group and entities of which they are principal owners or any other parties having significant influence on the financial or operational decisions of the Group. At the reporting date, such significant balances include:

Transactions with related parties

	30 June 2012 (Unaudited)		*31 December 2011 (Audited)*	
	Directors QR'000	***Subsidiaries and Affiliates QR'000***	*Directors QR'000*	*Subsidiaries and Affiliates QR'000*
Consolidated statement of financial position items				
On financial position items:				
Assets				
Due from financing activities	**122,199**	**2,689,782**	209,714	2,221,692
Other assets	-	-	-	165,194
Liabilities				
Call accounts	**191,805**	**212,512**	152,402	172,460
Off balance sheet items:				
Contingent liabilities, guarantees and other commitments	82,777	**764,891**	26,495	522,995

	For the six month period ended 30 June			
	2012 (Unaudited)		*2011 (Unaudited)*	
	Directors QR'000	***Subsidiaries and Affiliates QR'000***	*Directors QR'000*	*Subsidiaries and Affiliates QR'000*
Consolidated statement of income items				
Income from financing activities	**2,685**	-	7,453	24,518
Profit paid on call accounts	**8,901**	**2,058**	9,062	509

All the transactions with related parties are substantially on terms comparable with those relating to transactions with other customers.

	For the six month period ended 30 June	
	2012 (Unaudited) QR'000	*2011 (Unaudited) QR'000*
Key management remuneration	**23,109**	15,106

15 COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period. Such reclassification did not have any impact on the net profit or the equity of the previous year/period.

QATAR ISLAMIC BANK (S.A.Q)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2011

QATAR ISLAMIC BANK (S.A.Q)
31 DECEMBER 2011

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR ISLAMIC BANK (S.A.Q)

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors', as well as evaluating the overall presentation of the consolidated financial statements.

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

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

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR ISLAMIC BANK (S.A.Q) (CONTINUED)

Other matter

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

Report on other legal and regulatory matters

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

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

Date: 18 January 2012
Doha
State of Qatar

Qatar Islamic Bank (S.A.Q)
Consolidated statement of financial position
At 31 December 2011

(Amounts expressed in thousands of Qatari Riyals)

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

Jassim Bin Hamad Bin Jassim
Bin Jabor Al Thani
Chairman

Ahmad Meshari
Acting Chief Executive Officer

The notes from 1 to 40 form an integral part of these consolidated financial statements. (2)

Qatar Islamic Bank (S.A.Q)
Consolidated statement of income
For the year ended 31 December 2011

(Amounts expressed in thousands of Qatari Riyals)

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

The notes from 1 to 40 form an integral part of these consolidated financial statements. (3)

Qatar Islamic Bank (S.A.Q)
Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2011

(Amounts expressed in thousands of Qatari Riyals)

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

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

Qatar Islamic Bank (S.A.Q)
Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2011

(Amounts expressed in thousands of Qatari Riyals)

	Share capital	Amount paid under the capital increase	Legal reserve	General reserve	Risk reserve	Fair value reserve	Translation reserve	Proposed cash dividend	Retained earnings	Total
2010										
At 1 January 2010	2,067,566	956,003	3,797,375	666,571	428,500	(44,827)	(47,551)	1,181,466	-	9,005,103
Shares issued to QIA (Note 22 a)	98,456	(956,003)	857,547	-	-	-	-	-	-	-
Cash dividends paid for 2009	-	-	-	-	-	-	-	(1,181,466)	-	(1,181,466)
Net profit for 2010	-	-	-	-	-	-	-	-	1,262,179	1,262,179
Fair value reserve, net	-	-	-	-	-	38,403	-	-	-	38,403
Translation reserve, net	-	-	-	-	-	-	(6,155)	-	-	(6,155)
Proposed cash dividends	-	-	-	-	-	-	-	1,083,011	(1,083,011)	-
Contribution in social and sport activities (Note 22 g)	-	-	-	-	-	-	-	-	(66,416)	(66,416)
At 31 December 2010 (Restated)	2,166,022	-	4,654,922	666,571	428,500	(6,424)	(53,706)	1,083,011	112,752	9,051,648

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

Qatar Islamic Bank (S.A.Q)
Consolidated statement of cash flows
For the year ended 31 December 2011

(Amounts expressed in thousands of Qatari Riyals)

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

The notes from 1 to 40 form an integral part of these consolidated financial statements. (6)

1. Legal status and principal activities

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

The Bank operates through its head office located in Grand Hamad Street, Doha, and 30 branches in the State of Qatar. The Bank's shares are listed for trading on the Qatar Exchange.

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

2. Basis of preparation and significant accounting policies

a) Basis of preparation

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

b) Accounting convention

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

c) Changes in accounting policies and disclosures

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

New and amended standards and interpretations

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

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

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

c) Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations *(continued)*

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

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

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

IAS 24, 'Related Party Disclosures (Revised)'

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

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

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

Improvements to IFRS (issued May 2010)

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

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

c) Changes in accounting policies and disclosures (continued)

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

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

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

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

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

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

d) Basis of consolidation (continued)

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

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

Notes:

(i) The Group has the power to cast majority of the votes in the Board of Directors meetings of these subsidiaries by virtue of representing highest number of members in the Board.

(ii) The Group has the power, indirectly through QInvest LLC, as these entities are fully owned by QInvest LLC and accordingly, these entities have been considered as subsidiaries of the Group.

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

e) Business combinations and goodwill

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

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

f) Investment in associate

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

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

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

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

g) Foreign currencies and transactions

Functional and presentation currency

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

Transactions and balances

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

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

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

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

g) Foreign currencies and transactions (continued)

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

I. assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

II. income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

III. all resulting exchange differences are recognised as a separate component in the consolidated statement of changes in shareholders' equity under "translation reserve"

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

h) Revenue recognition

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

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

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

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

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

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

h) Revenue recognition (continued)

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

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

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

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

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

Income from investments
Income from investments is recognized when earned.

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

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

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

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

i) Financial investments (continued)

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

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

Investment at fair value through equity
These are initially recognised at cost, being the fair value of the consideration given and transaction costs. After initial recognition, investments that are classified as “Investment at fair value through equity” are re-measured at fair value on individual basis. Unrealised gains or losses arising from a change in the fair value are recognised in the fair value reserve with the separation between shareholders’ rights and equity of unrestricted investment account holders’ rights, until it is sold, at which time the cumulative gain or loss previously recognised in shareholders’ equity and equity of unrestricted investment account holders is included in the consolidated statement of income.

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

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

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

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

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

k) Date of recognition of financial transactions
All financial assets and liabilities are recognised using settlement date which is the date that an asset is delivered to or by the Group.

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

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

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

j) Due from financing activities

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

Murabaha and Musawama

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

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

Mudaraba

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

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

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

Musharaka

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

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

Istisna'a

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

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

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

j) Due from financing activities (continued)
The provision for impairment of due from financing activities which represent an estimated amount for impairment in financing portfolio through a detailed review by management in accordance with Qatar Central Bank's instructions.

Due from financing activities are written off and charged against provisions in case where all collection procedures have been exhausted.

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

k) Properties acquired against settlement of receivables
Properties acquired against settlement of receivable amounts are included under other assets at their acquisition value net of any required provision for impairment. Unrealised losses due to the reduction in the fair value of such assets in relation to the acquisition cost as at reporting date are included in the consolidated statement of income. In the case of an increase in the fair value of such properties in the future, unrealised gain is recognised in the consolidated statement of income to the extent of unrealised losses previously recognised.

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

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

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

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

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

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

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

m) Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised in the consolidated statement of income. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted. Impairment is determined as follows:

i) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated statement of income;

ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

iii) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

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

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

n) Impairment of non-financial assets

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

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

o) Income tax

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

p) Derecognition of financial assets and financial liabilities

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

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

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

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

q) Employees' end of service benefits and pension fund

The Group makes a provision for all end of service benefits payable to employees in accordance with the Group's policies, calculated on the basis of individual employee's salary and period of service at the reporting date. For the Qatari employees, the Group pays its share in the pension fund in accordance with the Qatari Pension law.

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

q) Employees' end of service benefits and pension fund (continued)
Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated statement of income when they are due.

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

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

s) Other provisions
Provisions for legal claims are recognised when the Group has legal claims or obligations as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The Group accounts for provisions to be charged to the consolidated statement of income for any potential claim or for any expected impairment of assets, taking into consideration the value of the potential claim or expected impairment and its likelihood.

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

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

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

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

w) Assets held for sale

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

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

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

x) Wakala payables

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

gg) Derivative financial instruments
The Group enters into certain Islamic derivative financial instruments to manage the exposure to foreign exchange rate risks, including unilateral promise to buy/sell currencies. Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

3. Financial instruments and related risk management

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

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

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

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

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

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

The Risk Management Committee formed other sub-committees such as the Assets and Liabilities Committee (ALCO), the Group Credit Committee, and the Investment Committee, which are responsible for developing and monitoring Group's risk management policies in their specified areas.

3. Financial instruments and related risk management (continued)

Risk management framework (continued)
A separate Risk Management Group, reporting to the Chief Executive Officer and the Risk Management Committee, assists in carrying out the oversight responsibility of the Board.

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

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

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

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

The Group's credit risk management framework includes:

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

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

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

Regular audits of business units and Group credit processes are undertaken by Internal Audit and Compliances Division.

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

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

Exposure to credit risk

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

Aging analysis of past due but not impaired

2011	**Less than 30 days**	**31 to 60 days**	**61 to 90 Days**	**More than 90 days**	**Total**
Due from financing activities	**24,003**	**35,300**	**45,460**	**463,415**	**568,178**

2010	Less than 30 days	31 to 60 days	61 to 90 Days	More than 90 days	Total
Due from financing activities	68,660	51,440	70,191	2,662,916	2,853,207

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

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

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

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

3. Financial instruments and related risk management (continued)

b) Liquidity risk

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

Management of liquidity risk

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

Exposure to liquidity risk

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

2010 (Restated)	Up to 1 month	1-3 months	3-12 months	1 to 5 years	More than 5 years	Total
Assets						
Cash and balances with central bank	523,123	-	-	-	1,351,427	1,874,550
Due from and investments with banks and financial institutions	11,730,060	643,109	58,011	-	-	12,431,180
Due from financing activities	1,266,602	2,132,491	8,441,255	17,511,425	-	29,351,773
Financial investments	-	-	2,001,708	648,309	783,071	3,433,088
Investment in associates	-	-	-	-	1,631,259	1,631,259
Other investments	-	-	-	1,114,862	-	1,114,862
Fixed assets	-	-	-	-	370,560	370,560
Other assets	-	-	-	1,669,910	-	1,669,910
Total assets	13,519,785	2,775,600	10,500,974	20,944,506	4,136,317	51,877,182
Liabilities and equity of unrestricted investment account holders						
Due to banks and financial institutions	4,538,708	1,574,681	2,096,100	202,430	-	8,411,919
Customers' accounts	8,730,535	-	-	-	-	8,730,535
Sukuk financing instruments	-	-	-	2,713,290	-	2,713,290
Other liabilities	-	-	-	1,123,965	-	1,123,965
	13,269,243	1,574,681	2,096,100	4,039,685	-	20,979,709
Equity of unrestricted investment account holders	9,977,669	4,189,707	6,899,329	572,436	-	21,639,141
Total liabilities and equity of investment accountholders	23,246,912	5,764,388	8,995,429	4,612,121	-	42,618,850
Contingent liabilities	-	-	6,929,098	-	-	6,929,098
Difference	(9,727,127)	(2,988,788)	(5,423,553)	16,332,385	4,136,317	2,329,234

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

c) Market risk for financial investments

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

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

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

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

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

Profit rate risk

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

Profit rate risk (continued)
The following table summarises the repricing profile of the Group's assets, liabilities and contingent liability expenses

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

Profit rate risk (continued)

2010 (Restated)

	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non rate sensitive	Total
Assets							
Cash and balances with central banks	-	-	-	-	-	1,874,550	1,874,550
Due from and investments with banks and financial institutions	11,730,060	643,109	58,011	-	-	-	12,431,180
Due from financing activities	1,266,602	2,132,491	8,441,255	17,511,425	-	-	29,351,773
Financial Investments	-	-	-	-	-	2,167,160	2,167,160
Total assets	12,996,662	2,775,600	8,499,266	17,511,425	-	4,041,710	45,824,663
Liabilities							
Due to banks and financial institutions	4,538,708	1,574,681	2,096,100	202,430	-	-	8,411,919
Customer Accounts	-	-	-	-	-	8,730,535	8,730,535
Sukuk financing instruments	-	-	-	-	-	2,713,290	2,713,290
Total Liabilities	4,538,708	1,574,681	2,096,100	202,430	-	11,443,825	19,855,744
Equity of unrestricted investment account holders	9,977,669	4,189,707	6,899,329	572,436	-	-	21,639,141
Total liabilities and equity of unrestricted investment account holders	14,516,377	5,764,388	8,995,429	774,866	-	11,443,825	41,494,885
Profit rate sensitivity gap	(1,519,715)	(2,988,788)	(496,163)	16,736,559	-	(7,402,115)	4,329,778
Cumulative gap	(1,519,715)	(4,508,503)	(5,004,666)	11,731,893	11,731,893	4,329,778	-

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

d) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instrument denominated in a foreign currency. The Group's functional currency is Qatari Riyal. The Board of Directors has set limits on positions by currency. Positions are closely monitored and hedging strategy is used to ensure positions are maintained within established limits. At 31 December 2011, the Group had the following significant net exposures denominated in foreign currencies.

2011	**QAR**	**USD**	**EUR**	**GBP**	**Others**	**Total**
Assets	**40,010,296**	**15,886,969**	**1,851,632**	**355,295**	**181,952**	**58,286,144**
Liabilities, non-controlling interest and shareholders' equity	**(40,310,647)**	**(14,179,427)**	**(2,254,979)**	**(352,404)**	**(1,188,687)**	**(58,286,144)**
Net position	**(300,351)**	**1,707,542**	**(403,347)**	**2,891**	**(1,006,735)**	**-**

2010 (Restated)	QAR	USD	EUR	GBP	Others	Total
Assets	38,740,153	12,208,955	532,449	104,233	291,392	51,877,182
Liabilities, non-controlling interest and shareholders' equity	(40,869,155)	(10,281,001)	(519,161)	(80,616)	(127,249)	(51,877,182)
Net position	(2,129,002)	1,927,954	13,288	23,617	164,143	-

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

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

f) Capital adequacy

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

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

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

g) Risk of managing third party investments

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

h) Operational and other risks

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

i) Fair value of financial assets and liabilities

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

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

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

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

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

Fair value hierarchy

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

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

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

Fair value hierarchy (continued)

2011	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial investments				
Investment at fair value through equity	**1,181,832**	**62,969**	**1,118,863**	**-**
Investment at fair value through income statement	**1,104,394**	**290,475**	**813,919**	**-**
Total	**2,286,226**	**353,444**	**1,932,782**	**-**

2010	Fair value	Level 1	Level 2	Level 3
Financial investments				
Investment at fair value through equity	393,444	112,625	280,819	-
Investment at fair value through income statement	290,475	290,475	-	-
Total	683,919	403,100	280,819	-

4. Critical accounting estimates and judgements

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

(a) Impairment losses on due from financing activities

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

4. **Critical accounting estimates and judgements** (continued)

(b) Impairment of Investment at fair value through equity

The Group determines that equity investments at fair value through equity are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates amongst other factors, the normal volatility in share price. In addition, impairment may be relevant when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. If any such evidence of impairment for Investment at fair value through equity exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in statement of income is removed from equity and recognized in the consolidated statement of income.

(c) Impairment of held to maturity investments

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

(d) Fair value of financial instruments

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

(f) Useful lives of fixed assets

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

(g) Going concern

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

(Amounts expressed in thousands of Qatari Riyals)

5. Cash and balances with central bank

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

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

6. Due from and investments with banks and financial institutions

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

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

7. Due from financing activities

a) By type:

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

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

(Amounts expressed in thousands of Qatari Riyals)

7. Due from financing activities (continued)

b) By industry:

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

c) By customer:

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

(Amounts expressed in thousands of Qatari Riyals)

7. Due from financing activities (continued)

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

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

e) Provisions distribution by nature of the customer:

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

8. Financial investments

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

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

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

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

10. Other investments

a) Investment in properties and other assets held for leasing

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

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

b) Investment in properties and other assets held for trading

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

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

11. Investment in associates

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

(Amounts expressed in thousands of Qatari Riyals)

11. Investment in associates (continued)

The investments in associates are being distributed as follows:

By investment percentage:

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

By financial position:

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

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

(Amounts expressed in thousands of Qatari Riyals)

11. Investment in associates (continued)

Notes:

i) On 1 March 2011, the Group acquired additional 11.67% of the voting shares of QInvest LLC and obtained control over the financial and operating activities of QInvest LLC with 46.67% of voting shares. This result in the change in the status of QInvest from associate to subsidiary Consequently QInvest LLC has been consolidated in the books of the Group since 1 March 2011.

ii) The Group's equity accounted investees are not publicly listed entities and consequently do not have published price quotations, except for Panmure Gordon & Co. Plc. which is listed on the Alternative Investment Market (AIM) in the UK. Based on its closing share price of 10.75 pence at 31 December 2011, the fair value of the Group's investment is US$ 11 million (QR 40 million)

iii) During the year, 66.7% shares in one of subsidiary's joint controlled entities, QWest, were transferred in the subsidiary name making the total shareholding of the subsidiary in QWest to 100%. This result in the change in the status of QWest from associate to subsidiary. Consequently QWest has been consolidated in the books of the subsidiary since March 2011. No goodwill or premium has arisen in the subsidiary's books due to this change as the cost of acquisition and fair values of net assets of QWest did not change as a result of this change in status.

12. Other assets

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

(Amounts expressed in thousands of Qatari Riyals)

13. Fixed assets

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

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

(Amounts expressed in thousands of Qatari Riyals)

14. Business combination

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

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

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

Notes:

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

15. Due to banks and financial institutions

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

16. Customers' accounts

a) Current Accounts

	2011	2010
Government	**130,165**	1,390,219
Corporate	**4,060,747**	3,623,949
Individuals	**4,642,450**	2,658,040
	8,833,362	7,672,208
b) Others	**170,100**	1,058,327
Total current accounts and other balances	**9,003,462**	8,730,535

17. Other liabilities

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

(Amounts expressed in thousands of Qatari Riyals)

18. Sukuk financing instruments

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

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

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

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

19. Provision for employees' end of service benefits

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

20. Equity of unrestricted investment account holders

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

(Amounts expressed in thousands of Qatari Riyals)

20. Equity of unrestricted investment account holders (continued)

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

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

21. Non-controlling interest

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

22. Shareholders' equity

a) Share capital

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

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

22. Shareholders' equity (continued)

b) Advance received for capital increase

On 30 December 2009, the Bank received QR 956 million as advance against share capital for 9,845,550 ordinary shares by way of private placement to Qatar Investment Authority, in accordance with the resolution of the shareholders in their Extra-ordinary General Meeting held on 23 December 2008. The allotment of shares and transfer of this amount to share capital has been executed during the year 2010.

c) Legal reserve

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

d) General reserve

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

e) Risk reserve

In accordance with Qatar Central Bank regulations, the risk reserve at the end of each year should not be less than 1.5% of the total direct credit extended by the bank and its branches and subsidiaries as per the consolidated statement of financial position after excluding the specific provision, suspended profit, deferred income and financing to Ministry of Finance of the State of Qatar, guaranteed by Ministry of Finance and financing against cash collaterals. The Risk reserve will be used in full or partially only after obtaining prior approval from Qatar Central Bank.

f) Fair value reserve

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

Note:

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

(Amounts expressed in thousands of Qatari Riyals)

22. Shareholders' equity (continued)

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

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

23. Income from financing activities, net

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

24. Income from investing activities, net

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

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

(Amounts expressed in thousands of Qatari Riyals)

25. Commission and fees income

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

26. (Loss) gain from foreign exchange, net

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

27. General and administrative expenses

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

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

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

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

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

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

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

29. Basic and diluted earnings per share

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

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

(Amounts expressed in thousands of Qatari Riyals)

30. Contingent liabilities and commitments

a) Contingent or deferred liabilities

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

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

b) Commitments

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

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

(Amounts expressed in thousands of Qatari Riyals)

31. Geographical distribution of assets and liabilities

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

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

(Amounts expressed in thousands of Qatari Riyals)

31. Geographical distribution of assets and liabilities (continued)

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

2010 (Restated)

	Qatar	GCC	Europe	North America	Others	Total
Assets						
Cash and balances with central bank	1,874,550	-	-	-	-	1,874,550
Due from and investments with banks and financial institutions	10,266,613	159,858	1,510,089	433,598	61,022	12,431,180
Due from financing activities	28,456,948	353,381	506,434	-	35,010	29,351,773
Financial investments	1,667,015	1,109,314	403,466	-	253,293	3,433,088
Investment in associates	1,433,770	-	-	-	197,489	1,631,259
Other investments	756,100	-	358,762	-	-	1,114,862
Fixed assets	370,560	-		-	-	370,560
Other assets	1,655,996	-	13,914	-	-	1,669,910
Total assets	46,481,552	1,622,553	2,792,665	433,598	546,814	51,877,182
Liabilities						
Due to banks and financial institutions	2,922,153	3,343,754	212,526	-	1,933,486	8,411,919
Customers' accounts	8,674,490	-	56,045	-	-	8,730,535
Sukuk financing instruments	2,713,290	-	-	-	-	2,713,290
Other liabilities	1,120,283	-	3,682	-	-	1,123,965
Total liabilities	15,430,216	3,343,754	272,253	-	1,933,486	20,979,709
Equity of unrestricted investment account holders	21,639,141	-	-	-	-	21,639,141
Non-controlling interest	175,729	-	30,955	-	-	206,684
Shareholders' equity						
Share capital	2,166,022	-	-	-	-	2,166,022
Legal reserve	4,654,922	-	-	-	-	4,654,922
General reserve	666,571	-	-	-	-	666,571
Risk reserve	428,500	-	-	-	-	428,500
Fair value reserve	(6,424)	-	-	-	-	(6,424)
Translation reserve	(53,706)	-	-	-	-	(53,706)
Proposed cash dividends	1,083,011	-	-	-	-	1,083,011
Retained earnings	112,752	-	-	-	-	112,752
Total shareholders' equity	9,051,648	-	-	-	-	9,051,648
Total liabilities, equity of unrestricted investment account holders, non-controlling interest and shareholders' equity	46,296,734	3,343,754	303,208	-	1,933,486	51,877,182

(Amounts expressed in thousands of Qatari Riyals)

32. Equity settled share based payments

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

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

Grants awarded in 2011 are as follows:

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

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

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

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

Expense for share-based payments

Equity settled share based payments	**15,215**

(Amounts expressed in thousands of Qatari Riyals)

33. Investment portfolio

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

	2011	2010
Solidarity Fund	**4,441**	4,441

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

34. Equity of restricted investment account holders

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

35. Related party transactions

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

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

(Amounts expressed in thousands of Qatari Riyals)

35. Related party transactions (continued)

	2011	2010
Key management remuneration during the year	**67,756**	32,244

36. Cash and cash equivalents

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

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

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

37. Segment reporting

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

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

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

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

37. Segment reporting (continued)

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

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

(Amounts expressed in thousands of Qatari Riyals)

37. Segment reporting (continued)

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

(Amounts expressed in thousands of Qatari Riyals)

38. Comparative amounts

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

39. Prior year restatements

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

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

(Amounts expressed in thousands of Qatari Riyals)

40. Parent company

Statement of financial position

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

(Amounts expressed in thousands of Qatari Riyals)

40. Parent company (continued)

Statement of income

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

(Amounts expressed in thousands of Qatari Riyals)

40. Parent company (continued)

Statement of cash flows

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

QATAR ISLAMIC BANK (S.A.Q)

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010

QATAR ISLAMIC BANK (S.A.Q)
31 DECEMBER 2010

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF QATAR ISLAMIC BANK (S.A.Q)

We have audited the accompanying consolidated financial statements of Qatar Islamic Bank (S.A.Q) ("the Bank") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2010 and the related consolidated statements of income, changes in shareholders equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes 1 to 35.

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

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010, and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by Accounting and Auditing Organisation for Islamic Financial Institutions, and the instructions issued by the Qatar Central Bank, and Islamic Shari'a rules and principles as determined by the Shari'a board of the group.

Further, we confirm that the financial information included in the Director's report is consistent with the books of account of the Bank. We report that we have obtained all the information we considered necessary for the purpose of our audit; and that nothing has come to our attention which causes us to believe that the Bank has breached any of the applicable provisions of the Qatar Commercial Companies Law No. 5 of 2002, Qatar Central Bank Law No 33 of 2006 and its amendments, or the Articles of Association of the Bank which would materially affect its activities or its financial position as at 31 December 2010.

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

Qatar Islamic Bank (S.A.Q)

Consolidated balance sheet
As at 31 December 2010

(Amounts expressed in thousands of Qatari Riyals)

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

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

Jassim Bin Hamad Bin Jassim
Bin Jabor Al Thani
Chairman

Ahmad Meshari
Acting Chief Executive Officer

The notes from 1 to 35 form an integral part of these financial statements. (2)

Qatar Islamic Bank (S.A.Q)

Consolidated statement of income
For the year ended 31 December 2010

(Amounts expressed in thousands of Qatari Riyals)

	Notes	2010	2009
Income			
Income from financing activities	20	1,863,299	1.815,866
Gain from investing activities	21	174,105	275,906
Total income from financing and investing activities		2,037,404	2,091,772
Commission and fees income	22	308,723	276,198
Commission and fees expenses		(19,475)	(17,493)
Income from commission and fees. net		289,248	258,705
Gains from foreign exchange operations, net	23	26,187	45,146
Other operating income		-	6,075
Net operating income		**2,352,839**	**2,401,698**
Expenses and provisions			
General and administrative expenses	24	(444,632)	(441,248)
Depreciation on fixed assets and other investments	10	(34,660)	(35,509)
Provision for impairment of due from financing activities	7	(49,979)	(31,080)
Provision for impairment of financial investments	8	9,571	(82,572)
Provision for impairment of other investment	9	-	(17,113)
Profit for the year before tax		**1,833,139**	**1,794,176**
Income tax		-	10,904
Net profit for the year		**1,833,139**	**1,805,080**
Less:			
Unrestricted investment account holders' share from net profit	25	(446,623)	(510,366)
Minority interest of subsidiaries' profit		(27,418)	27,392
Suksk holders' share of profit		(24,563)	-
Net profit for the year attributable to shareholders		**1,334,535**	**1,322,106**
Basic and diluted earnings per share (in Qatari Riyals per share)	26	6.20	6.10

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

Qatar Islamic Bank (S.A.Q)

Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2010

(Amounts expressed in thousands of Qatari Riyals)

2010	Share capital	Amount paid under the capital increase	Legal reserve	General reserve	Risk reserve	Fair value reserve	Translation reserve	Proposed cash dividend	Retained earnings	Total
At 1 January 2010	**2,067,566**	**956,003**	**3,797,375**	**666,571**	**428,500**	**(44,827)**	**(47,551)**	**1,181,466**	-	**9,005,103**
Shares issued to QIA (note 19)	98.456	(956.003)	857.547	-	-	-	-	-	-	-
Cash dividends paid for 2009	-	-	-	-	-	-	-	(1.181.466)	-	(1.181.466)
Net profit for 2010	-	-	-	-	-	-	-	-	1,334.535	1.334,535
Net Fair value reserve	-	-	-	-	-	38.403	-	-	-	38.403
Translation reserve	-	-	-	-	-	-	(6.155)	-	-	(6.155)
Proposed cash dividends	-	-	-	-	-	-	-	1,083.011	(1,083.011)	-
Contribution in Social and Sport activities (Note 19 g)	-	-	-	-	-	-	-	-	(66.416)	(66.416)
At 31 December 2010	**2,166,022**	-	**3,654,922**	**666,571**	**428,500**	**(6,424)**	**(53,706)**	**1,083,011**	**185,108**	**9,124,004**

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

Qatar Islamic Bank (S.A.Q)

Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2010

(Amounts expressed in thousands of Qatari Riyals)

2009	Share capital	Advance received for capital increase	Legal reserve	General Reserve	Risk reserve	Fair value reserve	Translation reserve	Proposed dividend	Retained earnings	Total
At 1 January 2009	1,969,110	-	2,932,910	547,652	358,856	(76,009)	(51,656)	1,378,377	83,652	7,142,892
Adjustment opening balance	-	-	6.918	(28.138)	-	-	673	-	(7.591)	(28.138)
Shares issued (note 19)	98.456	-	857,547	-	-	-	-	-	-	956.003
Advance payments received for capital increase	-	956.003	-	-	-	-	-	-	-	956.003
Cash dividends paid for 2008	-	-	-	-	-	-	-	(1,378,377)	-	(1,378.377)
Net profit for 2009	-	-	-	-	-	-	-	-	1.322,106	1,322.106
Share of profit from associates (note 8b)	-	-	-	147,057	-	-	-	-	(147,057)	-
Net movement in risk reserve for 2009	-	-	-	-	69,644	-	-	-	(69.644)	-
Net Fair value reserve	-	-	-	-	-	31.182	-	-	-	31.182
Translation reserve	-	-	-	-	-	-	3,432	-	-	3.432
Proposed cash dividends	-	-	-	-	-	-	-	1,181,466	(1.181.466)	-
At 31 December 2009	2,067,566	956,003	3,797,375	666,571	428,500	(44,827)	(47,551)	1,181,466	-	9,005,103

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

Qatar Islamic Bank (S.A.Q)

Consolidated statement of cash flows
For the year ended 31 December 2010

(Amounts expressed in thousands of Qatari Riyals)

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

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

1. Legal status and principal activities

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

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

2. Significant accounting policies

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

a) Basis of preparation and consolidation

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

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

(i) Subsidiaries

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

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

(Amounts expressed in thousands of Qatari Riyals)

2. Significant accounting policies (continued)

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

The Bank's principal subsidiaries are listed below:

	Country of Incorporation	Principal business activity	Share Capital	Percentage of equity
Al Aqar Real Estate Development and Investment ("AQAR")	Qatar	Property Investments	300,000	49%
QIB (UK)	United Kingdom	Investment banking	179,341	70%
QIB Sukuk Funding Limited	Qatar	Financing Company	-	100%

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

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (note 8b).

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

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

b) Foreign currencies and transactions

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

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

2. Significant accounting policies (continued)

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

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

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

I. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
II. income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
III. all resulting exchange differences are recognised as a separate component in the statement of shareholders' equity.

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

c) Revenue recognition

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

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

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

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

2. Significant accounting policies (continued)

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

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

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

Bank's share of restricted investment income as a Mudarib
The bank charges Mudarib/ Agency fees for managing restricted investment accounts based on the terms and conditions of related contracts.

Income from investments
Income from investments is recognized when earned.

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

d) Financial investments

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

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

2. Significant accounting policies (continued)

e) Fair value

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

f) Date of recognition of financial transactions

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

g) Investments in properties and other assets

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

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

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

h) Due from financing activities

Financing activities such as Murabaha, Mudaraba, Musharaka, Musawama, and Istisna contracts are presented at their gross principal amounts less any amounts received in respect of such contracts, provision for impairment, suspended profit and unearned profit. The provision for impairment of due from financing activities which represent an estimated amount for impairment in financing portfolio through a detailed review by management in accordance with Qatar Central Bank's instructions.

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

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

2. Significant accounting policies (continued)

i) Properties acquired against settlement of receivables

Properties, if any, acquired against settlement of receivable amounts are included under other assets at their acquisition value net of any required provision for impairment. Unrealised losses due to the reduction in the fair value of such assets in relation to the acquisition cost as at the balance sheet date are included in the consolidated statement of income. In the case of an increase in the fair value of such properties in the future, unrealised gain is recognised in the consolidated statement of income to the extent of unrealised losses previously recognised.

j) Intangible assets

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

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

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

k) Fixed assets

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

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

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

l) Impairment of other assets

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

2. Significant accounting policies (continued)

m) Income tax

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Group's operations are not subject to income tax in the State of Qatar.

n) Employees' end of service benefits and pension fund

The Group makes a provision for all end of service benefits payable to employees in accordance with the Group's policies, calculated on the basis of individual employee's salary and period of service at the balance sheet date. The provision for employees is included in staff indemnity within other liabilities. For the Qatari employees, the Group pays its share in the pension fund in accordance with the Qatari Pension law. The expense is considered as part of staff cost within general and administrative expenses and is disclosed in Note 24.

o) Other provisions

Provisions for legal claims are recognised when the Group has legal claims or obligations as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The Group accounts for provisions to be charged to the consolidated statement of income for any potential claim or for any expected impairment of assets, taking into consideration the value of the potential claim or expected impairment and its likelihood.

p) Sukuk

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

2. Significant accounting policies (continued)

q)Off-balance sheet items

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

Investment fund portfolios
Investment fund portfolios represent funds belonging to the Group's customers for which the Group has assumed investment management responsibility in accordance with the terms or conditions of the fund. Such funds are invested on behalf of the customers by the Group who acts as an agent or a trustee and accordingly such funds and the attributable investment income or loss are not included in these consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or commission (note 29).

Restricted investment balances
Restricted investment balances are those where the depositors instruct the Group to invest the funds in specific investments or at predetermined terms. These deposits are invested by the Group in its own name under the terms of a specific Mudarabah contract entered into with the depositors. Those deposits, which are classified as off balance sheet items, share the profits or losses of the related investments once they have been realised, and do not share in the profits or losses attributable to unrestricted investment accounts and the shareholders (note 30).

r) Profit distribution between shareholders and unrestricted investment accounts holders

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

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

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

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

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

s) Cash and cash equivalent

For the purpose of the consolidated cash flows statement, cash and balances with central bank include cash, balance with Qatar Central Bank, and due from banks and financial institutions which mature within 90 days. However, it does not include balance on reserve account of the Qatar Central Bank (note 32).

3. Financial instruments and related risk management

a) Financial instruments - definition and classification

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

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

b) Fair value of financial instruments

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

Risk Management

Introduction and overview

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

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

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

Risk management framework

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

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

The Risk Management Committee formed other sub-committees such as the Assets and Liabilities Committee (ALCO), the Group Credit Committee, and the Investment Committee, which are responsible for developing and monitoring Group's risk management policies in their specified areas.

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

3. Financial instruments and related risk management (continued)

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

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

a) **Credit Risk**

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

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

The Group's credit risk management framework includes:

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

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

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

Regular audits of business units and Group credit processes are undertaken by Internal Audit and Compliances Division.

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

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

Exposure to credit risk

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

Aging analysis of past due but not impaired

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

2009	Less than 30 days	31 to 60 days	61 to 90 Days	Total 2009
Due from financing activities	28,828	186,998	115,926	**331,752**

The Group's policy is to classify due from financing activities past due for more than 90 days as substandard, doubtful and loss assets which comply with the Qatar Central Bank instructions. The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of assets and liabilities is presented in note 28.

Write-off policy

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

Collaterals

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

Management estimates the fair value of collateral and other security enhancements held against individually impaired financing to reasonably approximate QAR 33,877 million (2009:QAR 27,300 million) as at the reporting date, according to independent valuation reports.

b) Liquidity risk

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

Management of liquidity risk

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

Exposure to liquidity risk

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

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

At 31 December 2010	Up to 1 month	1-3 months	3-12 months	1 to 5 years	More than 5 years	Total
Assets						
Cash and balances with central bank	523,123	-	-	-	1,351,427	1,874,550
Due from and investments with banks and financial institutions	11,730,060	643,109	58,011	-	-	12,431,180
Due from financing activities	1,266,602	2,132,491	8,441,255	17,511,425	-	29,351,773
Financial investments	-	-	2,001,708	2,279,570	730,575	5,011,853
Other investments	-	-	-	1,114,862	-	1,114,862
Fixed assets	-	-	-	-	370,560	370,560
Other assets	-	-	-	1,685,323	-	1,685,323
Total assets	**13,519,785**	**2,775,600**	**10,500,974**	**22,591,180**	**2,452,562**	**51,840,101**
Liabilities and unrestricted investment accounts						
Due to banks and financial institutions	4,538,708	1,574,681	2,096,100	202,430	-	8,411,919
Customers' accounts	8,730,535	-	-	-	-	8,730,535
Sukuk financing instruments	-	-	-	2,713,290	-	2,713,290
Other liabilities	-	-	-	1,123,966	-	1,123,966
	13,269,243	**1,574,681**	**2,096,100**	**4,039,686**	**-**	**20,979,710**
Unrestricted investment accounts	9,865,704	4,189,707	6,899,329	572,436	-	21,527,176
Total liabilities and unrestricted investment accounts	**23,134,947**	**5,764,388**	**8,995,429**	**4,612,122**	**-**	**42,506,886**
Contingent Liabilities	**-**	**-**	**6,929,098**	**-**	**-**	**6,929,098**
Difference	**(9,615,162)**	**(2,988,788)**	**(5,423,553)**	**17,979,058**	**2,452,562**	**2,404,117**

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

At 31 December 2009	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and balances with central bank	313,233	-	-	-	1,024,983	1,338,216
Due from and investments with banks and financial institutions	7,462,983	1,137,268	120,372	182,000	-	8,902,623
Due from financing activities	3,335,932	1,057,242	4,860,047	13,410,261	-	22,663,482
Financial investments	17,654	-	20,662	2,711,190	686,537	3,436,043
Other investments	-	-	-	1,203,429	-	1,203,429
Net Fixed assets	-	-	-	-	299,079	299,079
Other assets	-	-	-	1,429,828	-	1,429,828
Total assets	**11,129,802**	**2,194,510**	**5,001,081**	**18,936,708**	**2,010,599**	**39,272,700**
Liabilities and unrestricted investment accounts						
Due to banks and financial institutions	6,654,290	1,492,714	543,981	-	-	8,690,985
Customers' accounts	6,718,703	-	-	-	-	6,718,703
Other liabilities	150,369	48,391	222,447	600,700	-	1,021,907
	13,523,362	**1,541,105**	**766,428**	**600,700**	-	**16,431,595**
Unrestricted investments accounts	4,937,182	3,256,269	4,962,764	486,065	-	13,642,280
Total liabilities and unrestricted investment accounts	**18,460,544**	**4,797,374**	**5,729,192**	**1,086,765**	-	**30,073,875**
Contingent Liabilities	-	-	**9,963,255**	-	-	**9,963,255**
Difference	(7,330,742)	(2,602,864)	(10,691,366)	17,849,943	2,010,599	(764,430)

c) Market risk for financial investments

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

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

Market Indices	Change in equity price % 2010	Effect on equity 2010	Change in equity price % 2009	Effect on equity 2009
Qatar exchange	+/ - 10%	7,301	+/ - 10%	5,737
Bahrain stock exchange	+/ - 10%	393	+/ - 10%	978
Syria Bourse	+/ - 10%	12,249	+/ - 10%	19,616

Profit rate risk

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

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

d) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instrument denominated in a foreign currency. The Group's functional currency is Qatari Riyal. The Board of Directors has set limits on positions by currency. Positions are closely monitored and hedging strategy is used to ensure positions are maintained within established limits. At 31 December 2010, the Group had the following significant net exposures denominated in foreign currencies.

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

At 31 December 2009	QAR	USD	EUR	GBP	Others	Total
Assets	32,141,244	6,830,703	(163,013)	298,086	165,680	39,272,700
Liabilities, minority interest and shareholders' equity	(34,075,362)	(4,894,917)	(176,391)	(123,446)	(2,584)	(39,272,700)
Net balance sheet position	**(1,934,118)**	**1,935,786**	**(339,404)**	**174,640**	**163,096**	**-**

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

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

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

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

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

During 2010, the currency risk was pertaining to currencies other than US Dollars and the negative impact of fluctuation in rates was linked to the EURO position for the year 2010.

f) Capital adequacy

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

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

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

3. Financial instruments and related risk management (continued)

g) Risk of managing third party investments

The Group provides custody and corporate administration services to third parties in relation to mutual funds managed by it. Management of client's investment portfolios are guided by the terms and conditions recorded in written agreements signed by the respective clients. These services give rise to legal and reputational risk. Such risks are mitigated through review procedures to ensure compliance. Note 29 lists the investment portfolios managed by the Group.

The dates of maturity of the Group's commitments in relation to the investment portfolios are included in note 27.

h) Operational and other risks

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

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

i) Fair value of financial assets and liabilities

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

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

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

The Group has used valuation technique for the determination of impairment in goodwill (note8).

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

4. Critical accounting estimates and judgements

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

(a) Impairment losses on due from financing activities

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

(Amounts expressed in thousands of Qatari Riyals)

4. Critical accounting estimates and judgements (continued)

(b) Impairment of financial investments

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

5. Cash and balances with central bank

	2010	2009
Cash in vaults	208,913	189,066
Cash reserve with Qatar Central Bank	1,351,427	1,024,983
Other accounts with Qatar Central Bank	314.210	124,167
Total	**1,874,550**	**1,338,216**

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

6. Due from and investments with banks and financial institutions

	2010	2009
Current accounts	460,118	89,921
Unrestricted investment deposits	5,621.906	4,102,850
Commodity Murabaha balances	6,354,000	4,721,088
	12,436.024	8,913,859
Unearned profit	(4,844)	(11,236)
	12,431,180	**8,902,623**

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

(Amounts expressed in thousands of Qatari Riyals)

7. Due from financing activities

a) By type:

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

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

b) By industry:

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

(Amounts expressed in thousands of Qatari Riyals)

7. **Due from financing activities** (continued)

c) **By Customer:**

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

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

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

e) **Provisions distribution by nature of the customer:**

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

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments

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

a) Financial investments available-for-sale

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

Movement in provision for revaluation losses

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

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

b) Investments in associates

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

The investments in associates are being distributed as follows:

By the investment value:

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

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

By the financial position

	2010				
	Assets	**Liabilities**	**Revenue**	**Profit /(losses)**	**Percentage**
Q Invest Bank LTD	1,196,375	309,786	105,295	2,595	35.00%
Al Jazeera Finance Company (S.A.Q)	643,321	415,876	30,541	7,182	30.08%
Dural Al Doha LLC	548,614	386,671	-	(770)	39.90%
Bawabat Al-Shamal LLC (*)				743	
Al Daman Islamic Insurance	55,432	4,595	3,758	337	25.00%
Arab Finance House AFH	460,416	395,646	7,840	(16,518)	32.51%
Asian Finance Bank AFB	824,215	691,496	18,368	(12.008)	33.00%
	3,728,373	**2,204,070**	**165,802**	**(18,439)**	

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

	2009				
	Assets	**Liabilities**	**Revenue**	**Profit/(losses)**	**Percentage**
Q Invest Bank LTD	1,163.003	430,001	72,330	45,826	35.00%
Al Jazeera Finance Company (S.A.Q)	762,110	526,227	80,946	60,073	30.08%
Dural Al Doha LLC	496,902	333,954	-	(7,963)	39.90%
Bawabat Al-Shamal LLC	336,341	232,150	-	(1,039)	37.25%
Al Daman Islamic Insurance	50,500	-	-	-	25.00%
Arab Finance House	430,485	352,615	14,640	1,344	32.51%
Asian Finance Bank	463,243	392,243	10.020	1,465	21.00%
Shard Fund Ltd	-	-	-	47,351	-
	3,702,584	**2,267,190**	**177,936**	**147,057**	

Business combination – Associates

Q Invest Bank

During the year 2009, the Bank acquired an additional 10% equity in Q-Invest LLC (associate) for an aggregated cash price of USD 50 million equivalent to QAR 187 million (50 million equity shares of par value USD 1 each equivalent to QAR 3.64 each). The Bank has paid an amount of USD 180.250 million equivalents to QAR 656 million against an increase in the share capital. However, the allotment of shares was not completed until the date of issuing the consolidated financial statements.

Goodwill

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

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

In accordance with the applicable accounting standards, the Bank has carried out one time "purchase price allocation (PPA)" exercise of the value paid for the acquisition of 10% shares of its associate – Q-Invest LLC. PPA identifies the value paid for the tangible assets, intangible assets and the goodwill arising on the acquisition. The intangibles identified on acquisition of 10% shares in Q-Invest LLC are not material.

Al Daman Islamic Insurance Co.

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

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

	Q Invest	Bawabat Al-Shamal	Al Daman Islamic Insurance
2009			
At 1 January – Goodwill	181,620	-	-
Movement during the year			
Cash paid during the year	187,000	-	50,500
Share of fair value of net assets acquired	(187,000)	-	(50,500)
Net movement during the year	-	-	-
At 31 December – Goodwill	181,620	-	-

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

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

(Amounts expressed in thousands of Qatari Riyals)

9. Other investments

a) Investments in property and other assets held for leasing

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

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

b) Investments in property and other assets held for trading

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

The total market value of the properties and other assets held for trading at 31 December 2010 stands at QAR 808 million (2009: QAR 888 million) according to an independent valuation report, which has been determined having regard to market price of similar properties at similar locations.

(Amounts expressed in thousands of Qatari Riyals)

10. Fixed assets

	Land and buildings	Computer equipments	Office equipment, furniture and fixtures and leasehold improvements	Motor vehicles	Total
Cost					
At 1 January 2010	209,437	108,666	124,389	3,585	446,077
Additions	52,894	32,905	20,541	-	106,340
Disposals	-	-	(1,561)	-	(1,561)
At 31 December 2010	**262,331**	**141,571**	**143,369**	**3,585**	**550,856**
Depreciation					
At 1 January 2010	34,906	70,907	38,970	2,215	146,998
Charge for the year	3,593	13,347	17,287	433	34,660
Disposals	-	-	(1,362)	-	(1,362)
At 31 December 2010	**38,499**	**84,254**	**54,895**	**2,648**	**180,296**
Net book value					
At 31 December 2010	**223,832**	**57,317**	**88,474**	**937**	**370,560**
Cost					
At 1 January 2009	181,028	86,256	113,330	3,412	384,026
Additions	28,409	31,374	14,401	173	74,357
Disposals	-	(8,964)	(3,342)	-	(12,306)
At 31 December 2009	**209,437**	**108,666**	**124,389**	**3,585**	**446,077**
Depreciation					
At 1 January 2009	32,291	63,111	26,480	1,797	123,679
Charge for the year	2,615	16,734	15,742	418	35,509
Disposals	-	(8,938)	(3,252)	-	(12,190)
At 31 December 2009	**34,906**	**70,907**	**38,970**	**2,215**	**146,998**
Net book value					
At 31 December 2009	**174,531**	**37,759**	**85,419**	**1,370**	**299,079**

(Amounts expressed in thousands of Qatari Riyals)

11. Other assets

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

12. Due to banks and financial institutions

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

13. Customers' accounts

a) Current Accounts

	2010	2009
Government	1,390,219	658
Corporate	3,623,949	3,839,990
Individual	2,658,040	54,601
	7,672,208	**3,895,249**
b) Others	**1,058,327**	**2,823,454**
Total current accounts and other balances	**8,730,535**	**6,718,703**

14. Sukuk financing instruments

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

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

(Amounts expressed in thousands of Qatari Riyals)

14. Sukuk financing instruments (continued)

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

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

15. Other liabilities

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

16. Provision for employees' end of service benefits

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

17. Unrestricted investment accounts

a) By type:	2010	2009
Term deposits	13,363,880	8,403,855
Call accounts	4,059,414	1,964,266
Saving accounts	4,034,503	3,149,319
	21,457,797	13,517,440
Share of unrestricted investment accounts in profit	63,226	145,281
Unrestricted investment account share of fair value reserve	6,153	(20,441)
	21,527,176	**13,642,280**

(Amounts expressed in thousands of Qatari Riyals)

17. Unrestricted investment accounts (continued)

b) By sector:	2010	2009
Individuals	11,074,116	7,743,783
Corporations	9,467,921	5,633,904
Government	822,402	139,753
Government and semi government organizations	93,358	-
	21,457,797	**13,517,440**
Share of unrestricted investment accounts in profit	63,226	145,281
Unrestricted investment accounts share of fair value reserve	6,153	(20,441)
Unrestricted investment account share of risk reserve		-
	21,527,176	**13,642,280**

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

18. Minority interest

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

19. Shareholders' equity

a) Share capital

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

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

(Amounts expressed in thousands of Qatari Riyals)

19 Shareholders' equity (continued)

b) Advance for capital increase

On 30 December 2009, the Bank received QR 956,003 million as advance against share capital for 9,845,550 ordinary shares by way of private placement to Qatar Investment Authority, in accordance with the resolution of the shareholders in their Extra-ordinary General Meeting held on 23 December 2008. The allotment of shares and transfer of this amount to share capital has been executed during the year 2010.

c) Legal reserve

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

d) General reserve

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

e) Risk reserve

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

f) Fair value reserve

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

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

(Amounts expressed in thousands of Qatari Riyals)

f) Contribution in Social and Sports activity fund

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

g) Proposed dividend and bonus shares

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

20. Income from financing activities

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

21. Gains from investing activities

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

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

22. Commission and fees income

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

(Amounts expressed in thousands of Qatari Riyals)

23 Gains from foreign exchange operations

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

24General and administrative expenses

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

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

25 Unrestricted investment account holder's share of profit

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

25. Unrestricted investment account holder's share of profit (continued)

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

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

26 Basic and diluted earnings per share

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

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

(Amounts expressed in thousands of Qatari Riyals)

27 Contingent liabilities and commitments

a) Contingent or deferred liabilities

	2010			
	Less than 1 year	1-5 years	Over 5 years	Total
Letter of Guarantees	2,691,593	-	-	2,691,593
Unused financing facilities and commitments	2,482,389	-	-	2,482,389
Uncompleted part of Istisna commitment	1,196,556	-	-	1,196,556
Sukuk financing instruments	-	508,799		508,799
Letters of credit	448,795	-	-	448,795
Acceptances	109,765	-	-	109,765
	6,929,098	**508,799**	-	**7,437,897**

b) Commitments

Investment portfolios managed for others (note 29)	-	4,441	-	4,441
Restricted investment balances for customers (note 30)	-	178,360	-	178,360
	-	**182,801**	-	**182,801**

a) Contingent or deferred liabilities

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

b) Commitments

Investment portfolios managed for others (note 29)	-	4,441	-	4,441
Restricted investment balances for customers (note 30)	-	178,360	-	178,360
	-	**182,801**	-	**182,801**

(Amounts expressed in thousands of Qatari Riyals)

28 Geographical distribution of assets and liabilities

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

At 31 December 2010

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

(Amounts expressed in thousands of Qatari Riyals)

28. Geographical distribution of assets and liabilities (continued)

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

At 31 December 2009

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

(Amounts expressed in thousands of Qatari Riyals)

29. Investment portfolios

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

	2010	2009
Solidarity Fund	4,441	4,441

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

30 Restricted investment balances

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

31 Related party transactions

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

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

(Amounts expressed in thousands of Qatari Riyals)

The Management

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

32 Cash and cash equivalents

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

33 Parent company

Balance sheet:

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

(Amounts expressed in thousands of Qatari Riyals)

33. Parent company (continued)

Statement of income

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

(Amounts expressed in thousands of Qatari Riyals)

33. Parent company (continued)

Statement of cash flows:

	2010	2009
Cash flows from operating activities		
Net profit for the year before share of profit for unrestricted investment account holders	1,778,940	1,859,924
Adjustments for:		
Depreciation on fixed assets	31,473	31,925
Provision for impairment of due from financing activities	49,979	25,799
Provision for impairment of financial investments	(9,571)	82,572
Share of loss/(profit) from associate	18,439	(147,057)
Foreign exchange fluctuations loss/(gains)	2,767	(6,512)
Gain on sale of fixed assets	199	(88)
Net operating profit before changes in operating assets and liabilities	**1,872,226**	**1,846,563**
Net decrease / (increase) in assets:		
Balances with banks and financial institutions	249,204	598,635
Reserve with Qatar Central Bank	(326,444)	(236,033)
Due from financing activities	(6,734,632)	(3,762,418)
Other assets	(169,581)	(759,163)
Net increase / (decrease) in liabilities:		
Due to banks and financial institutions	(187,905)	(38,623)
Customers' accounts	1,957,449	1,620,867
Other liabilities	54,984	101,091
Net cash flows used in operating activities	**(3,284,699)**	**(629,081)**
Cash flow from investing activities:		
Purchase of financial investments	(1,757,495)	(304,410)
Additional investment in associate company	(73,342)	(628,904)
Proceeds from sale of financial investments	218,753	1,414,466
Dividends received from subsidiary companies	-	62,255
Proceeds from sale of associate companies	-	781,888
Proceed from sale of Associate	70,429	-
Purchase of other investments	-	(115,784)
Proceeds from sale of other investments	-	613,464
Dividends received from associate companies	53,220	15,000
Purchase of fixed assets	(106,099)	(72,178)
Proceeds from sale of fixed assets	-	203
Net cash flows (used in) /generated from investing activities	**(1,564,618)**	**1,766,000**
Cash flows from financing activities		
Increase in share capital	-	956,003
Advance paid against increase in share capital	-	956,003
Increase in unrestricted investment accounts	7,506,795	1,612,123
Dividend distributed	(1,181,466)	(1,378,377)
Sukuk Financing instruments	2,688,727	-
Net cash flows generated from financing activities	**9,014,056**	**2,145,752**
Net increase in cash and cash equivalents	4,134,820	3,282,671
Cash and cash equivalents - Beginning of the year	8,828,043	5,545,372
Cash and cash equivalents – Ending of the year	**12,962,863**	**8,828,043**

34 Subsequent event

a) On 16 January 2011, QCB issued Sukuk Ijarah with the maturity of 3 years at which QCB invests QAR 9,000 million with a fixed annual profit rate (5%) to be paid semi-annually.

b) On 17 January 2011, QCB received QAR 1,912 million representing 10% the value of the remaining share of the contribution of the Qatar Investment Authority for 19,691,100 ordinary shares by a special issuance in accordance with the decision of the shareholders in the General Assembly and the irregular meeting held on 23 December 2008. Shares will be allotment and such amounts will be transferred to the capital after a meeting of the Assembly

35. Comparative figures

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

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN THE FINANCIAL ACCOUNTING STANDARDS ISSUED BY AAOIFI AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The 2010 Financial Statements and the 2011 Financial Statements (the "**Audited Financial Statements**") have been prepared under the historical cost convention and in accordance with the Financial Accounting Standards ("**FAS**") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("**AAOIFI**").

AAOIFI FAS differs from IFRS in certain significant respects.

Accordingly, QIB has prepared as of the date of this Base Prospectus a narrative summary of the significant differences between FAS as applied by QIB in the Audited Financial Statements described above and IFRS in so far as they relate to the significant accounting policies adopted by QIB.

Ernst & Young has not performed any audit, review or other procedures in respect of the summary of differences described below.

QIB has not performed a reconciliation of its Audited Financial Statements to IFRS, has not quantified such differences nor does QIB undertake to identify all such differences. Had QIB undertaken any such quantification or reconciliation, other accounting and disclosure differences may have come to QIB's attention that are not identified below.

The differences discussed below relate to the significant differences that impact amounts recorded in the Audited Financial Statements rather than differences in presentation or disclosure.

1. Unrestricted Investment Accounts (URIA)

QIB accepts funds from its retail and commercial clients (depositors) in the form of Mudaraba/Wakala Unrestricted Investment Accounts ("**URIA**") deposits which are funds managed on the client's behalf.

In accordance with AAOIFI – FAS 1, URIA are disclosed and presented in the balance sheet as a separate line item between liabilities and owner's equity. Under IFRS, URIA would be presented on the face of the balance sheet as a liability.

2. Foreign currency transactions

In accordance with the accounting policy of QIB, assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates prevailing at the balance sheet date. The resulting exchange gains and losses are recorded in the consolidated statement of income.

In accordance with paragraph 28 of IAS 21 'The effects of Changes in Foreign Exchange Rates', monetary items denominated in foreign currency are translated at each balance sheet date and the resulting exchange gain/loss is recorded in the statement of income. However, in accordance with paragraph 30 of IAS 21, non-monetary items are only translated if they are measured at fair value in foreign currency. In such cases, the exchange difference is determined by translating the non-monetary item using the exchange rates prevailing at the date when the fair value was determined. The resulting exchange differences are recognised as follows:

(i) When a fair value gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income; and

(ii) When a fair value gain or loss on a non-monetary item is recognized in the statement of income, any exchange component of that gain or loss shall be recognised in the statement of income.

QIB has not distinguished between monetary and non-monetary items for the purpose of separate treatment of resulting exchange gains and losses upon translation at the balance sheet date. Accordingly, QIB records all the exchange differences in the statement of income. If QIB were reporting under IFRS, it would be required to separate the exchange differences on monetary items from non-monetary items and record them in accordance with the IFRS guidance discussed above.

3. Available for sale (AFS) financial instruments

QIB has classified investments in equity shares, *sukuk* and funds as investments available for-sale and are measured at fair value on an individual basis.

Unrealised gains or losses arising from a change in the fair value are recognised in the fair value reserve with the separation between shareholders' equity and the unrestricted investment accounts. In other words, the fair value reserves attributable to shareholders are recognised under statement of changes in shareholders' equity, and the fair value reserves attributable to unrestricted investment accounts are included in the balance for unrestricted investment accounts as disclosed in Note 20 to the financial statements for the year ended 31 December 2011.

Under IFRS, paragraph 55 of IAS 39: 'Financial Instruments – Recognition and Measurement', a gain or loss on an available-for-sale financial asset shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, discussed below.

For available-for-sale financial assets that are not monetary items under IAS 21 (for example, equity instruments), the gain or loss that is recognised in other comprehensive income includes any related foreign exchange component.

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