IMPORTANT NOTICE

THIS 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 notice before continuing**. The following notice applies to the attached prospectus following this page (the **Prospectus**), whether received by email, or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making any other use of the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Prospectus, including any modifications made to them from time to time, each time you receive any information as a result of such access.

The Prospectus has been prepared in connection with the proposed offer and sale of the Certificates described therein. The Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE CERTIFICATES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY CERTIFICATE TO BE ISSUED HAS 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 (AS DEFINED IN REGULATION S) (I) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE, EXCEPT IN EITHER CASE IN ACCORDANCE WITH REGULATION S. TERMS USED ABOVE SHALL HAVE THE MEANING GIVEN TO THEM BY REGULATION S.

THIS PROSPECTUS IS ONLY BEING DISTRIBUTED TO AND IS ONLY DIRECTED AT (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM OR (II) TO INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE **ORDER**) OR (III) HIGH NET WORTH COMPANIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (IV) ANY OTHER PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY DISTRIBUTED IN ACCORDANCE WITH THE ORDER (ALL SUCH PERSONS IN (I), (II), (III) AND (IV) ABOVE TOGETHER BEING REFERRED TO AS **RELEVANT PERSONS**). THE CERTIFICATES ARE ONLY AVAILABLE TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH CERTIFICATES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. THIS PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE "*SUBSCRIPTION AND SALE*".

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the Prospectus or make an investment decision with respect to the Certificates described herein, (1) each prospective investor must be outside the United States (within Regulation S), (2) each prospective investor in respect of the Certificates must be a person other than a U.S. Person and (3) each prospective investor in respect of the securities being offered in the United Kingdom must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the attached document, you shall be deemed to have represented to the Managers (as defined in the attached document) that (1) you have understood and agree to the terms set out herein, (2) you are (or the person you represent is) a person other than a U.S. Person, and that the electronic mail (or e-mail) address to which, pursuant to your request, the attached document has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; its **possessions** include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) in respect of the Certificates being offered in the

United Kingdom, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the attached 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 consent of the Managers and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Certificates.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the 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 or disclose the contents of the 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 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 e-mail software, will be ignored or rejected. If you receive this Prospectus by e-mail, your use of this e-mail 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 Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Managers or such affiliate on behalf of QIB Sukuk Funding Limited (the **Issuer**) in such jurisdiction.

Under no circumstances shall the 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 Prospectus.

This 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 Managers, the Issuer, Qatar Islamic Bank S.A.Q. nor any person who controls or is a director, officer, employee or agent of the Managers, the Issuer, Qatar Islamic Bank S.A.Q. nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers and Joint Bookrunners.

The distribution of the Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Managers, the Issuer and Qatar Islamic Bank S.A.Q. to inform themselves about, and to observe, any such restrictions.

QIB Sukuk Funding Limited

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

U.S.$750,000,000 Certificates due 2015

Issue Price: 100 per cent.

The U.S.$750,000,000 Certificates due 2015 (the **Certificates**) of QIB Sukuk Funding Limited (in its capacity as issuer, the **Issuer** and, in its capacity as trustee, the **Trustee**) will be constituted by a declaration of trust (the **Declaration of Trust**) dated on or around 7 October 2010 (the **Closing Date**) made by the Issuer, the Trustee, Qatar Islamic Bank S.A.Q. (**QIB** or the **Bank**) and Deutsche Trustee Company Limited (the **Delegate**). Pursuant to the Declaration of Trust, the Issuer, as trustee for and on behalf of the Certificateholders (as defined herein), will declare that it will hold the Trust Assets (as defined herein), upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the **Conditions**).

On the 7th day of April and October in each year commencing on 7 April 2011 (each, a **Periodic Distribution Date**), the Issuer will pay Periodic Distribution Amounts (as defined herein) to Certificateholders calculated at the rate of 3.856 per cent. per annum on the outstanding face amount of the Certificates as at the beginning of the relevant Return Accumulation Period (as defined herein) on a 30/360 day basis.

The Issuer will pay such Periodic Distribution Amounts solely from the proceeds received in respect of the Trust Assets which include payments by QIB (in such capacity, the **Managing Agent**) under the Management Agreement (as defined herein). Unless previously terminated in the circumstances described in Condition 8, the Certificates will be redeemed on the Periodic Distribution Date falling on 7 October 2015 (the **Scheduled Dissolution Date**) at the Dissolution Distribution Amount (as defined herein). The Issuer will pay Dissolution Distribution Amounts solely from the proceeds received in respect of the Trust Assets which include payments by QIB under the Purchase Undertaking (as defined herein).

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

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Certificates to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Certificates to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). References in this Prospectus to Certificates being listed on the London Stock Exchange (and all related references) shall mean that such Certificates have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List.

The Certificates are expected to be assigned a rating of "A" by Fitch Ratings Ltd. (**Fitch**). A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States (as defined under the Securities Act (**Regulation S**)) or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates are being offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Delivery of the Certificates in book-entry form will be made on the Closing Date. The Certificates will be represented by interests in a global certificate in registered form (the **Global Certificate**) deposited on or about the Closing Date 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**). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

Joint Lead Managers and Joint Bookrunners

Credit Suisse **HSBC** **QInvest**

Co-Lead Manager

National Bank of Abu Dhabi

The date of this Prospectus is 5 October 2010.

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the **Prospectus Directive**) and for the purpose of giving information with regard to the Issuer and QIB.

Each of the Issuer and QIB accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and QIB (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, QIB, the Managers (as defined under "*Subscription and Sale*"), the Trustee, the Delegate, the Agents (each as defined herein) or any other person.

Neither the delivery of this document nor any sale of any Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Certificates is correct as of any time subsequent to the date hereof. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Certificates or to advise any investor in the Certificates of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

None of the Managers, the Delegate or the Agents has verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or any other information provided by the Issuer or QIB in connection with the Certificates, their distribution or their future performance.

Neither this Prospectus nor any other information supplied in connection with the Certificates is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, the Trustee, QIB, the Managers, the Delegate or the Agents that any recipient of this Prospectus should purchase any of the Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and QIB. None of the Managers, the Trustee, the Delegate or the Agents accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer and QIB in connection with the Certificates.

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

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF THE CERTIFICATES.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of the Certificates may be restricted by law in certain jurisdictions. None of the Issuer, the Trustee, QIB, the Managers, the Delegate or the Agents represents that this 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 assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee, QIB, the Managers, the Delegate or the Agents which is intended to permit a public offering of any Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Certificates. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the Cayman Islands, Malaysia, the Kingdom of Saudi Arabia, Singapore, the State of Qatar (**Qatar**) (excluding the Qatar Financial Centre (the **QFC**)), the Kingdom of Bahrain, the United Arab Emirates (excluding the Dubai International Financial Centre) and the Dubai International Financial Centre, see "*Subscription and Sale*".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address QIB's expected future business and financial performance, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For QIB, particular uncertainties that could adversely or positively affect its future results include: the behaviour of financial markets and macro-economic conditions, including fluctuations in interest and exchange rates, commodity and equity prices and the value of financial assets; continued volatility and further deterioration of the capital markets; the commercial and consumer credit environment; the impact of regulation and regulatory, investigative and legal actions; strategic actions, including acquisitions and dispositions; future integration of acquired businesses; future financial performance of the banking, financial services and Islamic Finance industries; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause QIB's actual future results to be materially different than those expressed in its forward-looking statements.

The forward-looking statements in this Prospectus speak only as at the date of this Prospectus. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Without prejudice to any requirements under applicable laws and regulations, QIB expressly disclaims any obligation or undertaking to disseminate after the date of this 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.

PRESENTATION OF FINANCIAL INFORMATION

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "*$*", "*U.S.$*", "*USD*", "*U.S. dollars*" and "*dollars*" are to the lawful currency for the time being of the United States of America and references to "*QAR*", "*QR*", "*riyals*" and "*Qatari riyals*" are to the lawful currency for the time being of Qatar.

Translations of amounts from riyals to U.S. dollars in this Prospectus are solely for the convenience of the reader. The riyal currently is, and since the mid-1980s has been, pegged to the U.S. dollar at a fixed exchange rate of 3.64 riyals per U.S. dollar and, accordingly translations of amounts from riyals to U.S. dollars have been made at this exchange rate for all periods in this Prospectus.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

The financial information included in this 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*".

NOTICE TO CAYMAN ISLAND RESIDENTS

No invitation may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO QATARI RESIDENTS

This 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 registered with the Qatar Exchange (*QE*) and the internal regulations of the QE or in accordance with the regulations of the Qatar Financial Market Authority or with the Qatar Central Bank (*QCB*) or with any laws of Qatar. The Certificates and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (5) of 2002 (the *Commercial Companies Law*) or otherwise under any laws of Qatar.

NOTICE TO RESIDENTS OF MALAYSIA

The Securities Commission has approved the proposal on 29 June 2010 pursuant to Section 212(4) of the Capital Markets and Services Act, 2007 of Malaysia (the *CMSA*). Please note that the Securities Commission's approval for the proposal shall not be taken to indicate that the Securities Commission recommends the proposal.

The Securities Commission shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia directly or indirectly for the purpose of any sale of the Certificates in Malaysia other than to persons falling within the categories specified under (i) Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) and (ii) Schedule 8 (or Section 257(3)) of the CMSA.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

Any offer of Certificates in the Kingdom of Bahrain will be undertaken by way of private placement. Such offers are subject to the regulations of the Central Bank of Bahrain that apply to private offerings of securities and the disclosure requirements and other protections that these regulations contain. This Prospectus is therefore intended only for "accredited investors" (as defined below, see "*Subscription and Sale – Kingdom of Bahrain*").

KINGDOM OF SAUDI ARABIA NOTICE

This 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 Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of Certificates 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 Prospectus he or she should consult an authorised financial adviser.

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RISK FACTORS

The purchase of Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

Each of the Issuer and QIB believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Issuer to pay any amounts on or in connection with any Certificate may occur for other reasons and neither the Issuer nor QIB represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Issuer or QIB or which the Issuer or QIB currently deems immaterial, that may impact any investment in the Certificates.

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

Risk factors relating to the Issuer

The Issuer is a newly formed entity and has no operating history. The Issuer will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents to which it is a party.

The Issuer's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including its right to receive payments under the Management Agreement and the Purchase Undertaking. Therefore the Issuer 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. See "*Risk factors relating to QIB and its business*" below for a further description of these risks.

The ability of the Issuer to pay amounts due on the Certificates will primarily be dependent upon receipt by the Issuer of all amounts due under the Management Agreement and the Purchase Undertaking. Such amounts are to be paid by QIB. In the aggregate these amounts may not be sufficient to meet all claims under the Certificates and the Transaction Documents.

Risk factors relating to QIB and its business

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

Since 2008 the extreme volatility and disruption in global capital and credit markets has led to a severe dislocation of financial markets around the world, an unprecedented reduction in liquidity and increased credit risk premiums for many market participants. These conditions also 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 during this period. Governments around the world, including in Qatar and some of the other GCC countries, have taken actions intended to stabilise financial markets and prevent the failure of financial institutions. See "*Banking Industry and Regulation – Qatar – Qatari Banking Sector*". Notwithstanding the recovery in markets across the world from the second quarter of 2009 and the unprecedented levels of coordinated government and central bank support from across the world, there remains considerable volatility in the capital and credit markets.

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 the Bank's businesses and have led to a decrease in demand for certain financing arrangements and other products and services offered by the Bank and its associates. In addition, fluctuations in interest rates and credit spreads have affected the fair value of financial instruments that the Bank holds.

Accordingly, as a result of the foregoing, the Bank's results of operations, business, financial condition, liquidity and prospects can be adversely affected by conditions in the global economy and financial markets.

Slower economic growth in the countries where the Bank and its associates operate could adversely impact the Bank

The economies of Qatar and the Gulf Co-operation Council (the **GCC**) countries are dependent on oil, gas and related industries, as well as the prices and quantities of these commodities. During the second half of 2008 and the first half of 2009, the prices for both oil and gas and related products experienced significant volatility and rapid deterioration before stabilising and recovering later in 2009. The Bank's financial performance has been and will remain closely linked to the rate of economic growth of Qatar and the other countries in which the Bank and its associates operate. Any deterioration in economic conditions in Qatar due to deterioration in oil, gas or related industries or due to other factors, could have a materially adverse effect on many of the Bank's customers and contractual counterparties.

Qatar

Operations in Qatar accounted for 87.6 per cent. of the Bank's income for the quarter ended 31 March 2010. The government of Qatar has, in the past, relied upon loans to finance its economic development and infrastructure projects. If current economic conditions cause delays in key projects as a result of the decrease in the availability of credit, the Government may need to draw on its sovereign wealth fund in order to finance these projects. Moreover, the Qatari economy is highly dependent upon its oil and gas revenue. Historically, the markets for petroleum products have been volatile and are likely to remain so in the future. Beginning in the middle of 2008, oil and gas prices deteriorated significantly and experienced extreme volatility, although oil prices increased from lows of U.S.$32 per barrel and gas prices increased from a low of U.S.$5.86 per thousand cubic feet, and both became less volatile after the first few months of 2009. A recurrence in price deterioration or high volatility in international prices for oil and gas products in the future could adversely affect the government of Qatar's development strategy or its ability to continue both to finance internal development projects and to provide support to its commercial banking and real estate sectors. As long as these conditions persist, the Bank's business, financial condition, results of operations, liquidity and prospects are likely to be negatively affected.

The GCC

The economies of many GCC countries have expanded significantly in recent years, driven by revenues from oil and gas exports. Increased volatility in the price of oil and gas caused this rate of growth to slow during 2008 and to be moderate for 2009. Furthermore, the GCC's main export markets in Asia have continued to be affected by the global economic downturn in 2009, which has affected the GCC's rate of growth. Although it was hoped that the creation of the GCC customs union would assist in the establishment of free trade agreements with the European Union and the United States, talks have not yet advanced and there is no guarantee that these free trade agreements will be established. It is likely that if there is any sustained deterioration in the economies of these countries or a major political upheaval, this could have a material adverse effect on the Bank's business and results of operations. Investors should also note that the Bank's business and financial performance could be adversely affected by political, economic and related developments both within and outside the countries in which the Bank and its associates operate, because of the inter-relationships within global financial markets.

The GCC may enter into monetary union

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 the State of 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. As yet 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 and there are currently no details of new legislation or policies. Investors should, however, be aware that new legislation and any resulting shifts in policy and procedure in Qatar could affect QIB's ability to perform its obligations in respect of the Transaction Documents to which it is a party and, in turn, affect the Trustee's ability to perform its obligations in respect of the Certificates.

The Bank 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 the Bank will be unable to meet its obligations, including funding commitments, as they fall due. The Bank has historically relied substantially on corporate and retail depositors to meet most of its funding needs as access to other funding sources has been limited. Such deposits are subject to fluctuation due to certain factors outside the Bank'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. Credit markets worldwide experienced a severe reduction in liquidity and term-funding in the aftermath of events in the U.S. sub-prime residential mortgage market and the resulting severe market dislocation. Liquidity and term-funding remain more difficult to obtain and terms have become less favourable. The perception of counterparty risk between banks has also increased significantly, which has led to further reductions, in common with many other banks, in the Bank's access to traditional sources of liquidity, such as the financing markets. The Bank's access to these traditional sources of liquidity has been, and may continue to be, restricted or available only at a higher cost and there can be no assurance that the QCB will continue to provide the levels of support that it has provided to date.

The Bank may be subject to increased capital requirements or standards due to new governmental or regulatory requirements and changes in perceived levels of adequate capitalisation

Financial institutions have experienced, and may continue to experience, irregularity in the markets in which the Bank and its associates operate, increasing the capital requirements for either the Bank's or its associates' operations. On 6 May 2009 the QCB issued a Basel II guideline on the calculation of the capital adequacy ratio (**CAR**) of banks whereby investment in associates is required to be deducted from capital. Under the previous guidelines, banks were given an option to either deduct investment in associates from capital when calculating CAR or consolidate the risk weighted assets on a *pro rata* basis. See *"Banking Industry and Regulation – Qatar – Banking Regulation in Qatar – Capital"*. The change in the methodology for calculating the Bank's CAR has had a negative effect on the Bank's CAR as well as on the ratios of other Qatari banks that have associates. It should be noted that pursuant to QCB laws and regulations the QCB is entitled to amend capital adequacy requirements at its sole discretion. Various other regulatory regimes to which the Bank and its associates are subject, such as Basel II, are likely to be modified such that they will affect capital adequacy ratios (and the level of capital required) applicable to financial institutions. In addition, these regulations may limit the Bank's activities and changes in supervision and regulation in Qatar as a result of the implementation of, for example, Basel III could materially affect the Bank's business, the products or services offered, the value of its assets and its financial condition. A need to increase capital requirements may also arise due to Basel III, market perception of adequate capitalisation levels and perceptions of the agencies rating the Bank's debt. The Bank may also need additional capital in the future in the event that it experiences unexpected 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 attractive terms, or at all. Further, any such development may require the Bank 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 the Bank cannot obtain adequate funds to satisfy its capital requirements through financing arrangements any additional funds obtained through share capital increases may dilute the ownership percentage held by current shareholders. Further, if the Bank is unable to successfully complete the offering of the Certificates, it may be required to find alternative methods for strengthening its capital position, including through issuance of different instruments in the capital markets, sale of assets, or reductions of financing arrangements. The Bank may become subject to mandatory guidelines and direct monitoring by the QCB should it fail to strengthen its capital position.

There can be no assurance that any of these alternative methods of raising capital would be successful in increasing the Bank's capital ratios sufficiently or within the timetable required. If the Bank is unable to increase its capital ratios sufficiently, its credit ratings may drop, its cost of funding may increase, and its share price may decline.

The growth and diversification of the Bank's financing portfolio has increased its credit exposure and risk profile

Risks arising from adverse changes in the credit quality and recoverability of the Bank's financing portfolio, securities and amounts due from counterparties are inherent in a wide range of the Bank's businesses. The Bank's failure to maintain growth of its financing portfolio while maintaining the quality of its assets through effective risk management policies could lead to higher financing loss provisioning and result in higher levels of defaults and write-offs, which in turn could have a material adverse effect on the Bank's financial condition or results of operations. See *"Risk Management"*.

At the moment Qatar, like most GCC countries, does not have a central credit bureau which collates information about customers and their credit history. While the Bank does have access to a "blacklist" of retail individuals and SMEs in default maintained by the QCB and to the QCB's database of financings outstanding, there can be no assurance that the Bank will correctly assess the overall debt level and creditworthiness of credit applicants. Because the availability of accurate and comprehensive financial and general credit information on individuals and small businesses in Qatar and the GCC is limited, it is likely to be more difficult for the Bank to accurately assess the credit risk associated with such financing activities.

The Bank 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 the Bank

The Bank 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 regulations include Qatari laws, regulations, administrative actions and policies (particularly those of the QCB, the QFMA and the QE), as well as the laws, regulations, administrative actions and policies of the other countries in which the Bank operates.

These regulations may limit the Bank's ability to increase its financing portfolio or raise capital. Changes in supervision and regulations may also increase the Bank's cost of doing business, limit the products or services offered 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 II and Basel III) and the manner in which they are interpreted or enforced (such as Resolution No. (11) of 1997) may have a material adverse effect on the Bank's business, results of operations and financial condition.

Additionally, the Ministry of Business and Trade announced its intention to establish a single financial regulator in Qatar, which will regulate the banking, insurance and securities sectors, although these plans have been postponed by the Government for the foreseeable future. If implemented, the establishment of a single regulator may change the way that current regulations are implemented or enforced. Furthermore, non-compliance with regulatory guidelines could expose the Bank to potential liabilities. Although the Bank works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond the control of the Bank.

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

The Bank cannot assure prospective investors that it will be able to manage its growth effectively. Challenges that may result from strategic investments or acquisitions include the Bank's ability to: finance strategic investments or acquisitions; fully integrate strategic investments, or newly established entities or acquisitions 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; maintain its existing customer base; and apply its risk management policy effectively to an enlarged organisation.

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

A recurrence of rising inflation, or continued deflation may impact the Bank's profitability

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 slow the ratio of economic growth and consumer spending in Qatar. A continuing deflationary environment in Qatar could also impact the Bank's profitability by negatively affecting property values, which could have a negative effect on the Bank's real estate portfolio (if any). High rates of inflation or deflation could have a material adverse affect on the Bank's business growth and the profitability of the Bank.

The Bank's financial condition and operating results could be affected by market risks

The Bank's financial condition and operating results could be affected by market risks that are outside the Bank's control, including, amongst other things, prices of securities, currency exchange rates and investment and asset and liability management activities.

Fluctuations in interest rates could adversely affect the Bank's operations and financial condition in a number of different ways. An increase in such rates generally may decrease the value of the Bank's fixed rate financing arrangements and raise the Bank's funding costs. Such an increase could also generally decrease the value of Bank's *Sukuk* portfolio. Volatility in interest rates may result in a repricing gap between the Bank's profit rate sensitive assets and liabilities. As a result, the Bank may incur additional costs.

The Bank's financial condition and operating results may also be affected by changes in market value of the Bank's securities portfolio. The Bank's income from securities operations 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. Although the Bank has risk management processes that review and monitor the market risk aspects of investment proposals and investment portfolios which respond to QCB requirements and guidelines, including overall structure and investment limits, market price fluctuations may still adversely affect the value of the Bank's securities portfolio. See *"Risk Management – Market Risk"*.

The Bank's business may be adversely affected if the Qatari Riyal / U.S. dollar peg were to be removed or adjusted

As the date of this Prospectus, the Qatari Riyal remains pegged to the U.S. dollar (U.S.$1.00 = QAR 3.64). However, there is market risk relating to the possible de-pegging of the Qatari Riyal and various GCC currencies from the dollar, although it would depend on the level of open positions and exposure to the U.S. dollar of the Bank and its associates. The Bank's operations could be negatively impacted if Qatar (or any country where the Bank or its associates operate) should de-peg its currency. Ultimately, there can be no assurance that the Bank will be able to protect itself from any adverse effects of a currency revaluation or the de-pegging from the U.S. dollar which could have a material adverse effect on the Bank's financial condition and results of operations.

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

The Bank and its associates face high levels of competition for all of their products and services. The Bank competes with other Islamic banks and conventional banks with Islamic capabilities in Qatar. International banks are increasing their presence in Qatar, either directly or through strategic investments, and compete with the Bank for its wholesale corporate and government-related clients. As at 31 December 2009, there was a total of 18 banks, including four Islamic banks (of which QIB is one), registered in Qatar. In addition to the existing retail banks in Qatar, more international banks are expected to commence business through the QFC, which would allow them to compete for large corporate and government business (see *"Banking Industry and Regulation – International Banks")*. The competitive nature of the Qatar market and the Bank's potential failure to continue to compete successfully may adversely impact the Bank's business. Increased competition in Malaysia, the United Kingdom, Lebanon and Qatar, where the Bank's associates currently operate, could result in similar competition for associates.

The Bank's compliance systems might not be fully effective

The Bank'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. The Bank cannot ensure that these systems and procedures are fully effective. The Bank is subject to extensive oversight by regulatory authorities, including regular examination activity. In addition, the Bank 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, the Bank could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers for damages. Any of these could have a material adverse effect on the Bank's business, results of operations and financial condition. Notwithstanding the foregoing, the Bank believes that its risk management and internal control policies and procedures are sufficient to ensure the Issuer complies with its obligations as a company with securities admitted to the Official List.

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

In the course of its business activities, the Bank is exposed to a variety of risks, the most significant of which are credit risk, market and refinancing risk, liquidity risk, legal risk and operational risk. See *"Risk Management"*. The Bank believes it has implemented the appropriate policies, systems and processes to control and mitigate these risks as it has devoted substantial resources to develop its risk management policies and procedures, particularly in connection with market, credit, liquidity and interest rate risks, and expects to continue to do so 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 the Bank'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 the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against, all credit and other risks. In addition, certain risks could be greater than the Bank's empirical data would otherwise indicate. The Bank also cannot guarantee that all of its staff will adhere to its policies and procedures. However, the Bank believes that complying with QCB laws and regulations provides a significant degree of assurance to prospective investors in relation to the aforementioned risks.

The Bank 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, the Bank 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 *"The Bank is subject to risks relating to its information technology systems"*. The Bank's risk management and internal control capabilities are also limited by the information, tools and technologies available to the Bank. Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose the Bank to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Bank's business, results of operations and financial condition. Notwithstanding the foregoing, the Bank believes that its risk management and internal control policies and procedures are sufficient to ensure compliance with the requirements of the Disclosure and the Transparency Rules made by the FSA pursuant to section 73A(3) of FSMA applicable to the Bank as a listed entity.

The Bank is subject to risks relating to its information technology systems

The Bank 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 the Bank's business and operating data. The proper functioning of the Bank'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 centers, are critical to the Bank's business and ability to compete effectively. The Bank'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 the Bank'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 the Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. The Bank has implemented and tested detailed business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective.

The Bank may not receive future support from the government of Qatar, 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 of Qatar has initiated several plans to support domestic banks. See *"Business Description of the Bank – Strengths – Strong governmental support of the Qatari banking sector"*. Although the Government has supported the domestic banking industry during the recent global economic crisis, there can be no assurance, however, that the Government will provide any additional support to the Bank and the domestic banking industry in response to the recent crisis or initiate support if another major economic disruption were to occur in the future as the Government is currently under no legal obligation to provide such support.

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

As the Bank is governed by the Shari'a Board, the range of products and services that it can offer might be limited. This risk, however, is mitigated by the fact that increasing demand for Islamic banking services is leading to further development of products and services by the industry which will eventually lead to an extensive product range offered by Islamic banking financial institutions. This may be a long process as Islamic banking is still developing.

Like 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 the Bank is found to have financial liability arising from the ownership of assets comprising part of its offering of financial products, this could have a material adverse effect on the Bank's business and results of operations.

Risk factors relating to the Certificates

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Certificates 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 the 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. Application has been made for the listing of the Certificates on the London Stock Exchange but there can be no assurance that any such listing will occur on or prior to the Closing Date or at all or, 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 Issuer. Instead, the Certificates represent a beneficial interest solely in the Trust Assets. Recourse to the Issuer in respect of the Certificates is limited to the Trust Assets and proceeds of such Trust Assets are the sole source of payments on the Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Delegate and, through the Delegate, the Certificateholders will be against QIB and the Issuer to perform their respective obligations under the Transaction Documents to which it is a party. Certificateholders will otherwise have no recourse to the Issuer or QIB in respect of any shortfall in the expected amounts due under the Trust Assets. Each of the Managing Agent and QIB is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Issuer, and the Delegate will have direct recourse against the Managing Agent and QIB, to recover such payments due to the Issuer pursuant to the Transaction Documents. In the absence of default by the Delegate, investors have no direct recourse to QIB and there is no assurance that the net 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. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 4.2, the obligations of the Issuer in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Issuer or the Trustee to recover any further sums in respect of the

Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, the obligations of the Issuer in respect of the Certificates are not secured in any way and the Certificates are unsecured instruments, and under no circumstances (including the occurrence of a Dissolution Event) shall the Trustee, the Delegate or any Certificateholder have (i) any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents or (ii) any other recourse against the Sukuk Assets, except the right to receive distributions derived from the Sukuk 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 perform its obligations under the Transaction Documents to which it is a party.

The Trust may be subject to early dissolution and, in consequence, the Certificates may be redeemed early

In the event that the amount payable on the Certificates is required to be increased to include additional amounts in certain circumstances and/or QIB is required to pay additional amounts pursuant to certain Transaction Documents, as a result of certain changes affecting taxation in the Cayman Islands or Qatar (as the case may be) or in each case any political subdivision or any authority thereof or therein having power to tax, the Issuer may terminate the Trust upon giving notice in accordance with the Terms and Conditions of the Certificates and in consequence of such termination the Certificates will be redeemed in whole but not in part.

Risk factors relating to the Sukuk Assets

Liability attaching to owners of assets

In order to comply with the requirements of Shari'a, the Sukuk Assets will pass to the Issuer in its capacity as trustee under the Purchase Agreement. The Trustee will declare a trust in respect of such Sukuk Assets in favour of the Certificateholders pursuant to the Declaration of Trust. Accordingly, Certificateholders will have beneficial interests in the Sukuk Assets unless the transfer of the Trust Assets is prohibited by, or ineffective under, any applicable law (see "*Transfer of the Sukuk Assets*") below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Sukuk Assets. Only limited representations will be obtained from QIB Finance Limited (the **Seller**) in respect of the Sukuk Assets. In particular, the precise terms of the Sukuk Assets or the nature of the assets, sold or held 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 Sukuk Assets). No steps will be taken to register or perfect any transfer of the Sukuk 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 the Seller in respect of the Sukuk Assets. The Certificateholders shall have no recourse against the Sukuk Assets other than the right to receive distributions derived from the Sukuk Assets in accordance with the Transaction Documents and the sole right of the Certificateholders against the Sukuk Assets shall be the right to enforce the respective obligations of the Issuer and QIB under the Transaction Documents to which they are a party.

In addition, if and to the extent that a third party is able to establish a direct claim against the Issuer, the Delegate or any Certificateholders on the basis of a legal or beneficial ownership in the Sukuk Assets, QIB has agreed in the Declaration of Trust to indemnify the Issuer, the Trustee, the Delegate and the Certificateholders against any such liabilities. In the event that QIB is unable to meet any such claims then the Certificateholders may suffer losses in excess of the original face amount invested.

Transfer of the Sukuk Assets

QIB has agreed in the Purchase Undertaking to indemnify the Issuer for the purposes of redemption in full of the outstanding Certificates in the event that any transfer of the Sukuk Assets is found to be ineffective. In addition, QIB has agreed in the Purchase Undertaking that, to the extent that the sale and purchase or transfer of the Sukuk Assets is not effective in any jurisdiction for any reason, it will make payment of any amount equal to the purchase price by way of restitution to the Issuer immediately upon request.

In the event that the Sukuk Assets are not repurchased by QIB for any reason, the Delegate will seek to enforce the above provisions of the Purchase Undertaking. To the extent that it obtains an English judgment or an arbitration award in its favour, it may seek to enforce that judgment or award in a Qatari court.

Risk factors relating to taxation

Taxation risks on payments

Payments made by QIB to the Issuer under the Transaction Documents to which they are a party or by the Issuer in respect of the Certificates could become subject to taxation. The Management Agreement and the Purchase Undertaking each require the Managing Agent and QIB, respectively to pay additional amounts in the event that any withholding or deduction is required to be made in respect of payments made by it to the Issuer which are intended to fund Periodic Distribution Amounts and Dissolution Distribution Amounts. Condition 10 provides that the Issuer is required to pay additional amounts in respect of any such withholding or deduction imposed by or on behalf of any Relevant Jurisdiction (as defined in Condition 10) in certain circumstances. In the event that the Issuer fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, QIB has unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Issuer (for the benefit of the Certificateholders) an amount equal to the liabilities of the Issuer in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 10 in respect of any withholding or deduction in respect of any tax as set out in that Condition.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), Member States are required to provide to the tax authorities of another Member State details of certain payments paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (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 including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

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. The Trustee is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Risk factors relating to enforcement

Enforcement risk

Ultimately, the payments under the Certificates are dependent upon QIB and the Managing Agent making payments to the Issuer in the manner contemplated under the Transaction Documents to which they are a party. If QIB fails to do so, it may be necessary to bring an action against it to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

Certain of the Transaction Documents are governed by English law, with the courts of England and Wales stated to have jurisdiction to settle any disputes. Notwithstanding that a judgment may be obtained in an English court, there is no assurance that QIB has, or would at the relevant time have, assets in the United Kingdom against which such judgment could be enforced.

Enforcing foreign judgments and arbitral awards in Qatar

Under the relevant Transaction Documents and the Certificates, the parties have agreed that any disputes will, subject as provided in the paragraph below, be referred to arbitration. Qatar joined the

New York Convention on Enforcement of Foreign Arbitral Awards of 1958 with effect from 30 March 2003. The enforcement of foreign arbitral awards in Qatar is presumed to be straightforward, however, a Qatari court may refuse enforcement of an arbitral award and may consider the relevant dispute on its merits if the subject matter of the award is not compatible with mandatory provisions of Qatari law and public policy and morals in Qatar. Under the relevant Transaction Documents and the Certificates, any dispute may, at the option of certain parties, also be referred to the courts in England who shall have exclusive jurisdiction to settle any dispute arising from such Transaction Documents or Certificates. Where an English judgment has been obtained, there is no assurance that QIB has, or would at the relevant time have, assets in the United Kingdom against which such judgment could be enforced. If the judgment were to be enforced in Qatar, under current Qatari law, due to the lack of reciprocity of enforcement of judgments between Qatar and England the Qatari courts would be unlikely to enforce such judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of such Transaction Documents. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with mandatory provisions of Qatari law and public policy and morals in Qatar. This may mean that the Qatari courts may seek to interpret English law governed documents in accordance with Qatari law principles and there can, therefore, be no certainty that in those circumstances the Qatari courts would give effect to such documents in the same manner as the parties may intend.

However, in the event that enforcement is sought for a judgment obtained pursuant to an English law governed document or an action is brought under an English law governed document in Qatar and the Qatari court does not agree to enforce the judgment and/or give effect to the choice of law, it is likely that the Qatari court would review the transaction as a whole and seek to uphold the intention of the parties to treat the arrangements between the parties as a financing transaction on the terms agreed (subject to any third party interests that may exist).

As the Qatari legal system is based on a civil code, judicial precedents in Qatar have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in Qatar. These factors create greater uncertainty.

Waiver of sovereign immunity

Each of QIB and the Managing Agent has waived its rights, if any, in relation to sovereign immunity (including, without limitation, Decree Law No. (18) of 1996 Amending Certain Provisions of Law No. (10) of 1987 in respect of the Public and Private Properties of the Qatar). However there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by QIB under the Transaction Documents to which it is a party are valid and binding under the laws of Qatar and applicable in Qatar.

Change of law

The structure for the issue of the Certificates is based on Qatari, English and Cayman Islands law and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English, Qatari or Cayman Islands law or administrative practices in either jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Certificates or of QIB, to comply with its obligations under the Transaction Documents to which it is a party.

Claims for specific enforcement

In the event that QIB fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific enforcement of a contractual obligation, as this is generally a matter for the discretion of the relevant court.

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 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 as set out in the Transaction Documents.

Additional risk factors

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 the transaction structure, the market, the additional factors discussed above or any other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of repayment and may be revised, suspended or withdrawn by the assigning rating agency at any time.

Emerging markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Suitability of investments

The Certificates may not be a suitable investment for all investors. Each potential investor in 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 in this 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.

Consents to variation of Transaction Documents and other matters

The Declaration of Trust contains provisions permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to make any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Conditions or any provisions of the Declaration of Trust or any other Transaction Document or determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such in relation to the 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 an error which is, in the opinion of the Delegate, proven, or (c) is not materially prejudicial to the interest of Certificateholders. Unless the Delegate otherwise decides, any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine and shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Certificates 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 beneficial interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. 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.

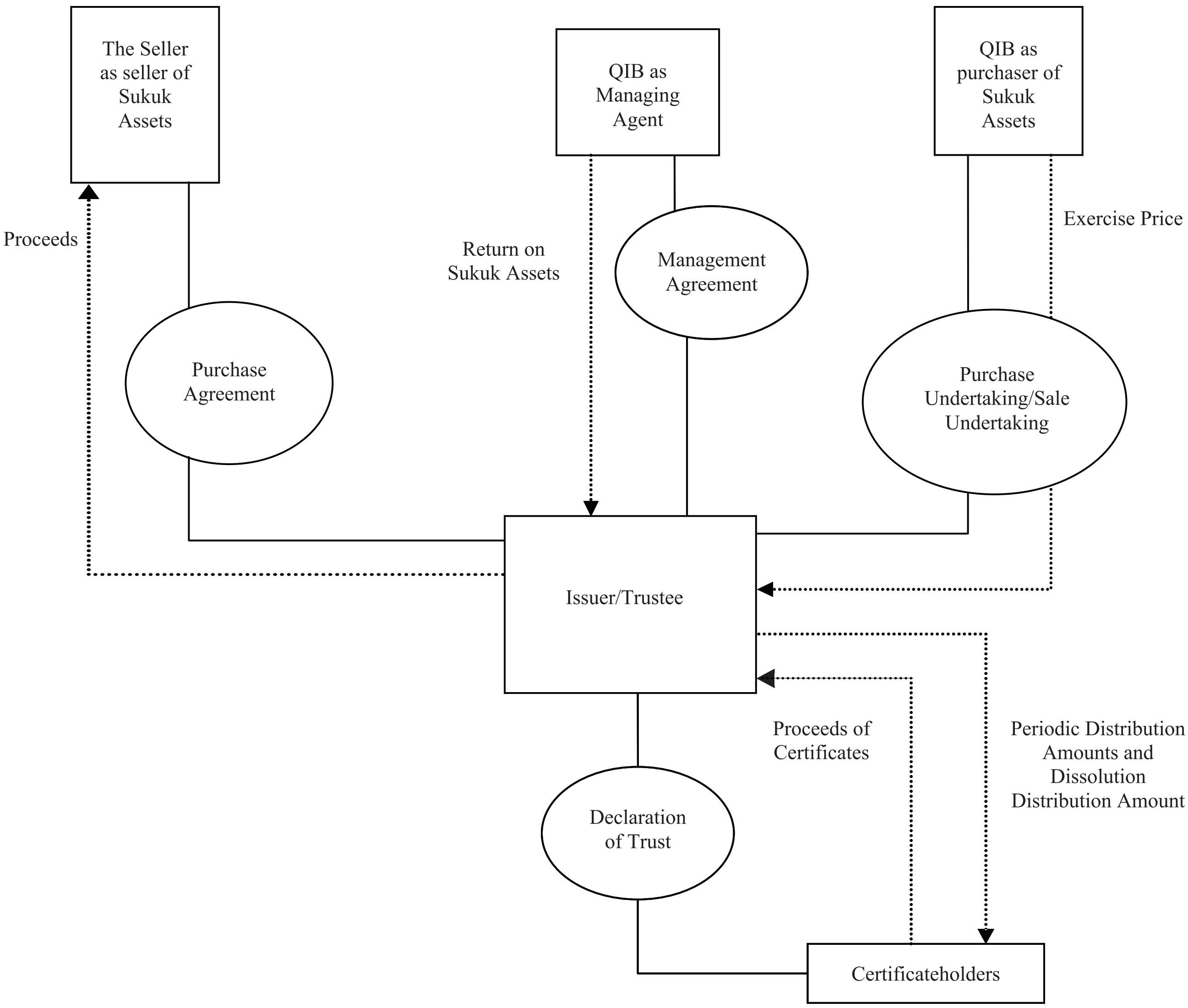
Shari'a rules

The HSBC Amanah Central Shari'a Committee and the QInvest Sharia'a Supervisory Board have each reviewed the Transaction Documents. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Shari'a compliant by any Shari'a board or Shari'a scholars. None of the Issuer, QIB or the Managers makes any representation as to the Shari'a compliance of the Certificates and potential investors are reminded that, as with any Shari'a views, differences in opinion are possible. Potential investors should obtain their own independent Shari'a advice as to the compliance of the Transaction Documents and the issue and trading of the Certificates with Shari'a principles.

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 set out in the Summary of the Principal Transaction Documents section in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram



Principal cash flows

Payments by the Certificateholders and the Issuer

On the Closing Date, the Certificateholders will pay the issue price in respect of the Certificates to QIB Sukuk Funding Limited and QIB Sukuk Funding Limited will pay such amount to or to the order of the Seller as the purchase price payable under the Purchase Agreement for the sale, transfer and assignment to QIB Sukuk Funding Limited of the rights, interests, ownership, benefits and entitlements (as the case may be) of the Seller in, to and under a portfolio of assets identified in the schedule to the Purchase Agreement.

Periodic Distribution Payments

Prior to each Periodic Distribution Date, the Managing Agent will pay to QIB Sukuk Funding Limited an amount reflecting the profit earned in respect of the Sukuk Assets which is intended to be sufficient to fund the Periodic Distribution Amounts payable by the Issuer under the Certificates and shall be applied by the Issuer for that purpose. If the returns generated by the Sukuk Assets in relation to any Periodic Distribution Date are greater than the Periodic Distribution Amount payable on that Periodic Distribution Date, such amounts shall be credited to a separate account (the **Return Collection Reserve Account**) by the Managing Agent. In the event that the returns generated by the Sukuk Assets are insufficient on any Periodic Distribution Date to fund the Periodic Distribution Amount due, the Managing Agent shall use any amounts standing to the credit of the Return Collection Reserve Account and, if insufficient funds are available in the Return Collection Reserve Account, the Managing Agent may make Shari'a-compliant funding available to the Issuer in the amount of the shortfall.

Dissolution Payment by QIB and the Managing Agent

On the Scheduled Dissolution Date, QIB Sukuk Funding Limited will have the right under the Purchase Undertaking to require QIB to purchase by way of the transfer, assignment and surrender of all of its rights, benefits, entitlements and interests in, to and under the Sukuk Assets. The total price payable by QIB to QIB Sukuk Funding Limited pursuant to the Purchase Undertaking is intended to fund the Dissolution Distribution Amount payable by the Issuer under the Certificates.

The Certificates may be redeemed prior to the Scheduled Dissolution Date for the following reasons: (a) redemption following a Dissolution Event or (b) an early redemption for tax reasons. In each case, the amounts payable by QIB Sukuk Funding Limited on the due date for redemption will be funded by QIB purchasing the Sukuk Assets from the Issuer and paying the exercise price to (or to the order of) the Issuer pursuant to the terms of the Purchase Undertaking or Sale Undertaking, as the case may be.

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Certificates. Accordingly, any decision by a prospective investor to invest in the Certificates should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of the Principal Transaction Documents" shall have the same meanings in this overview. Reference to a "Condition" is to a numbered condition of the Terms and Conditions of the Certificates (the ***Conditions****).*

Parties

Issuer	QIB Sukuk Funding Limited, a limited liability exempted company incorporated in accordance with the laws of, and formed and registered in, the Cayman Islands. The Issuer has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party.
Ownership of the Issuer	The authorised share capital of the Issuer 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 Issuer's entire issued share capital is held by Walkers SPV Limited, with registered office at Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands on trust for charitable purposes.
Administration of the Issuer	The affairs of the Issuer are managed by Walkers SPV Limited (the **Corporate Administrator**), who will provide, amongst other things, certain administrative services for and on behalf of the Issuer pursuant to the Corporate Services Agreement dated 9 June 2010 between, *inter alia*, the Issuer and the Corporate Administrator (the **Corporate Services Agreement**).
Seller	QIB Finance Limited (in such capacity, the **Seller**). In accordance with the Purchase Agreement, the Seller will sell the Sukuk Assets to QIB Sukuk Funding Limited.
Managing Agent	Qatar Islamic Bank S.A.Q. (in such capacity, the **Managing Agent**). In accordance with the Management Agreement, the Managing Agent will provide certain services with respect to the Sukuk Assets. The Managing Agent will make periodic payments to QIB Sukuk Funding Limited from profit received in respect of the Sukuk Assets. These payments are intended to fund the Periodic Distribution Amounts payable by the Issuer in respect of the Certificates.
QIB	Qatar Islamic Bank S.A.Q. (**QIB**). In accordance with the Purchase Undertaking, QIB will, at the option of the Trustee, purchase all of QIB Sukuk Funding Limited's rights, benefits, entitlements and interests in, to and under the Sukuk Assets. QIB shall have the right, under the Sale Undertaking on an early redemption for tax reasons, to require the sale to QIB of all of QIB Sukuk Funding Limited's rights, benefits, entitlements and interests in, to and under the Sukuk Assets.
Joint Lead Managers and Joint Bookrunners	Credit Suisse Securities (Europe) Limited HSBC Bank plc QInvest LLC
Co-Lead Manager	National Bank of Abu Dhabi P.J.S.C.
Trustee	QIB Sukuk Funding Limited. In accordance with the Declaration of Trust, the Trustee shall act as trustee in respect of the Trust Assets for the benefit of the Certificateholders.

Delegate	Deutsche Trustee Company Limited. In accordance with the Declaration of Trust, the Trustee will unconditionally and irrevocably delegate to the Delegate certain present and future duties, powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. The appointment of such 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 trustee.
Principal Paying Agent	Deutsche Bank AG, London Branch
Registrar, Transfer Agent and Paying Agent	Deutsche Bank Luxembourg S.A.
Summary of the Transaction Structure and Principal Documents	An overview of the structure of the transaction and the principal cash flows is set out under "*Structure Diagram and Cashflows*" and a description of the principal Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".

Summary of the Certificates

Certificates	U.S.$750,000,000 Certificates due 2015.
Sukuk Assets	The **Sukuk Assets** will comprise a portfolio of *ijara* based assets and *murabaha* based assets as specified in the Purchase Agreement.
Trust Assets	Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets, subject to the terms of the Transaction Documents and the Conditions, and is a limited recourse obligation of the Trustee. The Trust Assets are all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Sukuk Assets and the Transaction Documents together with all monies standing to the credit of the Transaction Account (as defined below) and all proceeds of the foregoing (the **Trust Assets**).
Closing Date	7 October 2010.
Issue Price	100 per cent. of the aggregate face amount of the Certificates.
Periodic Distribution Dates	The 7th day of April and October in each year commencing on 7 April 2011.
Periodic Distributions	On each Periodic Distribution Date, Certificateholders will receive a Periodic Distribution Amount in U.S. dollars equalling the product of (i) 3.856 per cent. per annum and (ii) the face amount of their Certificates and (iii) the number of days in the relevant Return Accumulation Period calculated on the basis of a year of 12 30-day months divided by 360. See Condition 6.
Return Accumulation Period	The period from and including the Closing Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date or, if earlier, the relevant Dissolution Date.
Scheduled Dissolution of the Trust	The Scheduled Dissolution Date is 7 October 2015. Upon receipt by the Issuer of the exercise price payable in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be, the Trust will be terminated and in consequence the exercise price will be applied to redeem the Certificates at the Dissolution Distribution Amount.

Early Dissolution of the Trust	Other than as a result of the occurrence of a Dissolution Event or an early termination for tax reasons, the Trust will not be subject to termination and, accordingly, the Certificates will not be redeemed, prior to the Scheduled Dissolution Date.
Dissolution Events	The Dissolution Events are set out in Condition 12. Following the occurrence of a Dissolution Event which is continuing, the Trust may be terminated and, in consequence, the Certificates may be redeemed in full at the Dissolution Distribution Amount.
Dissolution Distribution Amount	The aggregate outstanding face amount of the Certificates plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificates.
Covenants	The Purchase Undertaking contains a negative pledge given by QIB and events of default that apply to QIB, see "*Summary of the Principal Transaction Documents*".
Role of Delegate	Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall be obliged to): (a) deliver an exercise notice to QIB in accordance with the Purchase Undertaking; and (b) following a Dissolution Event, take enforcement action in the name of the Trustee against QIB or the Managing Agent.
Form and Delivery of the Certificates	The Certificates will be issued in registered global form only. The Certificates will be represented on issue by beneficial interests in the Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in the limited circumstances described under "*Global Certificate*".
Clearance and Settlement	Holders of the Certificates must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg, as the case may be. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearance systems.
Face Amounts of the Certificates	The Certificates will be issued in minimum face amounts of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof.
Status of the Certificates	Each Certificate represents an undivided beneficial ownership interest in the Trust Assets, subject to the terms of the Transaction Documents and the Conditions, and will rank *pari passu*, without any preference, with the other Certificates.
Transaction Account	The Principal Paying Agent will maintain and operate a U.S. dollar account opened in the name of the Issuer (the **Transaction Account**). Payments to the Issuer by the Managing Agent and QIB under the Management Agreement and the Purchase Undertaking or the Sale Undertaking, as the case may be, will be credited to the Transaction Account. Periodic Distribution Amounts and the Dissolution Distribution Amount will be paid to holders of the Certificates from funds standing to the credit of the Transaction Account in accordance with the order of priority described under "*Priority of Distributions*" below.

Priority of Distributions	On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority: (a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate; (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid; (c) *third*, unless the payment is made on a Dissolution Date, to the Managing Agent for credit to the Return Collection Reserve Account in accordance with the provisions of the Management Agreement; (d) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; (e) *fifth*, only if such payment is made on a Dissolution Date, to the Managing Agent to repay any Shari'a compliant funding advanced by it to the Issuer on any Periodic Distribution Date; and (f) *sixth*, but only after all necessary payments above have been made in full, to the Issuer.
Limited Recourse	Each Certificate represents solely an undivided beneficial ownership interest in the Trust Assets. 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 Trust Assets. Certificateholders have no recourse to the Sukuk Assets, the Issuer, the Trustee (other than the Trust Assets), the Delegate, the Seller, QIB or the Managing Agent (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished.
Withholding Tax	All payments by the Issuer under the Certificates are to be made without withholding or deduction for or on account of Cayman Islands taxes, unless the withholding or deduction of the taxes is required by law. In such event, subject to certain enumerated exceptions, the Issuer, failing which, QIB will be required pursuant to the relevant Transaction Documents to pay to the Issuer such additional amounts as may be necessary to ensure that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders. All payments by QIB and the Managing Agent under the Transaction Documents are to be made without withholding or deduction for or on account of any taxes in Qatar, unless the withholding or deduction of the taxes is required by law. In such event, the relevant payer will be required pursuant to the Purchase Undertaking or Management Agreement, as the case may be, to pay to the Issuer such additional amounts as may be necessary to ensure that the Issuer will receive the full amount which otherwise would have been due and payable.
Costs Undertaking	QIB will execute a Costs Undertaking pursuant to which it shall agree to reimburse, among others, the Issuer, the Trustee, the Delegate and the Agents for certain expenses incurred by them and to indemnify such parties in respect of certain liabilities incurred by them.

Use of Proceeds	The proceeds of the issue of the Certificates will be paid by the Issuer on the Closing Date to the Seller as the purchase price for the Sukuk Assets.
Listing	Application has been made to the UK Listing Authority for the Certificates to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the London Stock Exchange's regulated market.
Rating	The Certificates are expected to be assigned a rating of "A" by Fitch. A rating is not a recommendation to buy, sell or hold the Certificates (or the beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
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 16.
Tax Considerations	See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.
Transaction Documents	The Transaction Documents are the Purchase Agreement, the Management Agreement, the Purchase Undertaking, the Sale Undertaking, the Declaration of Trust, the Agency Agreement and the Costs Undertaking.
Governing Law	The Declaration of Trust, the Agency Agreement, the Costs Undertaking, the Management Agreement, the Purchase Undertaking, the Sale Undertaking and the Certificates will be governed by English law. The Purchase Agreement will be governed by the laws of Qatar. The Corporate Services Agreement will be governed by the laws of the Cayman Islands.
Waiver of Immunity	To the extent that QIB may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, QIB will agree in the Transaction Documents to which it is a party not to claim and will irrevocably and unconditionally waive such immunity in relation to any legal proceedings. Further, QIB will irrevocably and unconditionally consent to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings.
Selling Restrictions	There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the Cayman Islands, Malaysia, the Kingdom of Saudi Arabia, Singapore, Qatar (excluding the Qatar Financial Centre), the Kingdom of Bahrain, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre and such other restrictions as may be required in connection with the offering and sale of the Certificates.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will, save as provided in "Global Certificate", apply to the Global Certificate:

Each of the U.S.$750,000,000 Certificates due 2015 (the **Certificates**) is issued by QIB Sukuk Funding Limited (in its capacity as issuer, the **Issuer**) and represents an undivided beneficial ownership interest in the Trust Assets (as defined in Condition 4.1) held on trust (the **Trust**) for the holders of such Certificates pursuant to a declaration of trust (the **Declaration of Trust**) dated 7 October 2010 (the **Closing Date**) made by QIB Sukuk Funding Limited (in its capacity as Issuer and in its capacity as trustee, the **Trustee**), Qatar Islamic Bank S.A.Q. (**QIB**) and Deutsche Trustee Company Limited as the delegate of the Trustee (the **Delegate**).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Closing Date (the **Agency Agreement**) made between the Issuer, QIB, the Delegate, Deutsche Bank AG, London Branch as principal paying agent (in such capacity, the **Principal Paying Agent)**, and Deutsche Bank Luxembourg S.A. as paying agent (together with the Principal Paying Agent and any further or other paying agents appointed from time to time in respect of the Certificates, the **Paying Agents**), as registrar (in such capacity, the **Registrar**) and as transfer agent (in such capacity, the **Transfer Agent** and, together with the Registrar and any further or other transfer agents appointed from time to time in respect of the Certificates, the **Transfer Agents**). The Paying Agents and the Transfer Agents are together referred to in these Conditions as the **Agents**. References to the Agents or any of them shall include their successors.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined in Condition 4.1). In these Conditions, words and expressions defined and rules of construction and interpretation set out in the Declaration of Trust shall, unless defined herein or the context otherwise requires, have the same meanings herein. Copies of the Transaction Documents are available for inspection during normal business hours at the specified offices of the Paying Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Issuer (acting as trustee on behalf of the Certificateholders), (i) to apply the sums paid by it in respect of its Certificates in making payment to QIB as the purchase price for the Sukuk Assets (as defined in Condition 4.1) and (ii) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Certificates are issued in registered form in face amounts of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof (each an **Authorised Denomination**). A single definitive Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each definitive Certificate will be numbered serially with an identifying number which will be recorded on the relevant definitive Certificate and in the register of Certificateholders (the **Register**).

The Certificates will be issued in the form of a Global Certificate. The Conditions are modified by certain provisions contained in the Global Certificate. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See "Global Certificate".

1.2 Title

The Issuer will cause the Registrar to maintain the Register in respect of the Certificates in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered holder of any definitive Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the definitive 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 definitive Certificate) and no person will be liable for so treating the holder of any definitive Certificate. The registered holder of a definitive Certificate will be recognised by the Issuer as entitled to his definitive Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such definitive Certificate. In these Conditions, **Certificateholder** and (in relation to a Certificate) **holder** have the meanings given thereto in the Declaration of Trust.

2. TRANSFERS OF CERTIFICATES

2.1 Transfers

Subject to Conditions 2.4 and 2.5 and the provisions of the Agency Agreement, a Certificate may be transferred in an Authorised Denomination only by depositing the definitive Certificate by which it is represented, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents.

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

2.2 Delivery of New Definitive Certificates

Each new definitive Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant definitive Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or mailed by uninsured mail at the risk of the holder entitled to the definitive 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 definitive Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a definitive Certificate is issued are to be transferred, a new definitive Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original definitive 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.

2.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Issuer or any Transfer Agent but upon payment (or the giving of such indemnity as the Trustee or any 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.

2.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of seven days ending on (and including) the due date for any payment of the Dissolution Distribution Amount (as defined in Condition 8.1) or any Periodic Distribution Amount (as defined in Condition 6.1).

2.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Agency Agreement. The Regulations may be changed by the Trustee from time to time with the prior written approval of the Registrar. 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.

The holder of Certificates shall be entitled to receive, in accordance with Condition 2.2, only one definitive Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a definitive Certificate, a new definitive Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 2.2.

3. STATUS AND LIMITED RECOURSE

3.1 Status

Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets, subject to the terms of the Declaration of Trust and these Conditions, and is a direct, unsecured, unsubordinated and limited recourse obligation of the Issuer. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

3.2 Limited Recourse

The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of any of the Issuer, the Trustee, the Delegate, the Managing Agent or QIB. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that they will have no recourse to any of the assets of the Issuer, the Trustee (other than the Trust Assets), the Delegate, the Managing Agent or QIB (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted, following which all obligations of the Issuer shall be extinguished.

Each of QIB and the Managing Agent is obliged to make certain payments under the Transaction Documents to which it is a party direct to the Issuer, and the Trustee and the Delegate will have direct recourse against QIB and the Managing Agent to recover such payments.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 13, no holder of Certificates will have any claim against the Issuer (to the extent the Trust Assets have been exhausted), the Delegate, QIB or the Managing Agent (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of QIB Sukuk Funding Limited as a consequence of such shortfall or otherwise.

No recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Issuer arising under or in connection with these Conditions by virtue of any law, statute or otherwise shall be had against any shareholder, officer or director of the Issuer in his capacity as such and any and all personal liability of every such shareholder, officer or director in his capacity as such for any breaches by the Issuer of any such duty, obligation or undertaking is hereby expressly waived and excluded to the extent permitted by law save in the case of their wilful default, fraud or negligence.

3.3 Agreement of Certificateholders

By purchasing Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(a) no payment of any amount whatsoever shall be made by or on behalf of QIB Sukuk Funding Limited except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against QIB Sukuk Funding Limited to the extent the Trust Assets have been exhausted and to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party following which all obligations of QIB Sukuk Funding Limited shall be extinguished; and

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

4. THE TRUST

4.1 Summary of the Trust

QIB Sukuk Funding Limited will enter into a purchase agreement (the **Purchase Agreement**) to be dated the Closing Date with QIB Finance Limited (the **Seller**). Pursuant to the Purchase Agreement, the Seller will sell a portfolio of certain assets (the **Sukuk Assets**) to QIB Sukuk Funding Limited.

QIB Sukuk Funding Limited will enter into a management agreement (the **Management Agreement**) to be dated the Closing Date with QIB (in such capacity, the **Managing Agent**). Pursuant to the Management Agreement, the Managing Agent will manage the Sukuk Assets.

QIB will enter into a purchase undertaking (the **Purchase Undertaking**) to be dated the Closing Date in favour of QIB Sukuk Funding Limited and the Delegate to purchase all of QIB Sukuk Funding Limited's rights, benefits, entitlements and interests in, to and under the Sukuk Assets on the Scheduled Dissolution Date (as defined in Condition 8.1) or, if earlier, on the due date for dissolution in accordance with Condition 12 at the Dissolution Distribution Amount.

QIB Sukuk Funding Limited will execute a sale undertaking (the **Sale Undertaking**) in favour of QIB. Pursuant to the Sale Undertaking, subject to the Issuer being entitled to redeem the Certificates early pursuant to Condition 8.2, QIB may, by exercising its option under the Sale Undertaking and serving notice on QIB Sukuk Funding Limited no later than 60 days prior to the Tax Redemption Date (as defined in Condition 8.2), oblige QIB Sukuk Funding Limited to sell all of its rights, benefits, entitlements and interests in, to and under the Sukuk Assets to QIB on the Tax Redemption Date at the Dissolution Distribution Amount.

The Issuer has established a transaction account (the **Transaction Account**) in the name of the Issuer with the Principal Paying Agent into which the Managing Agent and QIB will deposit all amounts due to the Issuer under the Management Agreement and the Purchase Undertaking or the Sale Undertaking, as the case may be, respectively.

Pursuant to the Declaration of Trust, the Issuer will declare that it will hold certain assets (the **Trust Assets**) primarily consisting of:

(a) QIB Sukuk Funding Limited's rights, benefits, entitlements and interests in, to and under the Sukuk Assets;

(b) the rights, benefits, entitlements and interests, present and future, of QIB Sukuk Funding Limited in, to and under the Transaction Documents (excluding the representations given by QIB to the Issuer under the Transaction Documents to which it is a party); and

(c) all monies standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing upon trust absolutely for the holders of the Certificates *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and these Conditions.

The Purchase Agreement, the Management Agreement, the Purchase Undertaking, the Sale Undertaking, the Declaration of Trust, the Agency Agreement and the Costs Undertaking are together referred to in these Conditions as the **Transaction Documents**.

4.2 Application of Proceeds from the Trust Assets

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets for and on behalf of the holders of the Certificates. On each Periodic Distribution Date or on a Dissolution Date, the Principal Paying Agent will apply the monies standing to the credit of the Transaction Account in the following order of priority:

(a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate;

(b) *second*, to the Principal Paying Agent for application in or towards paying *pari passu* and rateably all Periodic Distribution Amounts due and unpaid;

(c) *third*, unless the payment is made on a Dissolution Date, to the Managing Agent for credit to the Return Collection Reserve Account in accordance with the provisions of the Management Agreement;

(d) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount;

(e) *fifth*, only if such payment is made on a Dissolution Date, to the Managing Agent to repay any Shari'a compliant funding advanced by it to the Issuer on any Periodic Distribution Date; and

(f) *sixth*, only after all necessary payments above have been made in full, to the Issuer.

5. COVENANTS

The Issuer covenants that, for so long as any Certificate is outstanding, it will not (without the prior written consent of the Delegate, and except in the case of (e) below, with the approval of the Certificateholders by way of Extraordinary Resolution):

(a) 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) or any other certificates except, in all cases, as contemplated in the Transaction Documents;

(b) grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (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 interest in any of the Trust Assets except pursuant to the Transaction Documents;

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

(e) amend or agree to any amendment to any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its memorandum of association and bye-laws, in each case in a manner which is materially prejudicial to the interests of the holders of the Certificates;

(f) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(g) have any subsidiaries or employees;

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

(i) prior to the date which is one year and one day after the date on which all amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, 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 proceedings with respect to it; and

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

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

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

   (iii) such other matters which are incidental thereto.

6. PERIODIC DISTRIBUTIONS

6.1 Periodic Distributions

Subject to Condition 4.2 and Condition 7, the Principal Paying Agent shall distribute to holders of the Certificates *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount. The **Periodic Distribution Amount** payable on each Periodic Distribution Date shall be U.S.$19.28 per U.S.$1,000 in face amount of Certificates. For this purpose, **Periodic Distribution Date** means the 7th day of each of April and October in each year commencing on 7 April 2011 and, subject to Condition 6.3, ending on the Scheduled Dissolution Date (as defined in Condition 8.1).

6.2 Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the **Relevant Period**), it shall be calculated as an amount equal to the product of (a) 3.856 per cent. per annum, (b) the face amount of the relevant Certificate and (c) the number of days in such Relevant Period calculated on the basis of a year of 12 30-day months divided by 360 (with the result being rounded to the nearest U.S.$0.01, U.S.$0.005 being rounded upwards). The period from and including 7 October 2010 to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date is called a **Return Accumulation Period**.

6.3 Cessation of Accrual

No further amounts will be payable on any Certificate from and including its due date for redemption, unless default is made in any payment of the Dissolution Distribution Amount, in which case the Trust will not be terminated and Periodic Distribution Amounts will continue to accrue in respect of the outstanding Certificates in the manner provided in this Condition 6.

7. PAYMENTS

7.1 Payments in respect of the Certificates

Subject to Condition 7.2, payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by the Principal Paying Agent in U.S. dollars by wire transfer in same-day funds to the registered account of the Certificateholder or by U.S. dollar cheque drawn on a bank that processes payments in U.S. dollars mailed to the registered address of the Certificateholder if it does not have a registered account. Payments of the Dissolution Distribution Amount will only be made against presentation and surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the date (the **record date**) being the seventh day before the date on which the Dissolution Distribution Amount or the relevant Periodic Distribution Amount, as the case may be, is paid.

For the purposes of this Condition 7, a Certificateholder's **registered account** means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant record date, and a Certificateholder's **registered address** means its address appearing on the Register at that time.

Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures.

7.2 Payments subject to Applicable Laws

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 10.

7.3 **Payment only on a Payment Business Day**

Where payment is to be made by transfer to a registered account, 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 and, where payment is to be made by cheque, the cheque will be mailed, in each case by the Principal Paying Agent, on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional 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 its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

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

In this Condition, **Payment Business Day** means a day on which commercial banks and foreign exchange markets in London and New York City are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

7.4 **Agents**

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and 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) it will at all times maintain a Paying Agent (which may be the Principal Paying Agent) having its specified office in London for so long as the Certificates are listed on the Official List of the UK Listing Authority 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, any such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Issuer in accordance with Condition 15.

8. CAPITAL DISTRIBUTIONS OF THE TRUST

8.1 **Scheduled Dissolution**

Unless the Trust has previously been terminated, the Issuer will terminate the Trust and in consequence redeem each Certificate at the Dissolution Distribution Amount on 7 October 2015 (the **Scheduled Dissolution Date**). Upon payment in full of the Dissolution Distribution Amount to the Certificateholders, the Certificates shall cease to represent Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

In these Conditions, **Dissolution Date** means any of the Scheduled Dissolution Date, the Tax Redemption Date (as defined in Condition 8.2) and any date specified by the Delegate in accordance with Condition 12 and **Dissolution Distribution Amount** in relation to a Certificate means its outstanding face amount plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificate.

8.2 **Early Redemption for Tax Reasons**

The Trust may be terminated by the Issuer in whole, but not in part, and in consequence the Certificates repaid, at any time (the date of any such termination, the **Tax Redemption Date**), on giving not less than 30 nor more than 60 days' notice to the Delegate and the Certificateholders in accordance with Condition 15 (which notice shall be irrevocable), at the Dissolution Distribution Amount, if:

(a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 10) or any change in the application or official interpretation of such laws or regulations (excluding, for the avoidance of doubt, any interpretation by Qatar Islamic Bank S.A.Q. (acting in any capacity) of the application of such laws or regulations), which change or amendment becomes effective or is enacted on or after 5 October 2010 and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) the Issuer has received notice from the Managing Agent that the Managing Agent has or will become obliged to pay additional amounts pursuant to the terms of the Management Agreement 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 (excluding, for the avoidance of doubt, any interpretation by Qatar Islamic Bank S.A.Q. (acting in any capacity) of the application of such laws or regulations), which change or amendment becomes effective on or after 5 October 2010 and such obligation cannot be avoided by the Managing Agent taking reasonable measures available to it,

provided, however, that no such notice of termination shall be given unless an exercise notice has been received by the Issuer under the Sale Undertaking and no such notice of termination shall be given earlier than 60 days prior to the earliest date on which (in the case of (a) above) the Issuer would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (b) above) the Managing Agent would be obliged to pay such additional amounts if a payment to the Issuer under the Management Agreement was then due.

Prior to the publication of any notice of termination pursuant to this paragraph, the Issuer shall deliver to the Delegate (i) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such termination and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Issuer so to terminate have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or the Managing Agent, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof, in which event it shall be conclusive and binding on the Certificateholders. Upon the expiry of any such notice as is referred to in this Condition 8.2, the Trust shall be terminated and in consequence the Certificates shall be redeemed at the Dissolution Distribution Amount and, upon payment in full of the Dissolution Distribution Amount to the Certificateholders, the Certificates shall cease to represent Trust Assets and no further amounts shall be payable in respect thereof and the Issuer shall have no further obligations in respect thereof.

8.3 **Redemption Following a Dissolution Event**

Upon the occurrence of a Dissolution Event (as defined in Condition 12) which is continuing, the Trust may be terminated and in consequence the Certificates may be redeemed at the Dissolution Distribution Amount as more particularly specified in Condition 12.

8.4 **No other Redemption**

The Issuer shall not be entitled to terminate the Trust and redeem the Certificates otherwise than as provided in this Condition 8 and Condition 12.

8.5 **Cancellations**

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

9. PURCHASE OF CERTIFICATES BY QIB

QIB may at any time purchase Certificates at any price in the open market or otherwise. Following any purchase of Certificates by QIB pursuant to this Condition 9, QIB may at its option hold or resell such Certificates (subject to such Certificates being deemed not to remain outstanding for certain purposes as provided under the Declaration of Trust if held).

QIB may request the Issuer to cancel any Certificates purchased pursuant to this Condition 9 and the Issuer shall forthwith cancel such Certificates to which the request relates. Such Certificates cannot be reissued or resold.

10. TAXATION

All payments in respect of the Certificates shall be made without withholding or deduction for, or on account of, any taxes, levies, imports, duties, fees, assessments or other charges of whatever nature, imposed or levied 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 Issuer will pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

(a) presented for payment (where presentation is required) 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 an interest therein; or

(b) presented for payment (where presentation is required) 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 assuming, whether or not such is in fact the case, that day to have been a Payment Business Day; or

(c) where such withholding or deduction is imposed on a payment to an individual and 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

(d) presented for payment (where presentation is required) 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.

In these Conditions, references to the **Dissolution Distribution Amount** or any **Periodic Distribution Amount** payable in respect of a Certificate shall be deemed to include any additional amounts payable under this Condition 10. In addition, 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 Principal Paying Agent or the Delegate 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 15.

Relevant Jurisdiction means each of the Cayman Islands and the State of Qatar or, in each case, any political sub-division or authority thereof or therein having power to tax.

The Purchase Undertaking and the Management Agreement each provides that payments thereunder by QIB and the Managing Agent respectively 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 and the Managing Agent respectively of additional amounts so that the full amount which would otherwise have been due and payable is received by the Issuer.

11. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 7.

12. DISSOLUTION EVENTS

Upon the occurrence and continuation of any of the following events (**Dissolution Events**):

(a) default is made in the payment of the Dissolution Distribution Amount or any Periodic Distribution Amount and, in the case of a Periodic Distribution Amount only, such default continues for a period of three days from the due date for payment; or

(b) the Issuer 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 or (if capable of remedy) is not remedied within 20 days after written notice of such default shall have been given to the Issuer by the Delegate; or

(c) a QIB Event (as defined in the Purchase Undertaking); or

(d) the Issuer repudiates any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document; or

(e) either (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), (iii) the Issuer 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 (iv) the Issuer ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(f) an order or decree is made or an effective resolution is passed for the winding up, liquidation or termination of the Issuer; or

(g) any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (e) or (f) above,

the Delegate shall, if it has actual knowledge of such Dissolution Event, give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 15 with a request to such holders to direct the Delegate in writing or by Extraordinary Resolution if they wish the Trust to be terminated, provided, however, that in the case of the event described in paragraph (b) above, such notice may only be given if the Delegate is of the opinion that the event is materially prejudicial to the interests of the Certificateholders. If so directed in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates, the Delegate shall or, if the Delegate so decides in its discretion, the Delegate may, (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Trustee, QIB and the holders of the Certificates in accordance with Condition 15 that the Trust is to be terminated and in consequence that the Certificates are to be redeemed at the Dissolution Distribution Amount on the date specified in such notice. Upon payment in full of the Dissolution Distribution Amount, the Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purpose of paragraph (a) above, amounts shall be considered due in respect of the Certificates (including any amounts calculated as being payable under Condition 6, Condition 8 and this Condition 12) notwithstanding that the Trustee has, at the relevant time, insufficient funds to pay such amounts.

13. ENFORCEMENT AND EXERCISE OF RIGHTS

13.1 Following the distribution in full of the net proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate or any other person to recover any such sum in respect of the Certificates or Trust Assets.

13.2 The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against QIB under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution of the Certificateholders or (b) in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Certificates outstanding and, in either case, then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

13.3 No Certificateholder shall be entitled to proceed directly against the Issuer or QIB unless (a) the Delegate, having become bound so to proceed, fails to do so within 30 days of becoming so bound and such failure is continuing and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Issuer or QIB as the case may be) holds at least 20 per cent. of the then aggregate face amount of the Certificates outstanding. Under no circumstances (including the occurrence of a Dissolution Event) shall the Delegate or any Certificateholder have (i) any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents or (ii) any other recourse against the Sukuk Assets, except the right to receive distributions derived from the Sukuk Assets in accordance with the Conditions, and the sole right of the Delegate and the Certificateholders against the Sukuk Assets, the Issuer and QIB shall be to enforce their respective obligations under the Transaction Documents to which they are a party and to enforce or realise the Trust Assets.

13.4 The foregoing paragraphs in this Condition 13 are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 4.2 and the Declaration of Trust, the obligations of the Issuer in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Issuer to recover any further sums in respect of the Certificates and the right to receive any sums unpaid shall be extinguished. 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 QIB Sukuk Funding Limited.

14. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer or QIB may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. NOTICES

All notices to Certificateholders will be valid if:

(a) published in a daily newspaper having general circulation in London (which is expected to be the Financial Times) approved by the Delegate; or

(b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

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

16.1 The 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 Declaration of Trust. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. of the outstanding face amount of the Certificates, or at any adjourned such meeting one or more persons present whatever the outstanding face amount of the Certificates held or represented by him or them, except that any meeting the business of which includes the modification of certain provisions of the Certificates (including modifying the Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates or altering the currency of payment of the Certificates and amending certain covenants given by the Issuer and QIB in the Transaction Documents), the quorum shall be one or more persons present holding or representing not less than 75 per cent. of the outstanding face amount of the Certificates, or at any adjourned such meeting one or more persons present holding or representing not less than 25 per cent. of the outstanding face amount of the Certificates. 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 holders of the Certificates, whether or not they are present at the meeting and whether or not voting.

16.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or any other Transaction Document or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or Potential Dissolution Event (as defined in the Declaration of Trust) shall not be treated as such, which in any such case is not, in the opinion of the Delegate, materially prejudicial to the interests of Certificateholders or may agree, without any such consent or sanction as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Delegate, proven.

16.3 In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or, without prejudice to Condition 10, any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

16.4 Any modification, abrogation, waiver, authorisation or determination shall be binding on all of the Certificateholders and shall be notified by the Issuer to the Certificateholders as soon as practicable thereafter in accordance with Condition 15.

17. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE

17.1 The 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 pre-funded to its satisfaction.

17.2 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 the 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 Trust Assets other than as expressly provided in the Conditions or in the Declaration of Trust.

17.3 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 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 wilful default, fraud or negligence by the Trustee or the Delegate, as the case may be.

18. 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.

19. GOVERNING LAW AND JURISDICTION

19.1 The Declaration of Trust, the Certificates and these Conditions and any non contractual obligations arising out of or in connection with the Declaration of Trust, the Certificates and these Conditions are governed by, and shall be construed in accordance with, English law.

19.2 Subject to Condition 19.3, any dispute arising out of, related to, or having any connection with the Declaration of Trust, the Certificates and these Conditions (including any dispute regarding the existence, validity, interpretation, performance, breach or termination of the Declaration of Trust, the Certificates and these Conditions or the consequences of the nullity of any of them or a dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (**LCIA**) (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition 19.2. For these purposes:

(a) the place of arbitration shall be London;

(b) there shall be three arbitrators each of whom shall have no connection with any party hereto and shall be an attorney experienced in international securities transactions;

(c) the language of the arbitration shall be English; and

(d) any requirement in the Rules to take account of the nationality of a person considered for appointment as an arbitrator shall be disapplied and a person shall be nominated or appointed as an arbitrator (including as Chairman) regardless of his nationality.

19.3 Notwithstanding Condition 19.2 above, the Trustee, the Delegate or (only where permitted to take action in accordance with the terms of the Declaration of Trust) any Certificateholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

(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 19.4 and any arbitration commenced under Condition 19.2 in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by the Issuer, failing which QIB under the Costs Undertaking), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

19.4 If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Issuer must 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 the 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.

19.5 In the event that a notice pursuant to Condition 19.3 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;

(b) the Issuer and QIB have agreed that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, irrevocably submit to the jurisdiction of such courts and will not argue to the contrary; and

(c) this Condition 19.5 is for the benefit of the Trustee, the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (a) above, the Trustee, the Delegate and the Certificateholders may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Trustee, the Delegate and the Certificateholders may take concurrent Proceedings in any number of jurisdictions.

19.6 The Issuer has, in the Declaration of Trust, appointed an agent for service of process and has undertaken that, in the event of such agent ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Delegate as its agent for service of process in England in respect of any Proceedings or Disputes. Nothing herein shall affect the right to serve proceedings in any matter permitted by law.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates in respect of which it is issued whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning in paragraphs 1 to 7 below.

1. Holders

For so long as all of the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof and the expression **Holder** shall be construed accordingly. Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the **Accountholders**) (in which regard any certificate or other document issued by a clearing system as to the aggregate 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) must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Holder.

In addition, holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. 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.

2. Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

3. Payments

Payments of the Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the Holder for such purpose.

Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures.

A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

4. Notices

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders in substitution for notification as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

5. Registration of Title

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

6. Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

7. Exchange for Definitive Certificates

Interests in the Global Certificate will be exchanged for Certificates in definitive form upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (a) the Delegate has given notice in accordance with Condition 12 that a Dissolution Event has occurred and is continuing or (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system satisfactory to the Delegate is available. Upon the occurrence of an Exchange Event, the Issuer will issue definitive Certificates in exchange for the whole of the Global Certificate within 30 days of the occurrence of the relevant Exchange Event upon presentation of the Global Certificate by the person in whose name it is registered in the Register on any day (other than a Saturday or Sunday) on which banks are open for business in the city in which the Registrar has its specified office.

USE OF PROCEEDS

The proceeds of the issue of the Certificates will be paid by the Issuer on the Closing Date to the Seller as the purchase price for the Sukuk Assets.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer was incorporated in the Cayman Islands on 3 June 2010 as an exempted limited company limited by shares under the Companies Law (as amended) under the name QIB Sukuk Funding Limited and its registered office address is c/o the offices of Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands, telephone number +1345 945 3727.

Business of the Issuer

The Issuer's entire issued share capital is held by Walkers SPV Limited of Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands under the terms of a charitable purpose trust dated 9 June 2010 under which Walkers SPV Limited holds all of the issued shares of the Issuer in trust until the Termination Date as defined in the charitable purpose trust.

Prior to the Termination Date (as defined in the charitable purpose trust), the trust is an accumulation trust but Walkers SPV Limited (as trust of the shares in the Issuer) has the power to benefit the Certificateholders or a Qualified Charity (as defined in the charitable purpose trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date (as defined in the charitable purpose trust) Walkers SPV Limited (as trustee of the shares in the Issuer) will wind up the trust and make a final distribution to charity. Walkers SPV Limited (as trustee of the shares in the Issuer) has no beneficial interest in and derives no benefit (other than its fee for acting as trustee of the shares in the Issuer) from its holding of the shares in the Issuer.

The primary purpose of the Issuer is to issue the Certificates and enter into the transactions contemplated by the Transaction Documents. The Issuer is a Cayman Islands exempted company incorporated on 3 June 2010. The Issuer received a one-off transaction fee of U.S.$250 for its role in the transaction but does not receive any fees for the provision of trustee services in its capacity as Trustee in respect of the Declaration of Trust.

Share Capital of the Issuer

The Issuer has no subsidiaries. The Issuer is authorised to issue up to 50,000 shares of U.S.$1.00 par value.

As at the date of this Prospectus, the Issuer had issued 250 shares at an agreed price of U.S.$1.00 each.

Corporate Administration

Walkers SPV Limited of Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands will act, or procure that a subsidiary acts, as the corporate administrator of the Issuer (the **Corporate Administrator**) pursuant to the terms of the Corporate Services Agreement to be entered into between the Issuer and the Corporate Administrator. In consideration of the foregoing, the Corporate Administrator will be entitled to receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that the Issuer may terminate the appointment of the Corporate Administrator by giving one month's notice to the Corporate Administrator and terminate without notice upon the happening of any certain stated events, including breach by the Corporate Administrator of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that the Corporate Administrator shall be entitled to retire from its appointment by giving at least one month's notice in writing provided that a replacement acceptable to the Issuer has been appointed.

The Corporate Administrator will be subject to the overview of the Issuer's Board of Directors. The Corporate Services Agreement may be terminated (other than as stated above) by either the Issuer or the Corporate Administrator giving the other party at least one month's written notice.

The Directors of the Issuer are all employees of the Corporate Administrator. The Issuer has no employees and is not expected to have any employees in the future.

Financial Statements

As at the date of this Prospectus the Issuer has not prepared any financial statements.

Management and Employees

The Issuer has no employees other than those directors listed below in the section entitled "*Directors*".

Directors

The directors of the Issuer and their other principal activities at the date hereof are as follows:

Name	Other principal activities
Rachael Rankin	Senior Vice President, Walkers SPV Limited
Otelia Scott	Assistant Vice President, Walkers SPV Limited

The business address of the directors is Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands.

Directors' Interests

No director listed above has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Issuer and no director has any conflict of interest and/or any potential conflict of interest between any of its duties to the Issuer and its private interests and/or other duties. As a matter of Cayman Islands law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other directorships he may hold.

DESCRIPTION OF QATAR ISLAMIC BANK S.A.Q.

Overview

Qatar Islamic Bank S.A.Q. (**QIB** or the **Bank**) was the first Shari'a compliant bank established in Qatar in 1982 and as at 30 June 2010 was the largest Islamic bank in Qatar by total deposits, total assets, net income and market capitalisation. In the Qatari banking sector, as at 30 June 2010, QIB ranked as Qatar's third largest bank in terms of total assets (QAR 45.2 billion (U.S.$12.4 billion)) which represents about 11 per cent. of total assets of all commercial banks in Qatar. The Bank accounted for approximately 34 per cent. of Qatar's Islamic banking assets as at 30 June 2010. It also ranked as the fourth largest bank in Qatar based on total customer deposits, which represented about 9 per cent. in terms of total deposits as at 30 June 2010. As at 30 June 2010, the Bank had the largest market capitalisation of Islamic banks in Qatar and the second largest market capitalisation of all banks in Qatar (with a market capitalisation of QAR 15.4 billion (U.S.$4.2 billion) and as at 31 December 2009, was the third largest bank in Qatar based on net income of QAR 1.3 billion (U.S.$357.1 million). The Bank's shares are listed for trading on the Qatar Exchange (the **QE**).

Over the last three years, QIB has experienced significant growth of its assets, deposits and net income. The Bank's net income was QAR 1.3 billion (U.S.$357.1 million), QAR 1.6 billion (U.S.$439.6 million) and QAR 1.3 billion (U.S.$357.1 million) for the years ended 31 December 2009, 31 December 2008 and 31 December 2007, respectively. For the period ended 30 June 2010, QIB's net income was QAR 601.5 million (U.S.$165.2 million) and for the period ended 30 June 2009, QIB's net income was QAR 812.6 million (U.S.$223.2 million).

QIB is organised into three core business groups:

(a) the Domestic Business Group;

(b) QIB Capital and International; and

(c) the Treasury.

These groups are supported by the Risk Group which focuses on key credit, market and operational risks and other divisions which provide support in the areas of real estate, projects, operations, technology and finance.

As at the date of this Prospectus, QIB has the largest Islamic banking network in Qatar with 26 branches and offices from which it carries out all banking services, investment and financing activities and more than 100 ATMs 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 three 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 and government related corporates in Qatar. The Bank 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.

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* agreements and others. It also carries out investment activities for its own account and on behalf of its customers. The activities of the Bank are conducted in accordance with Islamic Shari'a principles, as determined by the Shari'a Supervisory Board (**SSB**) of the Bank and in accordance with the provisions of its Memorandum and Articles of Association and regulations of the Qatar Central Bank (the **QCB**).

Share Capital

At incorporation, QIB's authorised share capital was QAR 200 million (U.S.$54.9 million) and its issued share capital was QAR 50 million (U.S.$13.7 million) divided into fully-paid shares with a nominal value of QAR 10 (U.S.$2.75) each.

QIB has undertaken a number of capital increases since 1982, the most recent of these being through successful rights issues in 2008. As at 30 June 2010 its authorised and issued share capital had increased to QAR 2.2 billion (U.S.$604.4 million).

The principal changes to QIB's share capital following the rights issues are highlighted below:

Date	Event
23 December 2008	Shareholders of the Bank approved the issue of 39,382,200 additional shares to the Qatar Investment Authority (the **QIA**) at a price of QAR 97.10 (U.S.$26.68) per share, which represented 20 per cent. of the total issued share capital of the Bank as at that date (the **Shareholders Resolution**).
21 January 2009	Pursuant to the Shareholders Resolution, the Bank allotted an initial tranche of 9,845,550 shares by way of a private placement to QIA which represented an increase of its share capital by 5 per cent.*
30 December 2009	The Bank received QAR 956 million (U.S.$262.64 million) as an advance payment against the allotment of a second tranche of 9,845,550 shares by way of a private placement to QIA pursuant to the Shareholders Resolution. The second tranche allotment represented a further increase of the Bank's share capital by 5 per cent.
February 2010	The Bank allotted the second tranche of 9,845,550 shares to QIA following approval from the Ministry of Business and Trade for such allotment. **

* The share premium of QAR 857 million (U.S.$235.44 million) realised from this issue has been transferred to QIB's legal reserve account in accordance with Qatari law.

** With 10 per cent. of the allotment to QIA already completed, the remaining 10 per cent. will be allotted to QIA as QIB's capital planning requires.

Following approval received in February 2010 from the Ministry of Business and Trade to allot the second tranche of shares to the QIA (as described above), the authorised and issued share capital of QIB as at the date of this Prospectus is QAR 2.2 billion (U.S.$604.4 million).

QIB's shareholders comprise prominent Qatari individuals, families and institutions. Individuals' holding shares in QIB constitute 58.6 per cent. whilst the shareholdings of Government entities collectively constitute 11.1 per cent. and the shareholdings of assorted companies constitute 30.3 per cent. The QIA is the single largest shareholder of QIB as its shareholding constitutes 9.1 per cent. as at the date of this Prospectus.

Dividend levels are proposed by the Board of Directors based on the Bank's liquidity position, profits for the current year, future capital requirements and market trends. Dividends are subsequently approved by the QCB and Shareholders of the Bank.

Subsidiaries and Associates

The following table lists the principal subsidiaries of QIB as at 30 June 2010:

Name	Country of Incorporation	Principal Business Activity	Share Capital (million)	Percentage of equity held by QIB %
QIB (UK) plc (formerly known as European Finance House, **QIB (UK)**)	Jersey	Investment Banking	GBP 25	60
Al Aqar Real Estate Company	Qatar	Property Investment	QAR 300	49

QIB has the power to cast the majority of votes of the Board of Directors of Al Aqar Real Estate Company (QIB having five out of eight members represented on the Board).

On 28 January 2008, QIB acquired a 60 per cent. stake in QIB (UK) for GBP 15 million. QIB (UK) obtained its licence to operate as an Islamic Investment Bank from the FSA on 29 January 2008.

In addition to operating its own business divisions and subsidiaries, QIB also holds shareholding interests in a number of entities. The following table outlines QIB's top investments in associates (in terms of equity participation exceeding 20 per cent. as at 30 June 2010):

Name	Country of Incorporation	30 June 2010 Ownership (%)
QInvest	Qatar	35.00
Durat Al Doha	Qatar	39.90
Bawabat Al-Shamal	Qatar	37.25
Arab Finance House (**AFH**)	Lebanon	32.51
Al Jazeera Finance Co	Qatar	30.10
Al Daman Islamic Insurance WLL Qatar	Qatar	25.00
Asian Finance Bank (**AFB**)	Malaysia	21.00

Strengths

The Bank believes that its business is characterised by the following core competitive strengths:

Strong brand in Islamic banking

Established in 1982, the Bank was the first Islamic financial institution in Qatar. As at 31 December 2009 the Bank was the leading Islamic bank incorporated in Qatar based on market share, asset and deposit base and market capitalisation. With the guidance of the SSB, it has maintained strict compliance with Shari'a principles in all its financial transactions. The Bank's SSB is composed of scholars who are globally renowned in the field of commercial and financial Islamic transactions. See "*Directors and Management – Shari'a Supervisory Board*". QIB has consistently produced improved results year-on-year due to its strong brand, rapid and profitable growth, careful risk management and a focus on asset quality.

Strong governmental support of the Qatari banking sector

Over the past two years, the Government of the State of Qatar (the **Government**), through the QCB, has taken several steps to provide capital to support its domestic commercial banking sector and thereby ensure the general financial health of the country's banks. See "*Banking Industry and Regulation – Qatar – Qatari Banking Sector*". In January 2009, the Government, represented by the QIA, subscribed for 10 per cent. of the Bank's shares by a two-stage subscription process (the first tranche being allotted in January 2009 and the second tranche being allotted in February 2010. QIB received consideration from QIA in advance of each allotment). See "*Banking Industry and Regulation – Qatar – Qatari Banking Sector*". This capitalisation process has enhanced the Bank's financial position and will enable it to meet its expansion goals and strategic plans.

In addition, and in line with its support policy for the banking sector in Qatar, in March 2009, the Government proposed to purchase the domestic equity portfolios of seven of the nine domestic banks listed on the QE. In March 2009, the Bank sold its entire portfolio of Qatar equity securities to the Government, which paid the Bank QAR 351 million (U.S.$96.45 million) in cash.

In June 2009, the Government announced its intention to purchase a total of QAR 15 billion (U.S.$4.12 billion) worth of portfolios of loans, advances and other exposures of commercial banks listed on the QE. That same month, the Government purchased the first tranche of real estate loans, advances and other exposures from Qatari banks, including QIB, for an aggregate amount of QAR 10 billion (U.S.$2.75 billion).

The Bank participated in these programmes by selling QAR 4.2 billion (U.S.$1.15 billion) in real estate assets and investments (including its stake in Shard Fund Limited) to the QCB, which further strengthened the Bank's balance sheet – QIB is not permitted to buy back these assets. The Government's recent actions highlight its willingness to ensure that the banking sector remains healthy despite the global economic turmoil.

On 1 June 2010, the Government issued QAR 10 billion (U.S.$2.75 billion) of debt instruments (in the form of S*ukuk* 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.

Strong domestic and international growth

Since its incorporation, QIB's domestic branch network and related banking and investment services have significantly expanded, both in terms of geographical coverage and range of services. For example, over the last three years, the Bank increased its domestic branches and offices network from 12 to 26; the number of ATMs to over 100; and increased its participation in several domestic companies such as Al Jazeera Finance Company, Aqar Real Estate Development and Investment Company and QInvest. QIB is the only Islamic bank in Qatar with a network of affiliates, subsidiaries and associates in countries across the Middle East, Asia and Europe.

QIB currently has a presence in London through its affiliate QIB (UK); in Kuala Lumpur through its affiliate AFB; and in Beirut through its affiliate AFH. QIB intends to expand strategically to reach other countries in Europe and Asia as well as in North 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 the Bank's prospective investments.

Experienced management team

Qualitative improvement has been one of the key drivers of the Bank's growth, consisting of a major re-organisation and focus on human capital expertise in the markets and sectors in which the Bank operates. Since a new board and management team were appointed in 2005, the Bank's total assets and net profit have grown significantly. For example, profit increased from QAR 501 million (U.S.$137.6 million) as at 30 June 2007 to QAR 602 million (U.S.$165.4 million) at 30 June 2010, representing a 20 per cent. increase. The Bank's deposit base has increased at a compound average growth rate from 30 June 2007 to 30 June 2010 of 34.92[1] per cent. The Bank has established a management team with extensive experience in the markets and sectors in which it operates. See "*Directors and Management*".

Full product offering to meet both retail and corporate client needs and innovation in product development

QIB has been a pioneer in Islamic products, 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, the Bank's *ijara* aircraft financing facilities) has made the Bank's products a serious alternative to conventional financial products particularly for large or complex corporate deals.

QIB has initiated and structured innovative products by forming strategic partnerships in specific sectors such as tourism, education, real estate and health care services to enable the Bank to provide financing solutions for its customers, allowing them to access products which may not previously have been available to them. For example, in October 2009 QIB successfully closed a QAR 4 billion Shari'a compliant syndicated facility for Qatari Diar Real Estate Investment Company (an international leader in sustainable real estate development). QIB acted as the sole Mandated Legal Arranger and Bookrunner on the Qatari Diar facility, which was the biggest syndicated facility in Qatar in 2009 and is, at the date of this Prospectus, the largest syndicated facility with a Qatari bank as sole Mandated Lead Arranger and Bookrunner.

Strategy

Overall strategy

The Bank's overall strategy is to be a leading, innovative and global Islamic bank adhering to Shari'a and ethical principles whilst also meeting international banking standards. QIB expects to achieve this at both local and international levels by:

- consolidating the Bank's domestic presence and optimising the value of the Bank's existing international partnerships;
- expanding its private banking and wealth management operations and fully implementing QIB Capital and International to strengthen its network of corporate clients and cross selling between QIB and its subsidiaries and associates;
- originating new banking and investment products and solutions within an integrated systems framework; and
- improving internal management systems in order to achieve optimal productivity and focus on corporate governance.

1 Calculated as ((the deposit base as at 30 June 2010 / the deposit base as at 30 June 2007)^1/3) *minus* 1

The Bank'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 and the introduction of Islamic banking services by existing commercial banks. As at 30 June 2010, QIB held an approximate 34 per cent. stake in the total assets of Islamic banks in Qatar (including conventional banks with an Islamic capability) and about 11 per cent. in the total assets of all commercial banks in Qatar. The Bank believes that it can maintain its market share by attracting new customers who usually deal with conventional banks, by exploiting its international network to enter into international transactions and also by offering innovative and diverse Islamic banking products and solutions. The Bank is pursuing this approach by ensuring its client development team maintains a regular dialogue with Qatar's most high profile clients to ensure that the Bank is well equipped to maintain and expand its market share. The Bank also has deep-rooted relationships with many of the leading corporates in Qatar.

Profitability focus

Despite the difficult business climate in late 2008 and 2009, QIB has remained profitable and posted a strong financial performance for the year ended 31 December 2009. In the year ended 31 December 2009, QIB grew its asset base by 17 per cent. as compared to 31 December 2008. The Bank's net profit declined by 20 per cent. to QAR 1.32 billion (U.S.$362.64 million) as at 31 December 2009 compared to QAR 1.64 billion (U.S.$450.55 million) as at 31 December 2008 following lower investment income and rising impairment costs. The Bank's net profit decreased from QAR 812.65 million (U.S.$223.26 million) to QAR 601.56 million (U.S.$165.26 million) for the periods ended 30 June 2009 and 2010, respectively. The decrease is due to a decrease of QAR 187.3 million (U.S.$51.5 million) in investment income and a QAR 71.8 million (U.S.$19.7 million) new provision due to financing activities. However, the Bank expects to achieve a strong performance in its core banking activities and maintain a solid operating income in 2010.

Product geographical reach expansion

The Bank expects to expand its presence in the domestic market by opening new branches to reach 35 branches by the end of 2011 and to increase the number of ATMs to 125 by the end of 2010. The Bank has opened branches in strategic locations throughout Qatar, such as malls, to reach a wider group of customers and to offer services outside regular banking hours. The Bank believes that widening its product range, investing in new branches and targeting new clients will enable it to see continued growth both in terms of profit and revenue.

The Bank is focusing on increasing its client base by focusing on small and medium sized enterprises (**SME**), in terms of value and number of clients and to establish a leading position in this sector. In addition, it is targeting the large and Government owned corporates through QIB Capital and International.

Establishment of strategic alliances and expansion of its international activities

The Bank is exploring targeted international expansion with strategic alliances in Asia, as well as in, among others, Oman, Turkey, and Libya in particular, in addition to expanding AFB's business in Malaysia. QIB's existing affiliate in Asia has also expanded into Indonesia through a representative office. In Europe, QIB and Les Banques Populaires et les Caisses d'Epargne (**BPCE**), France's second largest banking group, have signed a memorandum of understanding to establish a financial institution through a joint venture that will develop and market Shari'a compliant products to the French SME and retail banking segments. The Bank anticipates that the joint venture will be operational before the end of 2010 and will focus on developing and marketing mortgage, vehicle and consumer goods finance and deposits and structured and investment products in France.

The Bank will also focus on strategic alliances which strengthen its retail banking and SME business units internationally.

Having acquired extensive knowledge and expertise in the Qatari market, the Bank 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 the Bank has encountered in markets in which it already operates.

Business Activities

Overview

The Bank has three core business groups in addition to its strategic investments in subsidiaries and associates. The three core business groups comprise the Domestic Business Group (which includes Corporate Banking, Retail Banking, E-banking and Private Banking sub-divisions), QIB Capital and International (which includes Client Development, Syndication and Placement, Structuring and Product Development, Agency Services and International Business sub-divisions) and the Treasury.

The business areas are managed from QIB's headquarters in Doha and operated through an extensive network of branches located across Qatar.

The business areas are supported by the Risk Group which focuses on key credit, market and operational risks. Support functions are also provided by the Finance, Real Estate, Projects and Operations and Technology Groups in the areas of information technology, internal audit, legal, compliance, finance, construction and engineering as well as marketing and human resources.

The table below shows the profit income of the Bank's three core business units as at 30 June 2010 and each segment's percentage contribution to total net operating income for the same period:

	Domestic Business Group	% of total of each line item	QIB Capital and International	% of total of each line item	Treasury	% of total of each line item
	QAR million (U.S.$ million)		QAR million (U.S.$ million)		QAR million (U.S.$ million)	
Net operating income	707 (194)	61	327 (90)	29	109 (30)	10

Domestic Business Group

The Domestic Business Group, which focuses on retail and corporate banking, financing, and investment services, realised strong results for the half year ended 30 June 2010 by maintaining strong revenues in the core area of financing income and increasing net profits by 12.8 per cent. (annualised) as compared to the half year ended 30 June 2009.

The Domestic Business Group includes the following subdivisions:

Corporate Banking

For the period ended 30 June 2010, the Bank's corporate banking business accounted for 36.7 per cent. of the Bank's net operating income and total assets amounted to QAR 12.53 billion (U.S.$3.44 billion). Deposits by corporate customers amounted to QAR 8.08 billion (U.S.$2.22 billion) and QAR 6.18 billion (U.S.$1.7 billion) of all customer deposits as at 30 June 2010 and 30 June 2009, respectively.

The main focus of this 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 local businesses (with a current focus on small and mid-sized private corporate clients and those which are family held). 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 following sectors: transport and communication (for example, aircraft and shipping), industrial, health care, sports, water and electricity.

The principal deposit products offered by this division include current accounts (which can be opened in Qatari riyals, sterling, euros 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* (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 structures including assignments of existing cash flow and/or salaries. As at 30 June 2010 and 30 June 2009 QIB's financings to corporate customers represented 42 per cent. and 48 per cent., respectively, of its total financings by customer type.

Retail Banking

For the period ended 30 June 2010, the Bank's retail banking business accounted for 21 per cent. of the Bank's net operating income and total assets amounted to QAR 5.3 billion (U.S.$1.46 billion). For the year ended 31 December 2009, the Bank's retail banking business accounted for 19 per cent. of the Bank's net operating income and total assets amounted to QAR 4.82 billion (U.S.$1.32 billion). The principal deposit products offered by the Retail Banking division comprise current accounts, savings accounts and time deposit accounts. As at 30 June 2010, the Bank held QAR 17.22 billon (U.S.$4.73 billion) of deposits from retail customers compared with QAR 14.6 billion (U.S.$4 billion) as at 31 December 2009 and QAR 11.95 billion (U.S.$3.28 billion) as at 31 December 2008.

The Retail Banking division constitutes the principal delivery channel for the Bank's Islamic banking, financing and investment products and services, the customers of which are primarily located in Qatar. QIB has focused on growing its deposit base as well as focusing on expanding its product offerings to retail clients. The division consists of retail branches as well as consumer banking and SME business divisions (each described in more detail below).

The principal finance products offered by the Retail Banking division comprise a *Musawama* Sale, *Ijara* and *Istisna* which are methods of financing the purchase of cars, homes and consumer household items. In addition, the products include credit card facilities such as Visa Cards, Visa Electron Cards and Hadiyati Pre-paid Cards. As at 31 December 2009, QIB's financings to retail customers represented 21.3 per cent. of its total financings.

The Bank implements credit risk policies consistently for all customers. As part of the Bank's credit policy, the Bank conducts online credit checks through the QCB 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 blacklist held by the QCB. The Retail Banking division extends its finance products on the basis of a salary assignment by the employer pursuant to which the applicant is obliged to have their salary directly deposited with the Bank.

As at 31 December 2007, the Bank's real property mortgage related products amounted to 49 per cent. of finance products offered by the Retail Banking division and at 31 December 2009 the Bank's real property amounted to 35 per cent. of finance products offered by the Retail Banking division. However, as at 30 June 2010 they represented 32 per cent. of its Retail Banking portfolio with the majority at the date of this Prospectus comprising consumer financing products.

QIB has a wide range of distribution channels, including, as at 30 June 2010:

- 26 branches and offices located throughout Qatar;
- full service internet and E-banking offering a wide range of electronic banking services and online transactions including internet banking for corporate customers. This full service internet and E-banking is convenient for customers and offers customers a wide range of self-service options;
- a state-of-the-art 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. The Bank is finalising the implementation of an interactive voice response service which will provide customers with even greater flexibility;
- an ATM network comprising over 100 ATMs;
- the Bank is developing the first cash deposit and cheque processing machine in Qatar which will provide customers with a 24 hours a day, seven days a week ability to deposit cash and process cheques;
- the Bank is in the process of increasing the services available on its E-channels and ensuring service parity across the distribution channels;
- the Bank is in the process of upgrading each branch to provide customers with a self-service area which will be available 24 hours a day, seven days a week; and

- SMS alert services which have been upgraded to offer "PULL" (in addition to the existing "PUSH") which allows customers to process balance and statement enquiry transactions along with the ability to process some financial transactions (for example, payment of certain utility bills).

For the period ended 30 June 2010 retail financing operations which include home financing, car financing and other personal financing increased by 25.4 per cent., deposits increased by 22 per cent. and customer accounts increased by 28 per cent. as compared to the period ended 30 June 2009.

In 2008, QIB increased its branch network in Qatar by establishing five new branches, in Mesaimeer, Ras Laffan, Aljazeera Channel, Khartiyat, and in Muaither. During the course of 2010 the Bank aims to add six new branches and thereby expand its branch network to 32 branches. The Bank also consolidated its E-network in 2008, upgrading its technology systems in branches to ensure that they have the capacity and capability to offer high quality services to the Bank's customers who collectively hold over 136,530 accounts.

The Bank also continues to offer new banking and financing solutions to both the retail and the SME market by continuously developing products that meet customers' needs, for example, tie-ups with networks of travel agents and healthcare providers in order to provide financing to customers and to provide customers with access to the tourism and healthcare sectors. These tie-ups are exclusive arrangements with tourism operators and healthcare providers whereby the Bank purchases services provided by them and packages these services with financing products to its customers.

E-Banking

The establishment of this division has marked a significant step forward in the delivery of the Bank's services. Established in December 2007, this division now comprises the following product lines: Electronic Cards, Customer Service Call Centre, Internet Banking, Customer Service and Co-ordination, E-branches, Phone and Mobile Banking and E-communication Channels.

In order to increase the Bank's revenues, the division is focused on enhancing the Bank's credit card and ATM services by spreading its geographical reach. QIB has over 100 units that cover Qatar's strategic geographic points, expanding the call centre's activities and offering cash deposit services at selected ATMs. In order to improve service and revenues from the use of E-banking by customers, the Bank plans to establish its first E-branch during the third quarter of 2010, which will be a full service banking centre allowing customers to manage their accounts and transact without direct contact with any individual or without having to go to a branch.

QIB implemented a project for issuing state-of-the-art E-cards that adopt the Europay, MasterCard and Visa (**EMV**) technology, ensuring high data safety and security features for customers using these products. QIB has been granted the Card Verification Value (**CVV2**) certificate by Visa International in recognition of its efforts to enhance security features for card users over the internet. The Bank has, as at the date of this Prospectus, upgraded over 120,000 ATM and Visa cards to include EMV technology, introduced E-banking services, and has enhanced the role of its call centre to support the new E-banking capabilities.

Private Banking

The Private Banking division provides a range of personal banking services to its high net-worth customers (that is, those customers having a credit balance in their account of not less than QAR 10 million (U.S.$2.75 million) and a salary in excess of U.S.$15,000 per month) including 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 accessible to these clients where the expectation is to increase the promotion and distribution of products such as investment funds and Shari'a compliant structured products to this customer segment.

The Private Banking division plans to expand the reach and scope of its services in 2010 and, going forward, 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 for the Bank's affluent and high net-worth customers based on customers' return expectation and risk appetite.

QIB Capital and International

The QIB Capital and International business group consists of QIB's Client Development, Syndication and Placement, Structuring and Product Development, Agency Services and International Business sub-divisions. As at 30 June 2010, total assets attributable solely to the Bank's business executed by this group represented 36.5 per cent. of the Bank's total assets. This group comprises the following sub-divisions:

Client Development

In 2009 the Bank established the 'Client Development Group'. This group is focused on combining corporate banking, finance and investment banking functions under one umbrella and seeks to develop in-depth relationships with large key and strategic corporate and institutional clients. The Client Development Group targets the following main client groups:

- large corporate clients: the group identifies key and strategic large corporate clients which are characterised as having corporate banking and substantial and ongoing investment needs spread across various sectors of the economy;
- international clients: the group works with QIB's network of international subsidiaries in sectors and markets that QIB knows well in order to increase the Bank's international client base and execute and enhance the Bank's international expansion strategy; and
- institutional clients: the group focuses on targeting selected institutional clients as well as high net-worth individuals with substantial investment needs and provides comprehensive financial and investment solutions to them.

The Client Development group has made significant achievements in terms of customer acquisitions and large corporate market penetration in various industries including shipping and transport, real estate, energy, trading, manufacturing and government and/or semi-government sectors. For example, in October 2009 QIB successfully closed a QAR 4 billion Shari'a compliant syndicated facility for Qatari Diar Real Estate Investment Company. See "*Strengths – Full product offering to meet both retail and corporate client needs and innovation in product development*".

Syndication and Placement

The Syndication and Placement sub-division of QIB Capital and International is responsible for developing and maintaining the relationships required for the syndication of Islamic loan transactions. It collaborates with the Client Development Group to offer investment solutions to core clients.

The Syndication and Placement team has a diverse range of clients including local banks, international banks operating internationally and/or in the local market, local financial institutions, *takaful* companies, government agencies, corporate clients and family offices.

Until 2006, QIB's role in syndicated financing transactions was limited to syndicated participations only. Through the expertise of the Syndication and Placement team, the Bank is now also involved in syndicating and placing Shari'a compliant funding instruments such as *Sukuk*, *Ijara*, *Istisna* and *Musharaka*, as well as arranging *Sukuk* products and project financings.

The Syndication and Placement sub-division is also charged with the responsibility of reviewing the market interest in financings from participants. The Syndication and Placement sub-division works in collaboration with the Structuring and Product Development sub-division and the Client Development Group during all the stages of product development in order to define product characteristics and ensure that new products are successfully placed or syndicated.

Structuring and Product Development

The Structuring and Product Development sub-division provides bespoke solutions to meet the Bank's clients' complex financing and investments needs. The sub-division focuses on initiating, originating and structuring Shari'a compliant products which may be supported by assets and securities (such as real estate or other assets including aircraft or shipping vessels) and complex and structured Shari'a compliant facilities for large private and public sector companies. The sub-division also provides general financial advisory services to the Bank's clients.

Agency Services

The Agency Services sub-division was created in October 2008 to position QIB as a full service institution which manages each aspect of the transaction cycle. This sub-division focuses on providing the following key services: managing payment flows, calculating and distributing profit and fees and general interaction with all transaction participants to successfully manage transaction completion.

International Business

The following core services are provided by the International Business group:

- Cross Sales and Network Synergy: the sub-division identifies cross-selling opportunities amongst the customers of all branches, subsidiaries and affiliates of QIB and works with divisions within QIB and across its subsidiaries and affiliates to achieve this.

- International Real Estate: the sub-division establishes guidelines for international real estate investments and identifies and analyses new international investment opportunities. The sub-division evaluates real estate consultants, appraisers, property managers and environmental consultants, covering QIB's stake for international investments and supervises all international real estate acquisitions and disposals and property management.

- Principal Investments: the sub-division analyses international private equity markets on a continual basis to identify probable investment opportunities in line with QIB's risk profile. It also monitors developments and identifies potential opportunities in new and/or existing markets which are in line with the overall QIB expansion strategy. It selects and monitors investment advisers and monitors the principal investment portfolio.

- Network Expansion: the sub-division produces and reviews reports on the overseas banking and financial services sector. It also performs a financial analysis of banks and financial institutions targeted for acquisition, either in whole or in part. It prepares and evaluates corporate transaction proposals and is responsible for monitoring the achievement of the profit and revenue targets of QIB's international business operations. This sub-division also focuses on coordinating between the international branches, subsidiaries and affiliates of QIB and the various head office business and support units.

- International Brokerage: the sub-division focuses on executing buy and sell orders which are submitted by customers against a certain fee and also executes QIB proprietary buy and sell orders.

Treasury

The Treasury group's principal activities relate to the management of the Bank's asset portfolio and short-term liquidity funding needs and include the Bank's asset liability management (**ALM**) team. In particular, the Treasury group is focused on the following:

- liquidity management – it manages short-term assets and liabilities in order to ensure that the Bank has adequate funds and liquidity using the intra-bank market;

- foreign exchange – it provides exchange rates to branches and customers;

- funding international investments – the international portfolio consists of private equity, real estate portfolio, funds, syndication, participation in the portfolios of other financial institutions, *Sukuk, Ijara* and international *Murabaha*. Treasury manages the liquidity for funding both short-term and medium-term investments in various currencies using a transfer pricing model. Funding assets are matched with liabilities in the same currency or through the swap markets to avoid any exchange rate risk. The liquidity and profit rate gap are discussed on a regular basis by the ALCO committee and where necessary appropriate action is taken to reduce the liquidity and profit rate gap;

- managing and pricing profit rates – in line with market conditions and its own requirements, Treasury manages and prices deposits and cost of funds for financing to various business units. The cost of funds is established using an internal fund transfer pricing system and the business units decide the credit spread, leaving the liquidity and market risk management to Treasury. Robust ALM software and a dedicated ALM desk are being implemented and the use of profit rate swaps is being considered to further manage this function in a pro-active manner;

- Shari'a compliant instruments – it manages the Bank's portfolio of Shari'a compliant debt and equity instruments held by the Bank;

- funding customers through share *Murabaha* transactions – the *Share Murabaha* portfolio is made up of both local and international investments. This mode of financing is mostly used for bridge financing. In a share transaction the bank buys an Index (a basket of Shari'a compliant international shares) from a broker and on-sells to a customer on deferred settlement at a mark-up. The customer then sells to another broker on spot for cash settlement;
- ALM for the Bank to rationalise the cost of funding; and
- inter-group relationships – it supports various subsidiaries with liquidity management strategies.

As at 30 June 2010, total assets attributable to the Bank's Treasury business represented 19.4 per cent. of the Bank's total assets. The portfolios held by the Treasury business and the size of each portfolio is set out in the table below:

Portfolio	Location of securities	As at 30 June 2010 (QAR million)	As at 31 December 2007 (QAR million)	As at 31 December 2008 (QAR million)	As at 31 December 2009 (QAR million)	Accumulated return on investment (%)			
						31 Dec. 2007	31 Dec. 2008	31 Dec. 2009	30 Jun. 2010
Sukuk	GCC & Europe	2,173	1,179	1,361	967	84	85	49	21
Equity securities	GCC & Asia	2,060	1,449	273	2,478	135	361	165	13
Others	ME, Europe & US	433	1,268	1,888	881	551	228	84	2
Total		4,666	3,896	5,986	4,326	770	674	298	36

Investments are selected on the basis of Shari'a compliance and are subject to similar credit approvals as those which are applied to the Bank's customer base.

The Bank 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, forwards and swap transactions and utilises tools such as *Wa'ad* (unilateral promise foreign exchange forwards) and *Muwa'ama* (structured forwards) contracts. A corporate desk (Profit (Market) Rate Swap (**PRS**)) and a proprietary desk for the Bank's investment purposes have been established to supplement these activities.

The Treasury business also manages the local listed share portfolio held by the Bank 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*, *Wakala*, *Mudaraba*, *Ijara* and *Musawama*. 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 the Asset Management Liability Committee (**ALCO**) of the Bank.

One of the key functions of the Treasury business is to manage the working capital of the Bank in accordance with the ratios set by the QCB and to introduce measures that will enable the Bank to take advantage of its capital's cost-efficiency such as 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 on-selling to corporate customers and is also engaged in treasury dealings with the treasury departments of its affiliate banks in Lebanon, London, Qatar and Malaysia.

Investments

Domestic Investments

The Bank's equity investments in Qatar as at the date of this Prospectus are set out below.

The share of profits from the Bank's domestic investments represents 6.9 per cent. of the Bank's net profit for the period ended 30 June 2010.

*Al Jazeera Finance Company Q.S.C. (**Al Jazeera**)*

Established in 1989, Al Jazeera Finance Company Q.S.C. (formerly Al Jazeera Islamic Company W.L.L.) was jointly owned as at 30 June 2010 by QIB (30.1 per cent.) and institutions such as, among others, Qatar Insurance Company (**QIC**) (10 per cent.), Qatar National Bank (**QNB**) (20 per cent.) and the General Authority for Minors Affairs (a government related pension authority) (10 per cent.). As at 31 December 2009, it achieved a 55.4 per cent. growth in terms of total assets and an 81.1 per cent. increase in net profit, as compared to 31 December 2008.

Al Jazeera's transactions are monitored by QIB's SSB and its principal objective is to provide financing services through the utilisation of various Shari'a compliant financial tools such as *Mudaraba*, *Musharaka*, *Musawama*, *Murabaha*, *Istisna*, *Ijara* and others.

Al Jazeera provides consumer financing and deals with many of the local suppliers (such as car dealers, furniture retailers, home appliances suppliers, jewellery suppliers and electrical and electronic showrooms) to provide financing products to its customers in Qatar.

*Aqar Real Estate Development and Investment Company (**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 2010 QIB held 49 per cent. of the shares in Aqar while the Endowment Department and the General Authority for Minors Affairs each held 34 per cent. and 17 per cent. of the shares, respectively.

Whilst QIB is primarily responsible for delivering real estate projects financed by way of *Istisna* 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 U.S.$1 billion (QAR 3.64 billion) and a paid-up capital of U.S.$500 million (QAR 1.82 billion), QInvest is an investment banking firm operating under Shari'a principles and the largest financial establishment to commence operations in the Qatar Financial Centre (the **QFC**). As at 30 June 2010, its asset base was valued at U.S.$885.8 million. QInvest focuses on private equity and investment funds as well as providing investment banking services such as financial advisory services and managing capital markets transactions. These services complement those offered by QIB Capital and International which caters for the banking needs of large and government-related corporates in Qatar by way of, for example, providing corporate banking products and structuring financing transactions. See "*Business Activities – QIB Capital and International*".

QIB played a key role in establishing QInvest. As at 30 June 2010, QIB held a 35 per cent. stake in QInvest, whilst Gulf Finance House (**GFH**) held a 5 per cent. stake and a group of strategic partners (both corporates and individuals) held the remaining shares. QIB increased its stake in QInvest during 2009 by acquiring a 10 per cent. stake from GFH and subscribing to QInvest's rights issue.

Al Daman Islamic Insurance Company

Incorporated in September 2009 as a fully Shari'a compliant private Closed Qatari Shareholding Insurance Company, as at 30 June 2010, the Bank held a 25 per cent. equity stake in this company, which is registered in Qatar under Commercial Law No. 5 of 2002 and is represented by 5 million shares of QAR 10 (U.S.$2.7) each for a value of QAR 50 million (U.S.$13.7 million). Other founding shareholders in this company include Qatar Insurance Company (25 per cent.), Masraf Al-Rayan (20 per cent.), Barwa Real Estate Company (20 per cent.) and QInvest (10 per cent.). It is a newly established Islamic insurance company whose primary objective will be to promote *takaful* products.

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 2010 its total assets were valued at QAR 1,329 million (U.S.$365 million), of which QAR 1,246 million (U.S.$342.31 million) were still under construction and current assets were valued at QAR 83 million (U.S.$22.8 million). As at 30 June 2010, QIB held a 39.9 per cent. equity stake in the company.

Bawabat Al Shamal

Bawabat Al Shamal was established with the objective of acquiring land located on the northern highway linking the Doha International Airport with the proposed Bahrain Causeway and developing a mixed-use development scheme. In September 2010 QIB signed an agreement with Al-Futtaim Real

Estate Services to develop a retail and leisure project on the site which is scheduled for completion in phases between 2012 and 2015. As at 30 June 2010, its total assets were valued at QAR 904.68 million (U.S.$248.53 million), of which QAR 900 million (U.S.$247.25 million) were still under construction (such as a commercial and mixed-use development in Doha) and current assets were valued at QAR4.5 million (U.S.$1.24 million). As at 30 June 2010, QIB held a 37.25 per cent. equity stake in Bawabat Al Shamal.

Global Investments

QIB has a long-term strategic vision for its international investments. The Bank has adopted an international expansion strategy and has identified certain international markets for investments based on the links that these markets have with Qatar and the need to service Qatari clients as these clients undertake their international operations.

The share of profits from the Bank's global investments represents 1.5 per cent. of the Bank's net profit for the period ended 30 June 2010.

As at the date of this Prospectus, QIB has established the following finance houses in various markets around the world:

Arab Finance House

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 2010, QIB held a 32.51 per cent. stake in AFH whilst the other shareholders of AFH included, among others, Kuwait Finance and Investment Company (holding 23 per cent.) and various individuals. As at 30 June 2010 its asset base was valued at U.S.$353.65 million. AFH is 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 Prospectus, operates with a network of seven 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.

Asian Finance Bank

AFB was incorporated in Malaysia on 28 November 2005 by QIB. As at 30 June 2010, QIB held a 21 per cent. stake in AFB whilst Rusd Investment Bank Inc. of Saudi Arabia held a 20 per cent. stake and Financial Assets Bahrain W.L.L. held a 10 per cent. stake. As at 30 June 2010 its asset base was valued at U.S.$537 million. Its principal objective, among others, is to specialise in corporate and project financing projects in Malaysia and in the neighbouring countries which have investment links with GCC countries. It has already expanded its operations to Indonesia with a representative office and is considered by QIB to be its South East Asia hub.

QIB (UK)

QIB (UK) was granted a licence to operate in the UK by the FSA on 29 January 2008. As at 30 June 2010 its asset base was valued at U.S.$77 million and QIB held a 60 per cent. equity stake in QIB (UK). Its main objective is to give QIB access to the European market in general and in particular to the markets in the UK, France and Germany due to the strong interest from Qatari corporates and individuals in these markets. QIB (UK) manages a wide range of investments in key sectors such as real estate, and will extend banking and investment services to the Muslim community in Europe, from whom there is an increasing demand for Shari'a compliant banking services.

Investment fund management

The Bank (and its subsidiaries) also provide investment management services to clients who have investments in funds. The Bank (and its subsidiaries) act as an agent or a trustee for the client and accordingly such funds and the attributable investment income or loss of these funds are not included in the Bank's consolidated financial statements and are directly paid to the customers after deduction of managing profit or commission for such services.

The Bank's services are limited to managing the portfolio without assuming exposures to any risks. The maximum bank risk exposure is limited to the fee and commission received by it in return for the management of the portfolio. The Bank does not guarantee the portfolio's liabilities.

Qatarisation

As at the date of this Prospectus, Qatari nationals represent approximately 27 per cent. of the QIB workforce, which is more than required under Qatari law. As at the date of this Prospectus, Qatari law stipulates that a minimum of 20 per cent. of the workforce, across all sectors of the Qatari economy (including the private sector) must be Qatari nationals. All the branch managers of the Bank are Qatari nationals. QIB's objective is to increase the number of Qatari nationals in its workforce to 45 per cent. over the next five years. The Bank has implemented the 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.

Employees

As at 30 June 2010, QIB employed 746 employees on a full-time basis and 20 outsourced call centre agents on yearly contracts. All employees are provided with life and health insurance coverage. Dependants of employees also receive health insurance coverage. The Bank plans to increase the number of employees by approximately 60-70 employees by the end of 2010. This planned increase is part of the Bank's implementation of a new organisation structure which is in line with its strategic vision and business goals. Various new functions and roles have been introduced to strengthen and enhance the respective functional areas and ensure that the Bank complies with international best practices and standards.

Pension Scheme

QIB employees with Qatari citizenship benefit from a pension scheme. The pension scheme is governed in accordance with Qatari Pension Law. Both Qatari and non-Qatari national employees are covered by an end of service benefits and gratuity scheme.

Rating

On 24 November 2009, Fitch affirmed QIB's ratings at Issuer Default of (A) for the long term, (F1) for the short term, Individual (C) and Support (1).

On 26 March 2010, Capital Intelligence (**CI**) announced its latest ratings for QIB as follows: (A) for financial strength and affirmed the 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.

Zakat Committee

The Bank provides financing by way of donations to various educational, cultural and health care entities, sports clubs, social and charitable societies, schools, conferences, exhibitions and sports initiatives in Qatar. The Bank, through its Zakat Committee, diligently works towards upholding the Shari'a principles and objectives. Every year the Zakat Committee donates Zakat to various causes from the funds donated by the Bank's shareholders and customers and from the donations collected through special alms boxes at the Bank's branches. During the past five years the Zakat Committee extended financial assistance worth around QAR 22 million (U.S.$6.04 million), of which QAR 4.5 million (U.S.$1.24 million) was distributed during 2009.

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 the Bank 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*".

The Bank'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. In addition, a number of conventional banks have established Islamic windows through which they provide Shari'a compliant products and services establishing Islamic banking offerings, including Qatar National Bank S.A.Q., Commercial Bank of Qatar Q.S.C., International Bank of Qatar Q.S.C., Doha Bank Q.S.C. and HSBC.

Litigation

In the ordinary course of business the Bank may be subject to governmental, legal and arbitration proceedings. No material provision has been made as at the date of this Prospectus regarding any outstanding legal proceedings against QIB.

Insurance

The Bank 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. The Bank maintains standard property insurance for all premises, and maintains terrorism insurance. Electronic equipment is insured separately.

The Bank reviews insurance coverage on an ongoing basis and believes the coverage to be in accordance with industry practice in Qatar.

Information Technology

The Bank implemented technology upgrades in late 2008, developing the Bank's IT Centre into one that offers E-banking services, enhanced security features, upgraded global networking and high-performance connectivity among branches. The IT 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 Centre is located at the Bank'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.

Substantial investment was made in several IT projects in 2008 and 2009 to improve customer service, straight-through processing, strengthen security (such as supervision and safety) and in its disaster recovery site in Wakra (**Wakra Disaster Recovery Site**). The Bank carries out daily and other periodic data back-ups which are stored at the Wakra Disaster Recovery Site.

DIRECTORS AND MANAGEMENT

QIB is domiciled and registered in Qatar as an Islamic bank under the regulatory oversight of the Central Bank of Qatar. This section sets out QIB's organisational structure as at the date of this 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 management of QIB is vested in a Board of Directors comprising nine members (the **Directors**):

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). Member of the Board of Directors of Arcapita. Member of the Board of Directors of Qatar Navigation. Member of the Board of Directors of Credit Suisse Group AG.	Appointed by election at the general assembly meeting held on 11 March 2008.
Mr. Mohammad Bin Abdullatif Al Mana	Vice Chairman and Deputy Head of EC and a Board member since April 2006. Coordinator between the Board of Directors and Fatwa and Shari'a Supervisory Committee of QIB. Founder member and Chairman of the Zakat Committee. Member of the Board of Directors of Syrian International Islamic Bank. Chief Executive Officer of AQAR Real Estate Development and Investment Co., a subsidiary of QIB. Member of the Board of Directors of Al Jazeera Islamic Co., 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 11 March 2008.
Mr. Abdullatif Bin Abdulla Al Mahmmoud	Board member since 1996 and Managing Director since 2005. Chief Redactor and Senior Manager of 'Al Sharq' House for Printing, Publication and Distribution. Board member and Chairman of 'Ritag' Marketing and Project Management Co. Board Member and Chairman of 'Al Mada'en' Investment and Development Co.	Appointed by election at the general assembly meeting held on 11 March 2008.

Name	Positions	Appointment/Election
Mr. Issa R. Al Rabia Al Kuwari	Board member. Member of QIB's Audit and Risk Committee. Board member of AQAR Real Estate Development and Investment Co.	Appointed by election at the general assembly meeting held on 11 March 2008.
Mr. Mohamed Bin Issa Al Mohanadi	Board member and Head of Internal Audit Committee. Board member of Qatar Telecom (Q-Tel). Managing Director of Al Jazeera.	Appointed by election at the general assembly meeting held on 11 March 2008.
Mr. Abdul Rahman Abdulla Abdul Ghani	Board member. Board member of Qatar Industrial Manufacturing Co. Board member of United Development Co. Chairman of Qatar Drilling Co.	Appointed by election at the general assembly meeting held on 11 March 2008.
Mr. Mansour Al Muslah	Board member. Chairman of AQAR Real Estate Development and Investment Co. Board member of Al Jazeera. Board member of Solidarity Company, Bahrain. Board member of Al Tadamon International Islamic Bank, Sanaa, Yemen. 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 11 March 2008.
Mr. Abdulla Bin Saeed Al Eidah	Board member. Member of Executive Committee. Board member of Al Jazeera. Member of Executive Committee. Board member of Al Jazeera.	Appointed by election at the general assembly meeting held on 11 March 2008.
Mr. Nasser Rashid S. Al-Kaabi	Board member. Board member of AQAR Real Estate Investment and Development Co. 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 11 March 2008.

Board Committees

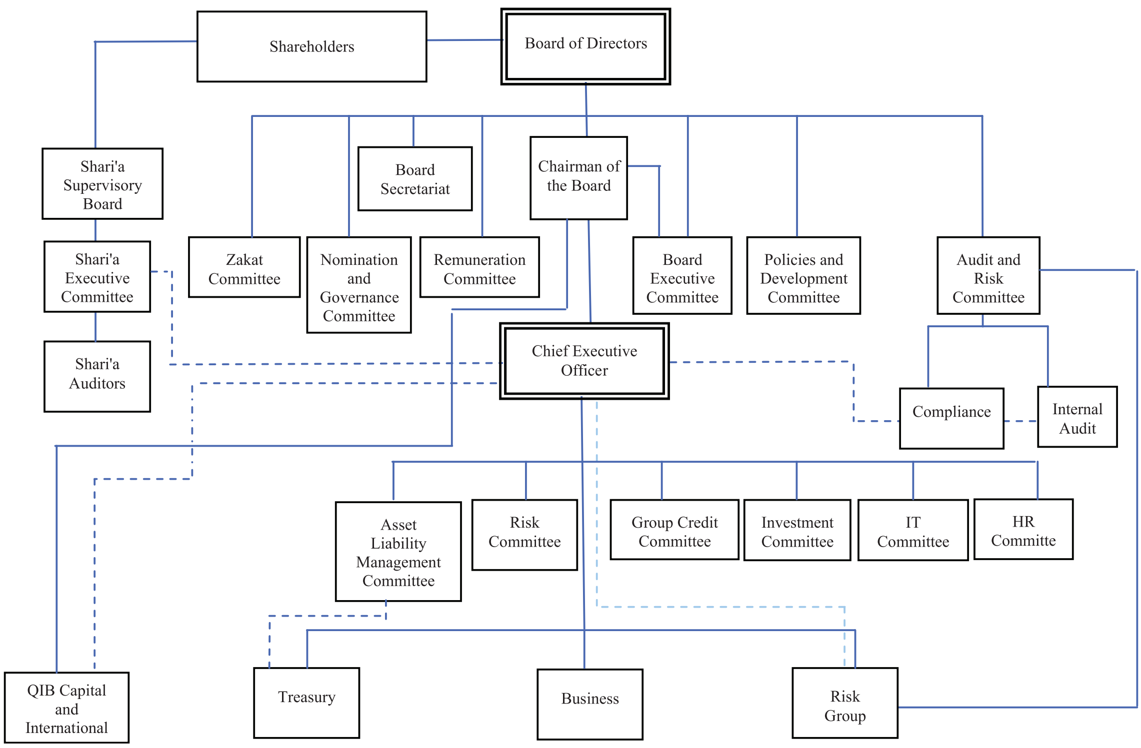
Each of the Committees is appointed by the Board of Directors and each Committee elects its own Chairman. The principal committees of the Bank are set out below:

Committee	Key purposes/responsibilities
Executive Committee (the **EC**) (nine members of the Board of Directors)	● Coordinate the activities of all divisions and subsidiaries and discuss common issues related to QIB. ● Support the implementation of QIB's strategy and vision. ● Approve credit facilities above the authorised limit set for management up to the Executive Committee limit delegated by the Board of Directors. ● Authorise those individual transactions and sectorial 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 Qatar Central Bank regulations.
Audit and Risk Committee (three members)	● Review of financial control, internal control and risk management framework and systems. ● 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.
Investment Committee (eight members)	● Review and recommend the investment strategy, policies and procedures across QIB to the Policies Development Committee, Executive Committee and the Board of Directors. ● Approve purchases/sales of investments within delegated authority and related accounting. ● Review the introduction of new investment products across QIB. ● Monitor and review the performance of all investment activities across QIB in terms of profitability, financial performance, risks and volumes. ● Ensure compliance with investment limits and ratios

Committee	Key purposes/responsibilities
	approved by the Board of Directors, QCB, foreign regulators or senior management.
Credit Committee (eight members)	● Approve purchases/sales of investments within delegated authority and related accounting. ● Review the introduction of new investment products across QIB. ● Ensure 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. ● Monitor and review the performance of all investment activities across QIB in terms of profitability, financial performance, risks and volumes. ● Ensure compliance with investment limits and ratios approved by the Board of Directors, QCB, foreign regulators or senior management.
Risk Committee (eight members)	● Ensure that risk policies are in place to manage the risks to which the Bank is exposed, including market, operational, liquidity, admin, credit, insurance, regulatory and legal risk, and reputational risk. ● Set risk tolerance limits and policies, as well as check compliance with limits. ● Define the broad risk framework and risk exposures under which QIB should operate its businesses and expand into new markets. ● Monitor, on a regular basis, QIB's risk management performance and obtain, on a regular basis, reasonable assurance that QIB's risk management policies for significant risks are being adhered to. ● Consider and provide 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. ● Monitor, 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.
Asset Liability Management Committee (ten members)	● Monitor and review 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. ● Monitor and review QIB's management of liquidity risk, including capital position, pricing of funding and deposits, and liquidity contingency plans. ● Monitor and review QIB's management of foreign exchange risk. ● Review the introduction of new treasury products across QIB. ● Ensure 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

Committee	Key purposes/responsibilities
	management. ● Review 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. ● Oversee QIB's intergroup transfer pricing policy for cost of funds allocation within the management information system. ● Establish and amend QIB's base rates applicable to each entity and related changes in deposits and risk asset profit rate structures.

The following chart sets out the organisation structure of the Bank as at the date of this Prospectus:



Chief Executive Officer

QIB's Chief Executive Officer is Salah Jaidah who was appointed by the Board on June 2005 and is responsible for developing and implementing the new vision and strategy for the Bank to achieve continuous growth and consolidate the Bank's leading position in Islamic banking.

Senior Management

In addition to the executive management appointed to the Executive Committee of the Board of Directors, the day-to-day management of the Bank's business is conducted by the following general managers (**General Managers**) who are considered relevant to establishing that the Bank has the appropriate expertise and experience for the management of the Bank's business. QIB's senior management structure comprises eight senior division heads reporting to the Chief Executive Officer who in turn reports to the Board of Directors. The General Managers and their positions are as follows:

Name	Position
Salah Jaidah	Chief Executive Officer
Murtada Khidr	Chief Financial Officer
Jean-Marc Riegel	General Manager, QIB Capital and International
Syed Maqbul Qader	Group Chief Risk Officer
Choudhry Mohammed Wasi	General Manager, Strategy and Marketing Group
Salah Al-Hail	General Manager, Real Estate Group
Akhter Jamal	General Manager, Operations and Technology Group
Ahmad Meshari	General Manager, Domestic Business Group

The CEO and all General Managers have stock options.

Biographies

Below is a brief summary of the main experience of QIB's key senior management:

Mr. Salah Mohamed Jaidah – Chief Executive Officer of QIB: Mr. Salah Jaidah joined QIB in June 2005 and is a board member of several QIB affiliates entities, which include, Arab Finance House, Lebanon; Asian Finance Bank, Malaysia; QInvest, Qatar; QIB (UK); Solidarity (*Takaful*), Bahrain; Al Jazeera, Qatar; and Aqar, Qatar. Prior to joining QIB, Salah Jaidah worked as Senior Manager of Doha Bank for four years and held a number of senior positions at the Commercial Bank of Qatar for 13 years prior to that. He is also an ex-member of the Qatar Chamber of Commerce and Industry and the Qatari Committee in the International Monetary Fund.

Mr. Murtada Khidr Mohamed Abuzaid (CPA) – Chief Financial Officer of QIB: Mr. Murtada Khidr joined QIB in May 2006. Prior to joining QIB, he was the Chief Finance and Operations Officer of Amlak Finance, Dubai (2004-2006); Senior Manager of Doha Bank, Qatar (2003-2004); and Head of Financials at Al Rajhi Bank, Riyadh, Saudi Arabia (1989-2003). He has also worked for the Banking Control Department at the Central Bank of Sudan (1986-1989) and prior to that, he joined The Auditor General Chamber, Sudan (1983-1986). He is a Certified Public Accountant from Georgia State, USA and holds a B.Sc. (Honours) degree in Accounting from the University of Khartoum in Sudan.

Mr. Jean-Marc Riegel – General Manager, QIB Capital and International of QIB: Mr. Jean-Marc Rigel joined QIB in his current role in July 2006. He is also a board member of QInvest, QIB (UK), London and the QFC. Prior to joining QIB he was the Head of Islamic Banking Unit at BNP Paribas, Bahrain; he also held other various senior positions within BNP Paribas prior to that and was also a senior corporate banker at BNP Paribas (Canada) (he spent almost 18 years with BNP Paribas). He holds a business degree from the CERAM-ESC in France and an MBA from HEC-Montreal in Canada. He is also a senior member of the advisory group for the Islamic Risk Project of Global Association Risk Professionals (GARP).

Mr. Syed Maqbul Qader – Group Chief Risk Officer of QIB and its subsidiaries: Mr. Syed Maqbul Qader joined QIB in his current role in 2008. Prior to joining QIB he was the Senior Manager for the Corporate Banking Group at Al Rajhi Bank, Riyadh, Saudi Arabia (2003-2006) and Chief Credit Officer of National Bank of Bahrain (1996-2003 and 1990-1992). He was also previously a Senior Manager at QIB (1993-1996) and he occupied various roles at Chase Manhattan Bank in a number of different jurisdictions prior to 1990 for approximately 18 years.

Mr. Choudhry Mohammed Wasi – General Manager, Strategy and Marketing Group of QIB: Mr. Choudhry Mohammed Wasi joined QIB in April 1988 as Chief Internal Auditor in its Internal Audit Department. He was subsequently promoted to Assistant Senior Manager in the Bank's Finance and Administration department and promoted again to his current role in November 2007. Prior to joining QIB he was the Finance and Administration Manager at the Al Batha Group, Sharjah, U.A.E. (June 1986-February 1988); Supervising Senior at KPMG Peat Marwick, Abu Dhabi, U.A.E.

(January 1980-May 1986); and Trainee and Manager at Taseer Hadi Khalid and Co., Karachi, Pakistan (December 1972-December 1980). He has been a fellow member of the Institute of Chartered Accountants of Pakistan since 1981 and holds a Bachelor of Commerce degree from the University of Karachi.

Mr. Salah Al-Hail – General Manager, Real Estate Group of QIB: Mr. Salah Al-Hail joined QIB in March 2008 as Senior Manager of its Real Estate Group. Prior to joining QIB he worked at Qatar National Bank, Doha, Qatar, as Assistant Senior Manager, Group Special Projects (January 2007-February 2008); Assistant Senior Manager, Administration and Business Services (September 2004-January 2007); Executive Manager, Administration (January 2002-August 2004); Senior Manager, Projects and Maintenance Department (January 2000-December 2001); Manager, Projects and Maintenance Department (April 1999-December 1999); and Head of Projects and Maintenance Department (April 1997-April 1999). He holds a BSc in Architectural Engineering from the University of Miami, Florida, USA.

Mr. Akhter Jamal – General Manager, Operations and Technology Group of QIB: Mr. Akhter Jamal joined QIB in 2008. Prior to joining QIB he was the Senior Manager at Masraf Al Rayan (2007). He also worked for Kuwait Turk Istanbul (2005-2006); Kuwait Finance House, Kuwait (2003-2004); and Habib Bank Ltd, Pakistan (1998-2000). Prior to this he spent approximately 26 years with Citibank in a number of different jurisdictions.

Mr. Ahmad Meshari – General Manager, Domestic Business Group of QIB: Mr. Ahmad Meshari joined QIB in August 2007 as Assistant Senior Manager of the Bank's Corporate Banking department and subsequently was promoted to Senior Manager of the Bank's Domestic Business Group in November 2008. Prior to this he was the Senior Vice-President in the Corporate Banking Group of Sharjah Islamic Bank (April 2006-August 2007). He also worked at QIB prior to his present appointment as Executive Manager (2004-2006); Contracting and Real Estate Department Manager (2001-2004); and Relationship Manager (1997-2001). Prior to this he has held positions as Loan Officer in the Financial Affairs Department at the Ministry of Interior, Kuwait (1988-1992); Commercial and Administrative Manager at Meshwar Al-Kuwait Commission Agent (1988-1990); and Public Relation Officer in the Public Relation Department at the Ministry of Interior, Kuwait (1982-1988). He holds a Master of Business Administration from the University of Ottawa, Canada (1995-1997) and a Bachelor of Business Administration from Kuwait University (1982-1987). Mr. Meshari is also a fellow of the Arab Academy for Banking and Financial Sciences (since 2002); and a Certified Lender of Business Banking from the Institute of Certified Bankers, USA (since 2003).

The registered office and headquarters of QIB, including its Directors, CEO and General Managers, are currently located at Grand Hamad Street, PO Box 559, Doha, Qatar (telephone: +974 4440 9409).

There are no interests of the Directors, CEO and/or General Managers of QIB in transactions which are or were very 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, CEO and General Managers to QIB and their private interests or other duties.

Shari'a Supervisory Board

The Board of Directors 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 the Bank's Corporate Governance Policy. The SSB currently consists of:

- His Eminence Dr. Youssof Al Qaradawi (Chairman);
- His Eminence Sheikh Abdul Qadar Al Ammari (Member);
- His Eminence Dr. Ali Al Mohammadi (Member); and
- His Eminence Sheikh Walid Ben Hadi (Head of Shari'a Executive Committee).

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 will not be 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 likely to be donated to a designated charity acceptable to QIB and the SSB.

The SSB meets at least four times each year. The SSB appoints and is presided over by a chairman and through its Shari'a Executive Committee (**SEC**) supervises the Bank's activities, as outlined above. The SEC currently consists of:

- His Eminence Sheikh Walid Ben Hadi (Head of SEC);
- Prof. Abdul Sattar Abou Ghodda (Member); and
- His Eminence Sheikh Nazim Mohd. Yacoubi (Member).

In addition to the SSB and SEC, QIB has a dedicated internal Shari'a Audit Department, which continually examines, monitors and reports on QIB's activities for Shari'a compliance.

Through the SEC and QIB's internal Shari'a Audit Department, the SSB ensures that the Bank's activities and investments do not constitute any of the following:

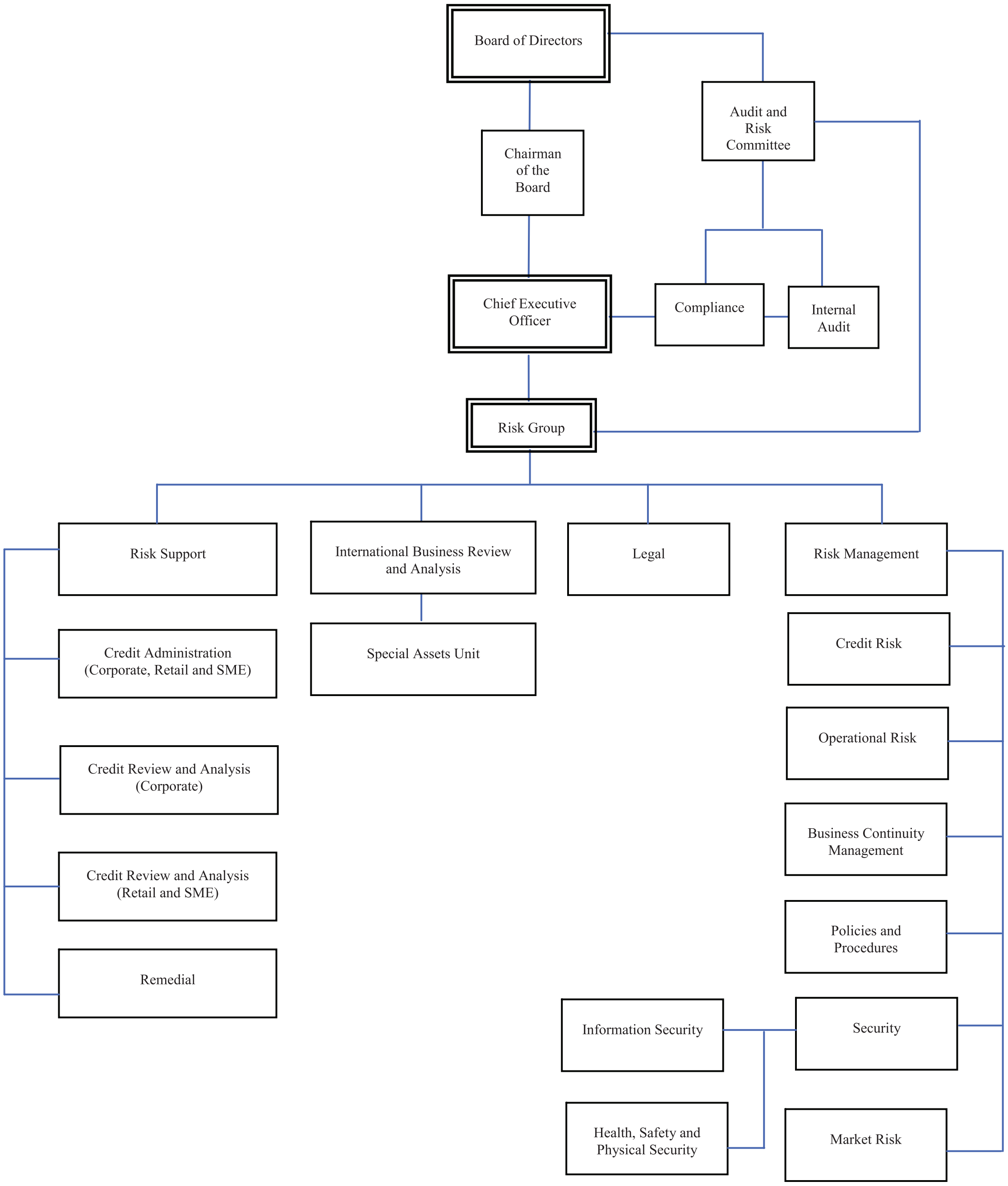
- involvement in unlawful entertainment, such as casinos, gambling, cinema, music and pornographic materials;
- involvement in hotels and leisure companies that provide any of the above products or services;
- exceeding QIB's debts and receivables beyond total balance sheet assets; and
- any other activity deemed to be in contradiction of the Shari'a rules and principles.

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 the Bank's Enterprise Risk Management Framework which was implemented by the Risk Committee, having received approval by the Board. The Risk Group is therefore responsible for managing the overall quality of the Bank's assets, continuously monitoring the Bank's portfolio, and taking corrective action if and when required.

An overview of the Bank's risk management structure is set out below.



The Bank is strengthening its assessment procedures relating to its exposure to various risks by employing skilled risk officers and by introducing and implementing new procedures and systems such as ALM, and risk measures which comply with the Basel Committee on Banking Supervision's Basel II Accord (**Basel II**) on regulatory limits and ratios. The introduction and implementation of these new procedures and systems is scheduled to commence in November 2010. Specific focus of the Risk Group is on the type of financial instrument, accuracy of the market value of transactions and timely settlement of differences with counterparties.

The Bank believes that the additional 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.

In recent years QIB has strengthened its Risk Group which is responsible for credit, market and operational risks. This initiative included the hiring of an experienced Group Chief Risk Officer in 2008 and the formation of a framework covering domestic and international business and support which covers and adheres to Basel II, credit administration and policy and procedures.

The Bank 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 the Bank'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 the Bank's risk limits. The structure, limits, collateral requirements, ongoing management, monitoring and reporting of the Bank'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 the Bank's internal policies;
- all credit facilities and investments should be risk-rated based on the Bank's internal risk rating guidelines;
- all credits as well as investments must be approved by an Authorised Officer and/or Committee in accordance with the Bank's authority matrix;
- the Bank 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 will be targeted to ensure the Bank 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 the Bank to incur a financial loss. It arises principally from the Bank's financing activities.

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

The Bank'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 for customers. Renewals and reviews of facilities are subject to the same review process which consists of preparing a credit application to the relevant authority of the Bank;
- 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. The diversification is achieved through a geographical diversification with a conservative control on the limit allocated for each country and industry;
- ensuring that credit quality is not compromised for growth;
- policies and tools which use the Bank's credit risk rating and scoring systems;
- pricing appropriately for the credit risk taken;
- ensuring concentration of exposure is not limited 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 the Bank's overall risk management strategy and market trends.

The Credit Committee is responsible for analysing and approving credit limits and taking decisions above discretionary management powers of some counterparties by assessing credit quality. It is composed of representatives of the Board. The Policies and Procedures division is responsible for the formulation of credit policies and processes in line with growth, risk management and strategic objectives.

In addition, QIB manages the credit exposure by generally obtaining security where appropriate and limiting the duration of exposure. In certain cases, QIB may also close out transactions or assign them to other counterparties to mitigate credit risk. Generally, limits are secured by tangible assets at more than 100 per cent., in accordance with Islamic Standards. The Credit Risk subdivision of 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

The Bank's exposure to loss from credit as at 30 June 2010, 31 December 2009 and 31 December 2008 was QAR 44.768 million (U.S.$12.3 million), QAR 38.784 million (U.S.$10.6 million) and QAR 33,082 million (U.S.$9 million), respectively.

QIB takes a prudent approach to the provisioning of assets and is 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 the Bank's provisions to the QCB which has the authority to increase provisioning as per its judgement.

The Bank 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. The Bank 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 the Bank to identify a problem triggering classification). QIB maintains specific allowances as per QCB guidelines for credit losses which reduces the carrying value of credit assets where there is evidence of deterioration in credit quality. Additionally, the Bank has an adequate level of general reserves which as at 30 June 2010, 31 December 2009 and 2008 amounted to

QAR 666.6 million (U.S.$183.1 million), QAR 666.6 million (U.S.$183.1 million) and QAR 547.6 million (U.S.$150.4 million), respectively.

The Bank 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, the Bank should provide the QCB with the final provisions in accordance with QCB guidelines.

Write-off policy

The Bank 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 can and would be accelerated if identified as requiring acceleration by a Credit Officer from the Risk Group. The Bank 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 2009 and 2008 provisions written off amounted to QAR 4.5 million (U.S.$1.24 million) and QAR 605,000 (U.S.$166,209), 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.

Collaterals

The Bank holds collateral against due amounts from financing activities in the form of real property mortgages, other securities over assets and guarantees. The Bank 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 and no such collateral was held on the balance sheet for the year ended 31 December 2009. As at 30 June 2010, collateral was approximately QAR 36.4 billion (U.S.$10 billion).

Liquidity Risk

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

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

Exposure to liquidity risk

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

The Bank's net liquid assets (summarised in the table below) is measured against the maturity profile of the Bank's assets and liabilities based on the contractual repayment arrangement and does not take account of the effective maturities as indicated by the Bank'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 compared to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

As at 30 June 2010	*(Amounts expressed in thousands of Qatari riyals)*					
	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	277,774	—	—	1,135,454	—	1,413,228
Due from and investments with banks and financial institutions	6,847,832	465,593	39,365	—	—	7,352,790
Due from financing activities	971,992	2,782,601	5,396,150	19,482,215	—	28,632,958
Financial investments	—	52,538	—	3,866,019	868,303	4,786,860
Other investments	—	—	—	1,175,754	—	1,175,754
Fixed assets	—	—	—	—	289,052	289,052
Other assets	—	—	—	1,582,686	—	1,582,686
Total assets	**8,097,598**	**3,300,732**	**5,435,515**	**27,242,128**	**1,157,355**	**45,233,328**

Liabilities and unrestricted investment accounts	**Up to 1 month**	**1-3 months**	**3-12 months**	**1 to 5 years**	**Above 5 years**	**Total**
Due to banks and financial institutions	7,579,661	1,650,429	801,290	—	—	10,031,380
Customers' accounts	8,061,231	—	—	—	—	8,061,231
Other liabilities	181,459	60,486	266,140	701,640	—	1,209,725
	15,822,351	**1,710,915**	**1,067,430**	**701,640**	**—**	**19,302,336**
Unrestricted investment accounts	3,146,396	3,270,898	10,277,258	627,796	—	17,322,348
Total liabilities and unrestricted investment accounts	18,968,747	4,981,813	11,344,688	1,329,436	—	36,624,684
Contingent liabilities	—	—	6,795,535	—	—	6,795,535
Difference	**(10,871,149)**	**(1,681,081)**	**(12,704,708)**	**25,912,692**	**—**	**1,813,109**

Market Risk

The Bank assumes exposure to market risk in the ordinary course of its business from its investments in equity (such as shares), real estate and other investments arising due to general and specific market movements. The Bank 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 the maximum extent. QIB (and specifically the Market Risk subdivision of the Risk Group (the **MR**)) uses methodologies such as Value at Risk, Stress Testing and Scenario Analysis to monitor limits set for such risk exposures on a daily basis by the Risk Group. This also helps to ensure that the Bank is sufficiently capitalised to cover unexpected loss events which may affect its balance sheet

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 the Bank, 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 MR 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 MR to ensure that it is in line with the overall market risk and limit monitoring policy.

The Bank manages the market risk through diversification of investments in terms of geographical distribution and industry concentration. In addition, MR was set up to design appropriate risk management strategies that serve to measure and control on and off balance sheet exposures, in compliance with Basel II requirements and QCB 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. Equity price risk has fallen since the sale of QIB's local equities book to the Government during March 2009. This was effected as a step from the Government to increase the liquidity of the Qatari banking sector and to support its financial markets. In March 2010, the QCB authorised QIB to trade shares in the QE without exceeding an amount of QAR 150 million (U.S.$41.2 million).

Profit rate risk or rate of return risk

The profit rate risk refers to the risk due to change of profit rates, which might affect the future income of the Bank. Exposure to profit rate risk is managed by the Bank 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 the assets and liabilities of the Bank 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. The ALCO shall take 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.

The Bank 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.

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. The Bank's functional currency is the Qatari riyal. The Board of Directors has set limits on positions by currency. Positions are closely monitored on a daily basis and a hedging strategy, such as the use of forwards or swaps, is used to ensure positions are maintained within established limits. As at 30 June 2010, the Bank had the following significant net exposures denominated in foreign currencies:

(Amounts expressed in thousands of Qatari riyals)

Currency	Change in currency rate in per cent.	Effect on income statement as at 30 June 2010	Effect on income statement as at 31 December 2009
USD	+2	49,885	38,716
EUR	+3	1,205	(10,182)
GBP	+2	(816)	3,493
Others	+3	(11,741)	4,893
USD	-2	(49,885)	(38,716)
EUR	-3	(1,205)	10,182
GBP	-2	816	(3,493)
Others	-3	11,741	(4,893)

The Bank's exposure to foreign exchange risk is limited as the Bank's main currency positions are in U.S. dollars, which is pegged to the Qatari riyal. The Bank uses Shari'a compliant forward contracts and foreign exchange swaps to mitigate the other currency risks, specifically for the euro.

Operational Risk Management

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 risks having an impact on the operations of the Bank. The Bank seeks to minimise actual or potential losses from operational risks failure through a framework of policies and procedures that identify, assess, control, manage and report those risks.

Other risks to which the Bank is exposed are regulatory risk, legal risk and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures which includes Risk and Control Self Assessment, Internal Loss Data, Key Risk Indicators and External Loss Data. 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 the Bank, 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: this requires defining limits on decision making powers and responsibility levels;
- Process Risk: this requires establishing policy updates, procedure implementation, publishing regular Management Reports and automating processes as much as possible; and
- System or External Risk: this requires ensuring that systems maintenance, technology development methodologies and backup and recovery processes have been established to ensure that information technology is in line with the Bank's strategy.

The OR has the following responsibilities:

- establishing processes for the identification, assessment, mitigation, monitoring and reporting of operational risk that is appropriate to the needs of the institution as per the 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 the Bank;
- providing guidance relating to various risk management tools, monitors, handle incidents, and preparing reports for management and the Board; and
- ensuring proper contingency plans (including IT backup site) for IT systems, departments and branches are in place.

Risk of managing third party investments

The Bank provides custody and corporate administration services to third parties in relation to mutual funds managed by it. Management of client's investment portfolios is 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. See "*Business Activities – Global Investments – Investment fund management*."

The dates of maturity of the Bank's commitments in relation to the investment portfolios are included in the table below outlining contingent liabilities and commitments:

(Amounts are expressed in thousands of Qatari riyals)

Contingent liabilities	**As at 30 June 2010**			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Guarantees	2,588,717	—	—	2,588,717
Istisna commitment	1,603,356	—	—	1,603,356
Unused facilities	2,014,563	—	—	2,014,563
Letters of credit and Acceptances	588,899	—	—	588,899
	6,795,535			**6,795,535**

Commitments

	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Investment portfolios managed for others	—	4,441	—	4,441
Restricted investments for customers	—	178,360	—	178,360
	—	**182,801**	**—**	**182,801**

Capital Management/Adequacy

As at 30 June 2010, QIB's Tier 1 capital ratio was 13.29 per cent. and its combined Tier 1 and Tier 2 capital ratio was 13.29 per cent.

The capital adequacy ratio of QIB is calculated in accordance with the Basel II guidelines and QCB instructions. On 6 May 2009, the QCB issued a new Basel II guideline on calculation of the CAR whereby investment in associates is deducted from capital. Under the previous guidelines, banks were given an option to either deduct investment in associates from capital for calculation of CAR purposes or consolidate the risk weighted assets on a *pro rata* basis. The Bank had calculated its CAR on the basis of consolidating risk weighted assets on a *pro rata* basis. The QCB required that the new method be applied to the calculation of CARs for all Qatari banks from 31 December 2009 or earlier. The change in methodology for calculating the Bank's CAR has had a negative effect on the Bank's CAR as well as on the ratios of other Qatari banks that have associates. The following table shows the risk weighted values and capital charge for capital adequacy ratio purposes of the Bank as at 30 June 2010 compared with 30 June 2009 levels:

(Amounts are expressed in thousands of Qatari riyals)

	Total Risk		**Risk weighted**	
	30 June 2010	**30 June 2009**	**30 June 2010**	**30 June 2009**
Credit risk	36,211,148	27,053,518	36,211,148	27,053,518
Market risk	315,831	295,180	3,947,885	3,689,755
Operation risk	212,166	173,410	2,902,075	2,167,630
Total capital charge/risk weighted assets	**36,739,145**	**27,522,108**	**43,061,108**	**32,910,903**
Tier 1 capital	5,723,042	5,607,711	13.29 per cent.	17.95 per cent.
Tier 1 + Tier 2 capital	5,723,042	5,607,711	13.29 per cent.	17.04 per cent.

The minimum ratio limit determined by the QCB is 10 per cent. and under Basel II is 8 per cent.

Regulatory and Legal Compliance

Regulatory and legal risk is the risk of negative impact to business activities, earnings or capital, regulatory relationships or reputation 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.

The identification and assessment of regulatory risk includes formal risk assessment activities carried out across the organisation, both at the individual business and operational level, and at the enterprise level. Risk is measured through the assessment of the impact of regulatory and organisational changes, the introduction of new products and services, and the acquisition or development of new lines of business. It is also measured through the testing of the effectiveness of the controls established to ensure compliance with regulatory requirements.

Basel II

The Bank 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. The Bank is also considering a shift to the Internal Models approach for market risk and the Standardised Approach for operational risk, in a similar timeframe.

The Bank 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, the Bank is evaluating the gradual adoption of an economic capital regime so as to reflect its portfolio risks more accurately. The Bank 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.

The Bank 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 the Bank will be exposed to in the future. A risk appetite statement reflecting the Bank's profile by linking the business strategy with coherent forward-looking risks factors is under process.

RELATED PARTY TRANSACTIONS

The Bank enters into transactions in the ordinary course of its business with subsidiary companies, associates, shareholders, directors, officers of the Bank and entities of which they are principal owners. These parties have been granted financing facilities in accordance with the relevant market prices and are not subject to provisioning against them. Related party transactions as at and for the periods specified are set out below:

(Amounts expressed in thousands of Qatari riyals)

	30 June 2010		31 December 2009	
	Directors	**Subsidiaries and Associates**	**Directors**	**Subsidiaries and Associates**
Balance sheet items				
On Balance sheet items				
Financing	375,243	1,511,512	578,240	1,485,500
Deposits	448,441	308,399	399,458	422,797
Mudaraba investment in property funds	—	31,045	—	40,962
Mudaraba investment by associates	—	—	—	—
Off Balance sheet items				
Contingent liabilities, guarantees and other commitments	62,606	178,360	58,773	178,360
Income statement items				
Fee and commission	10,331	65,152	37,585	86,943
Profit paid on deposits	6,011	7,942	1,576	17,235

In addition, key management remuneration in aggregate is reflected in the table below for the period specified:

(Amounts expressed in thousands of Qatari Riyals)

	30 June 2010	30 June 2009
	QAR thousands	**QAR thousands**
Key management remuneration during the year includes salaries and other benefits	5,325	5,323

RECENT DEVELOPMENTS

During the period of July and August 2010:

- performance of the Bank at the net operating income level remains in line with the first half of 2010;
- there has been a relative increase in provisioning for non performing loans as well as an increase in administrative expenses, which has resulted in a corresponding decrease in net profit;
- the assets of the Bank and its subsidiaries, including total assets, due from financing, investing and banks have decreased marginally since 30 June 2010 however, despite such decrease in assets, there has been an increase in customer deposits resulting in a reduction in the loans to deposits ratio (as calculated under QCB guidelines).

Other than as described above, as at the date of this Prospectus, there has been no significant change in the financial position or market position of the Bank since 30 June 2010.

OVERVIEW OF QATAR

Qatar

Unless indicated otherwise, information in this section has been derived from publications of the Qatar Planning Council and from publications on the Government of Qatar's website.

Country Profile

Qatar is an independent state in the Southern Arabian Gulf surrounded by Saudi Arabia, Bahrain, the UAE and Iran. The country is situated midway along the western coast of the Arabian Gulf and has an area of 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 Government of Qatar (the **Government**) sources, Qatar's population was 744,000 in 2004 when the last Government census was taken. The Economist Intelligence Unit more recently estimated Qatar's population at 1.7 million at the end of May of 2010, an increase of approximately 123 per cent. According to Qatar's last official census, conducted in 2004, approximately 75 per cent. of Qatar's population was comprised of non-Qatari nationals and since that census the overall population of Qatar has more than doubled. This disproportionate increase is largely due to an increase in the number of non-Qatari nationals. The majority of the population is between 25 and 44 years old. The Government is conducting another census in 2010 and currently the Qatari Statistical Authority is working on the fourth and final phase of it.

In terms of foreign relations and membership of international organisations, Qatar, together with Bahrain, Kuwait, Oman, Saudi Arabia and the UAE, is a member of the GCC. Furthermore, Qatar is a member of the Organisation of the Petroleum Exporting Countries (**OPEC**), the gas exploring countries forum (which has its headquarters in Doha) and the United Nations. It is also a member of the International Monetary Fund, the International Bank for Reconstruction and Development and the World Trade Organisation.

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 now sets forth civil law principles, including with respect to conflict of laws, contracts, rights and obligations, security, ownership and torts. Qatar's commercial law now 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 introduces, for the first time, 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 new legislation in recent years, including the Foreign Investment Law, the Central Bank Law, the Money Laundering Law, the Doha Securities Market 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 anti-money laundering, contracts and insolvency. In accordance with the rules and regulations of the QFC, the QFCRA regulates, licenses and supervises banking, financial and insurance related businesses carried on, in or from the QFC in accordance with legislative principles of an international standard, modeled closely on those used in London and other major financial centres. In addition, the QFC Civil and Commercial Court deals with matters arising under the QFC Law and the QFC Tribunal hears claims contesting decisions of the QFCRA or the QFC Civil and Commercial Court. The QFC courts only have jurisdiction over those companies that are licensed by the QFC.

Economic Overview

Qatar's rapid economic growth has placed it amongst the highest per capita income countries in the world, with an estimated per capita income in excess of U.S.$61,920 in 2009 (Source: Economic Intelligence Unit: Qatar country fact sheet last updated 15 July 2010). According to the latest GDP and population figures released by Qatar Planning Council, Qatar's per capita income has risen dramatically in the past five years. This is mainly due to expansion in production of oil, liquefied natural gas (**LNG**) and condensates as well as Qatar's small population.

According to the Economist Intelligence Unit, real GDP grew by 15.8 per cent. in 2008 and 8.4 per cent. in 2007. Nominal GDP increased from U.S.$66.6 billion in 2007 to U.S.$107.8 billion in 2008. However, nominal GDP declined to U.S.$82.4 billion and real GDP grew by 9.5 per cent. in 2009 as a result of the decline in energy prices in the first half of 2009. The slowdown could also be seen in the real estate sector, where prices declined during 2009 and the first half of 2010 due to the completion of several large property developments that alleviated housing shortages caused by rapid immigration. Qatar, being a small economy, is heavily dependent on exports, in particular of oil and gas. Qatar has the third-largest gas reserves in the world. Sales of LNG and oil accounted for approximately 61.7 per cent. of Qatar's overall GDP in 2008. The State of Qatar is rated AA- (Stable) by Standard & Poor's and Aa2 (Stable) by Moody's.

Economic policy will continue to centre on the development of Qatar's non-associated natural gas reserves. The primary focus of the Government's long-term strategy is to diversify the economy away from crude oil exports. The Government is aiming to make Qatar the world's leading producer of LNG and Gas-to-Liquids (**GTL**). Despite the global economic crisis, Qatar continues to witness and experience strong economic growth.

The Government has also emphasised the importance of non-oil and gas investment, which has resulted in an abundance of infrastructure projects such as the QFC, Education City, New Doha International Airport, the Qatar Science and Technology Park and several large-scale real estate projects. In 2005 the Government established the QIA to propose and implement investments for Qatar's financial reserves, both domestically and abroad, and to diversify Qatar's investments across a variety of asset classes and a wide range of geographies. Through the QIA, Qatar Holding and Qatari Diar, a real estate investment company wholly owned by the QIA, Qatar has made investments in private equity, the banking sector, real estate and alternative assets.

Due to the general growth in all economic sectors, the number of new companies has increased, with a corresponding demand on skills and expertise which has led to unemployment rates dropping to an estimated 0.3 per cent. in 2009 from 3.9 per cent. in 2001. The Government has made available a number of incentives to attract foreign investment in joint ventures, which include discounted natural gas and electricity, industrial land at a nominal rent as well as exemptions from import duties on machinery, equipment and spare parts and from export duties generally. The Qatar Ministry of Business and Trade may also, in certain circumstances and for certain types of investments that would be deemed to be beneficial to the national economy, exempt foreign investors from income tax for a period not exceeding ten years. These measures, together with a blanket exemption of expatriates' salaries, have created an influx of both foreign investment and workers. This situation has created a demand for accommodation in general. This increase in demand is expected to continue due to the expected growth of the Qatar economy and the implementation of planned development projects by the Government that are expected to stimulate growth in all sectors and industries.

In contrast to its past performance, foreign trade which had increased steadily over the past years, decreased between 2007 and 2008 due to the contraction of the global economy and the declines in the prices of oil and gas, with imports falling on average by 29 per cent. between 2007 and 2008, while exports fell by an average of 10 per cent. over the same period. In 2008, Qatar's main export partner was Japan, accounting for 40.8 per cent. of total exports.

In 2008, Qatar's trade balance increased by 0.8 per cent due to imports falling faster than exports, while the 2008 overall balance of payments showed a surplus of QAR 76.3 billion (U.S.$20.91 billion).

Underlying long-term industry and economic trends in Qatar and GCC countries

Despite the global economic crisis, Qatar remains among the fastest-growing economies in the GCC and the world. The Government has been developing the non-hydrocarbon sectors of Qatar's economy, such as manufacturing, trade, transport, financial services and tourism. Additionally, the scale of investment spending in the oil and gas industry, infrastructure and real estate sectors continues to be significant. Importantly, the Government has continued its domestic spending programme over the past two years, despite the global economic crisis and the volatility in oil and gas prices during the second half of 2008 and 2009. The Government's budget is formulated using a conservative estimate of oil prices for the relevant fiscal year. For example, the budget for the fiscal year ending 31 December 2010 is based on an assumed oil price of U.S.$40 per barrel (which would result in a small deficit of U.S.$5.8 billion, or less than 2.0 per cent., of Qatar's total nominal GDP in 2008). The robust budget and continued domestic spending reflected in the budget for 2010 and 2011 illustrates the Government's commitment to support infrastructure and social improvements and to further develop the country's industrial and services sector. In March 2010, the Government announced that the budget for 2010 and 2011 will be 25 per cent. higher than the previous budget amid a projected 44 per cent rise in Government revenues. The Government will dedicate 40 per cent. of the new budget towards infrastructure, with expenditure also going to the private sector to create jobs. This spending will provide a wide scope of opportunities for all of the Bank's businesses and in particular for those of its corporate customers who are major suppliers to these projects. The Bank believes it is therefore well positioned to be a significant indirect beneficiary of the Government's domestic investment programme. The Bank is well-positioned to benefit further from the growth and diversification of the Qatari economy, through the Bank's retail banking division, which is benefiting from increased wealth across the growing local Qatari population.

The budget for the fiscal year 2010 to 2011 underlines the strength of the Qatari financial position in contrast to the bordering GCC and global environment.

Infrastructure

Although Qatar is focused on ensuring the optimal and sustainable development and commercialisation of the oil and gas sector, which continues to be the backbone of the economy, one of the cornerstones of Qatar's current economic policy is a commitment to diversify the overall economy so that Government revenues from the oil and gas sector are supplemented by an increased percentage of Government revenues from non-oil and gas related activities. As set forth in the National Vision, the Government's long-term economic objectives include developing Qatar's infrastructure and strengthening its private sector. In pursuit of these objectives, and consistent with increased revenues and surpluses, Qatar has increased total expenditure and has funnelled much of this expenditure into major construction projects such as the Lusail real estate development (including Energy City) and the New Doha International Airport.

The building and construction sector has expanded rapidly in the past five years as a result of growing infrastructure needs and the economy's growth and diversification. In the coming years, this sector is expected to experience additional growth due to lower construction costs and major public projects, such as the construction of the New Doha International Airport, which will replace the existing Doha International Airport at an estimated cost of approximately QAR 32.8 billion (U.S.$9.0 billion). The airport is currently scheduled to be completed by 2013, and by its completion, is expected to handle 50 million passengers, two million tons of cargo and 320,000 landings and take-offs per year. In addition, there are a range of public projects focused on developing Qatar's infrastructure, public services, social and health services and education and youth services, including but not limited to, the U.S.$8.24 billion Education City, the U.S.$800 million Qatar Science and Technology Park, U.S.$7.9 billion Sidra Medical Research Centre and the Qatar National Convention Centre, which is scheduled to be completed by 2011 at an estimated cost of QAR 154 million (U.S.$42.3 million).

Annual Indicators

The following table sets forth certain economic data for Qatar for the years indicated. (Source: Economist Intelligence Unit).

	Year ended 31 December			
	2006	**2007**	**2008**	**2009**
Nominal GDP (U.S.$ millions)	56,770	66,654	107,754	82,400
Real GDP growth (percentage)	9.9	8.4	15.8	9.5
Consumer prices (end-period percentage)	11.3	13.7	15.1	-1.9
Population (millions)	0.9	0.9	1.6	1.6
GDP per head (U.S.$ at PPP)	74,378	75,350	58,670	62,031
Budget Balance (% of GDP)	9	11	14	- 1
Current account balance (% of GDP)	17	14	14	5
Oil production ('000 barrel/day)	822.3	804.5	849.2	770.0
Average oil price (U.S.$/barrel)	65.39	72.71	97.66	61.86
Fixed Exchange rate (U.S.$/QAR)	3.64	3.64	3.64	3.64

BANKING INDUSTRY AND REGULATION

Qatar

Unless otherwise indicated, information in this section has been derived from publications of the QCB and the QFC's annual report and website.

Qatari Banking Sector

Overview

The Qatari banking sector is composed of 18 banks, including four exclusively Islamic banks, one industrial bank and branches or subsidiaries of seven foreign banks focusing mainly on trade finance, foreign currency operations and state-related business. According to QCB estimates, as at 31 December 2008 Qatar National Bank S.A.Q. (**QNB**) had a market share of approximately 37 per cent. of total loans and advances. As at 31 December 2009, the State of Qatar (which is the domestic banking sector's biggest customer) was the single largest shareholder in QNB with a 50 per cent. stake.

Qatar is served by four exclusively Islamic banks: QIB, Qatar International Islamic Bank Q.S.C., Masraf Al Rayan Q.S.C. and Barwa Bank (Q.S.C.), with a combined market share of around 16 per cent.

Five commercial banks operate in Qatar (The Commercial Bank of Qatar (Q.S.C.), Al-Ahli Bank Q.S.C., Doha Bank Q.S.C., Al Khalij Commercial Bank Q.S.C. and International Bank of Qatar Q.S.C.). In addition to the commercial banks, Qatar Development Bank was established by the Government in 1997 with the aim of playing an active role in economic and industrial development by promoting and financing small and medium-sized industrial projects.

Based on QCB figures, the Qatar commercial banking system had total assets (conventional and Islamic) as at 31 December 2009 of QAR 467.9 billion (U.S.$128.5 billion), compared to QAR 401.9 billion (U.S.$110.4 billion) as at 31 December 2008 and QAR 294.3 billion (U.S.$80.8 billion) as at 31 December 2007. Deposits as at 31 December 2009 stood at QAR 246.8 billion (U.S.$67.8 billion), compared to QAR 212.5 billion (U.S.$58.4 billion) as at 31 December 2008 and QAR 167.2 billion (U.S.$45.9 billion) as at 31 December 2007, with loans and advances as at 31 December 2009 of QAR 270.4 billion (U.S.$74.3 billion) compared to QAR 242.6 billion (U.S.$66.6 billion) as at 31 December 2008 and QAR 160.5 billion (U.S.$44.1 billion) as at 31 December 2007. As at 30 September 2009, there are approximately 202 local branches and 595 ATMs in Qatar serving a population in excess of 1.6 million, while distribution channels are complemented by the increasing use of internet and telephone banking. Based on QCB figures, Qatar's 2008 GDP was QAR 403 billion (U.S.$110.7 billion). With a loan to GDP ratio of under 67 per cent., the country may be perceived to be under-banked.

Based on the Economist Intelligence Unit's forecast, in 2010 Qatar is expected to experience consumer price inflation of 1.2 per cent. Based on the Economist Intelligence Unit's data Qatar experienced deflation of 4.9 per cent. as at 31 December 2009 compared with year on year inflation of 15.2 per cent. and 13.7 per cent. as at 31 December 2008 and 2007, respectively. 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 slow the rate of economic growth and consumer spending in Qatar.

Commercial Banks

The commercial banks in Qatar are building retail banking and investment banking capabilities to generate future returns. Most have also invested in the development of staff skills and upgraded management information systems, enabling them to improve the quality of service they provide to their clients. After government, semi-government and the corporate markets, the consumer market remains the key lending focus. Consumer loans are customarily tied to salary transfers from bank approved institutions and repayments are ensured by direct deduction, under standing orders and from monthly salary credits. The Qatar retail banking market is becoming increasingly competitive and challenging, with all banks expanding their retail banking operations.

International Banks

Qatar's foreign banks compete for the same business as local banks but operate under certain restrictions. The lending limits of foreign banks are based on their local capital base. However, the foreign banks have traditionally obtained guarantees from their head offices when credits exceed their legal lending limits.

Some of the foreign multinational banks have started to increase their presence in the fast-developing Qatar market and some have established offices in the QFC and are targeting the financing of big infrastructure projects. In 2004 the Bahraini Al-Ahli United Bank purchased a 40 per cent. stake in Al Ahli Bank and National Bank of Kuwait purchased a 20 per cent. stake in International Bank of Qatar (which was subsequently increased to 30 per cent.); these acquisitions increased competition in retail banking.

Bank Expansion

Going forward, it is expected that the number of banks operating in Qatar will increase further as more foreign banks are expected to establish a presence in the QFC. Qatari banks are seeking to expand in an effort to diversify away from the domestic market.

Qatar Financial Centre

The QFC commenced operations on 1 May 2005, under Law No. (7) of 2005, to attract international financial institutions and multinational firms to Qatar. QFC provides a low-tax environment, with a 10 per cent. charge on profits with effect from 1 May 2008 following a three-year tax holiday and 100 per cent. foreign ownership and profit repatriation permitted. Some of the licensees of QFC include global investment banks, multinational banks and insurance companies. The QFC is targeting global institutions relevant to the energy sector and other key sectors of Qatar's economy which have expertise in banking, insurance, asset management, financial advisory services, securities and derivatives dealing, and Islamic finance. Institutions registered with the QFC fall into two categories: 'regulated' activities (essentially financial services) and 'non-regulated' activities (activities in support of financial services). 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.

Recent Developments in the Qatar Commercial Banking Sector

The Government has recently taken steps to increase liquidity in its domestic commercial banking sector.

In October 2008, the QIA announced its plan to acquire equity ownership interests of between 10 per cent. and 20 per cent. in all domestic banks listed on the QE. To that end, in January 2009, the Government, represented by the QIA subscribed for 10 per cent. of the Bank's shares by a two-stage subscription process (the first tranche being allotted in January 2009 and the second tranche being allotted in February 2010. QIB received consideration from QIA in advance of each allotment).

In addition and in line with its support policy for the banking sector in Qatar, in March 2009, the Government proposed to purchase the domestic equity portfolios of seven of the nine domestic banks listed on the QE. In March 2009, the Bank sold its entire portfolio of Qatar equity securities to the Government, which paid QAR 351 million (U.S.$96.4 million) in cash. The Bank has the right to repurchase the entire portfolio of domestic equity securities after a minimum of three years from the date of sale with the same sale proceeds.

In June 2009, the Government announced its intention to purchase a total of QAR 15 billion (U.S. $4.12 billion) worth of portfolios of loans, advances and other exposures of commercial banks listed on the QE. That same month, the Government purchased the first tranche of real estate loans, advances and other exposures from Qatari banks, including QIB, for an aggregate amount of QAR 10 billion (U.S.$2.74 billion). The Bank participated in these programmes by selling QAR 4.2 billion (U.S.$1.154 billion) in real estate assets and investments (including its stake in Shard Fund Limited) to the QCB, which further strengthened the Bank's balance sheet. QIB is not permitted to buy back these assets.

Finally, on 1 June 2010, the Government issued QAR 10 billion (U.S.$2.74 billion) of debt instruments (in the form of *Sukuk* and conventional bonds) in order to absorb excess bank liquidity in Qatar. QIB was one of the four subscribing Islamic banks in Qatar. Each of the four Islamic banks subscribed for QAR1.25 billion (U.S.$343.3 million) of the QAR 5 billion of *Sukuk*.

Banking Regulation in Qatar

QCB was established under Law No. (15) of 1993 to assume the role of the Qatar Monetary Agency. This Law was later replaced by Law No. (33) of 2006 concerning the QCB. The seven-member Board of QCB includes the governor, the deputy governor, at least three directors, and representatives of the Ministry of Business and Trade and the QE. QCB's jurisdiction includes not only banks but also foreign exchange houses, investment companies and finance houses. QCB's main objective towards its monetary policy is to ensure the stability of the exchange rate of the Qatari riyal, the stability of commodity prices and the prices of services, and financial and banking stability. QCB exercises close prudential control and supervision of the banking sector in Qatar.

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.
- The Bank is subject to a capital adequacy ratio (**CAR**) imposed by, and calculated in accordance with regulations of the QCB. On 6 May 2009, the QCB issued a new Basel II guideline on calculation of the CAR whereby investment in associates is deducted from capital. In the previous guideline, banks were given an option to either deduct investment in associates from capital for calculation of CAR purposes or consolidate the risk weighted assets on a *pro rata* basis. The Bank had calculated its CAR on the basis of consolidating risk weighted assets on a *pro rata* basis. The QCB required that the new method be applied to the calculation of CARs for all Qatari banks from 31 December 2009 or earlier.

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 7 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 the equity or 15 per cent. of the customer deposits of a bank, whichever is less.

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.

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.

Liquidity

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. to a maximum of 2 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.

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 Principal Paying Agent (as defined in the Conditions).

The Declaration of Trust

The Declaration of Trust will be entered into on 7 October 2010 between QIB, the Issuer, the Trustee and the Delegate and will be governed by English law.

The Declaration of Trust shall provide that, on or after any Dissolution Date, 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, subject to the priority of payments set out in the Declaration of Trust, the Certificates and the Conditions. The Certificateholders have no claim or recourse against the Issuer, the Trustee or the Delegate in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

(a) hold the Trust Assets on trust absolutely for the Certificateholders as beneficial tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder; and

(b) act as trustee in respect of the Trust Assets, distribute the income from such Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

In the Declaration of Trust, the Trustee shall irrevocably and unconditionally delegate to the Delegate the performance of certain present and future duties, powers, authorities and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust (including but not limited to the authority to request instructions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust). The appointment of such 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 trustee.

Pursuant to the Declaration of Trust the Delegate will undertake that, *inter alia*:

(a) it may or shall (subject, in either case, 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 Declaration of Trust, the Purchase Undertaking, the Management Agreement and any other Transaction Document to which QIB is a party; and

(b) following the occurrence of a Dissolution Event and subject to Condition 12, it shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) (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 Declaration of Trust, the Purchase Undertaking, the Management Agreement and any other Transaction Document to which QIB is a party.

A Transaction Account will be established in the name of the Issuer. Monies received in the Transaction Account will, *inter alia*, comprise (i) payments from the relevant Return Collection Account immediately prior to each Periodic Distribution Date (see "*Summary of the Principal Transaction Documents – Management Agreement*" below), and (ii) the Exercise Price received from the Obligor under the relevant Sale Agreement (see "*Summary of the Principal Transaction Documents – Purchase Undertaking*" and "*Summary of the Principal Transaction Documents – Sale Undertaking*" below). The Declaration of Trust shall provide that all monies credited to the Transaction Account will be applied in the order of priority set out in Condition 4.2.

In the Declaration of Trust, QIB shall undertake to the Issuer and the Delegate that, if any amount payable by QIB to the Issuer pursuant to any Transaction Document is not recoverable from QIB for any reason whatsoever or the Issuer suffers any cost, expense or loss as a result of the Issuer's holding of the Sukuk Assets, which cost, expense or loss is not recoverable under the Purchase Agreement, then QIB will, as a sole, original and independent obligor, forthwith upon demand by the Issuer or the Delegate pay such sum by way of a full indemnity in the manner and currency as is provided for in the relevant Transaction Document and indemnify the Issuer against all losses, claims, costs, charges and expenses to which it may be subject or which it may incur under or in respect of the Transaction Documents.

The Purchase Agreement

The Purchase Agreement will be entered into on 7 October 2010 between the Seller and QIB Sukuk Funding Limited and will be governed by the laws of Qatar.

Pursuant to the Purchase Agreement, the Seller shall agree to sell, and the Issuer shall agree to purchase, the Seller's rights, interests, ownership, benefits and entitlements (as the case may be) in, to and under the Sukuk Assets. To the extent that any transfer of such Sukuk Assets is not effective in any jurisdiction for any reason, QIB shall agree, in the Purchase Undertaking, to make restitution in respect of the purchase price paid by the Issuer in respect of those Sukuk Assets.

The purchase price payable for the Sukuk Assets will be paid by the Issuer from the proceeds of the issuance of the Certificates.

Management Agreement

The Management Agreement will be entered into on 7 October 2010 between the Issuer (including in its capacity as Trustee) and the Managing Agent and will be governed by English law.

The Issuer shall appoint the Managing Agent to manage the Sukuk Assets. In particular, the Managing Agent will:

(a) do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it reasonably considers necessary to ensure the assumption of, and compliance by each transaction party with, its covenants, undertakings or other obligations under the contracts to which it is party in accordance with applicable law and terms of the contracts;

(b) use its reasonable endeavours to discharge all obligations in respect of any assets that are at any time the subject of a contract which is an *ijara* contract (the **Leased Sukuk Assets**) required by the Shari'a to be assumed by a lessor, including: (A) procuring the *takaful* (insurance) (if available) of any Leased Sukuk Assets against such risks (including, without limitation, fire, flooding and natural perils) in an amount sufficient to reinstate the assets in full and shall diligently procure or make and pursue any claim under such insurance; (B) all structural repair and major maintenance without which the Leased Sukuk Assets could not be reasonably and properly used by a lessee; and (C) where applicable, payment of all taxes in relation to the Leased Sukuk Assets by law imposed, charged or levied against a proprietor, but excluding all taxes that are by law imposed, charged or levied against a lessee, it being acknowledged that the Managing Agent may appoint one or more agent(s) acting as a service agent to discharge these obligations on its behalf;

(c) pay on behalf of the Issuer any costs, expenses, losses and taxes which would otherwise be payable by the Issuer as a result of the Issuer's ownership of the Sukuk Assets;

(d) use its reasonable endeavours to procure that any service agent appointed by QIB in respect of the Leased Sukuk Assets carries out the duties that it has contracted to perform;

(e) use its reasonable endeavours to ensure the timely receipt of 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 Sukuk Assets (**Revenues**), investigate non-payment of Revenues and generally make all reasonable efforts to collect or enforce the collection of such Revenues under the relevant contract as and when the same shall become due;

(f) maintain each Collection Account in accordance with the Management Agreement;

(g) obtain all necessary authorisations in connection with any of the Sukuk Assets and its obligations under or in connection with the Management Agreement;

(h) to the extent necessary, apply amounts credited to the Return Collection Reserve Account failing which it may provide Shari'a compliant funding on terms that it is repayable only following the redemption of the Certificates in full, to ensure that the Issuer receives on each Distribution Date the full amount of the Periodic Distribution Amount payable by it in respect of such Certificates on the next following Periodic Distribution Date;

(i) ensure that, at all times, the majority of the Sukuk Assets consist of *ijara* based assets; and

(j) carry out any incidental matters relating to any of the above.

If any Certificates held by QIB are cancelled by the Issuer pursuant to Condition 9, the Managing Agent shall (subject to ensuring that the majority of the Sukuk Assets consist of *ijara* based assets) transfer an equivalent portion of the Sukuk Assets to, or to the order of, QIB provided that (i) the value of such portion of Sukuk Assets is no greater than the aggregate face amount of the Certificates so cancelled; and (ii) the portion of the Sukuk Assets so transferred will consist of a *pro rata* share of all of the assets comprising the Sukuk Assets.

The Managing Agent shall perform its duties under the Management Agreement in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets.

If the Managing Agent fails to perform any of its obligations under the Management Agreement in accordance with its terms, the Issuer may, with the prior written approval of the Delegate, terminate the appointment of the Managing Agent under the Management Agreement by giving the Managing Agent at least 30 days' prior written notice to that effect.

QIB shall be entitled to receive a fee for acting as Managing Agent which will comprise a fixed basic fee of U.S.$100 and may also receive an incentive fee calculated as the remaining amounts available from the application of profit collections.

The Managing Agent will maintain three ledger accounts (referred to as the **Base Amount Collection Account**, the **Return Collection Account** and the **Return Collection Reserve Account**, together, the **Collection Accounts**). All Revenues received by the Managing Agent in respect of the Sukuk Assets will be recorded, (i) to the extent that they comprise a return in respect of profit on Sukuk Assets (**Return Revenues**), in the Return Collection Account, (ii) to the extent that they are not Return Revenues or monies to be credited to the Return Collection Reserve Account as provided below, in the Base Amount Collection Account, and (iii) to the extent provided in Condition 4.2, in the Return Collection Reserve Account.

Amounts standing to the credit of the Return Collection Account will be applied by the Managing Agent as follows:

(a) *first*, payment of all or any due and payable claims, losses, costs and expenses properly incurred or suffered by the Managing Agent in providing the Management Services; and

(b) *second*, to the Issuer in the manner provided below.

In the case of amounts credited to Return Collection Account which are payable to the Issuer, such amounts (to the extent necessary to pay the Periodic Distribution Amount due) will be paid into the relevant Transaction Account immediately prior to the next following Periodic Distribution Date. Any remaining amounts will be debited from the Return Collection Account and credited to the Return Collection Reserve Account.

Amounts credited to the Base Amount Collection Account will be applied by the Managing Agent in acquiring further assets for and on behalf of the Issuer such that the new assets become Sukuk Assets, all on and subject to the terms of the Transaction Documents.

In the event that QIB fails to pay the Exercise Price (as defined below) in accordance with the Purchase Undertaking, the Issuer's entitlement to the Revenues will accrue on a daily basis for the period from, and including, the date on which the Exercise Price should have been paid and ending on, but excluding, the date of payment in full of the Exercise Price in accordance with the Purchase Undertaking. In addition, upon the occurrence of a Dissolution Event or the giving by the Issuer of notice pursuant to Condition 8.2, the Return Revenues net of any applicable Liabilities Amount for the period from and including the last Periodic Distribution Date in respect of which a Periodic Distribution was made in respect of the Certificates to but excluding the Dissolution Date specified in the Exercise Notice will be paid in cleared funds (free and clear of any deductions or any set-off or any counterclaim) into the Transaction Account on or before the relevant Dissolution Date.

The Managing Agent will agree in the Management Agreement that all payments by it under the Management Agreement will be made without any deductions or withholding for or on account of tax unless required by law and without set-off or counterclaim and, in the event that there is any deduction or withholding, the Managing Agent shall pay all additional amounts as will result in the receipt by the Issuer of such net amounts as would have been received by it if no withholding or deduction had been made.

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.

Purchase Undertaking

The Purchase Undertaking will be executed by way of deed on 7 October 2010 by QIB in favour of QIB Sukuk Funding Limited and the Delegate and will be governed by English law.

QIB will irrevocably undertake in favour of QIB Sukuk Funding Limited and the Delegate to purchase all of QIB Sukuk Funding Limited's interest in, to and under the Sukuk Assets on any Dissolution Date. The price (the **Exercise Price**) payable by QIB shall be an amount equal to the aggregate of (i) the outstanding face amount of the Certificates; (ii) any accrued but unpaid Periodic Distribution Amounts; and (iii) any amounts advanced by way of Shari'a compliant funding by the Managing Agent under the Management Agreement.

The specific terms applicable to such sale will be confirmed in a Sale Agreement (the **Sale Agreement**), to be executed by the Issuer (including in its capacity as Trustee) and QIB on the Dissolution Date. The form of the Sale Agreement will be appended to the Purchase Undertaking and will be governed by the laws of Qatar.

In the Purchase Undertaking, QIB will undertake that, so long as any Certificate remains outstanding, QIB will not, and will ensure 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 any uncalled capital) to secure any Relevant Indebtedness or any Guarantee of Relevant Indebtedness given by it without:

(i) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is, in whatever capacity, a party; or

(ii) providing such other Security Interest for those obligations as may be approved by the Certificateholders by an Extraordinary Resolution.

For these purposes:

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; 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.

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.

In addition, QIB will agree that each of the following events will constitute a **QIB Event**:

(a) QIB (acting in any capacity) fails to pay any amount payable by it pursuant to any Transaction Document to which it is a party and such failure continues for a period of seven days; or

(b) QIB (acting in any capacity) or the Seller, fails to perform or observe any of its covenants and/or obligations under any Transaction Document to which it is a party and such default is incapable of remedy or, if, in the opinion of the Delegate, is capable of remedy, is not, in the opinion of the Delegate, remedied within 20 days after notice of such default shall have been given to QIB by the Delegate; or

(c) 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 is declared to be or otherwise 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) or any creditor of QIB or any of QIB's Material Subsidiaries becomes entitled to declare any such Indebtedness due and payable prior to its specified maturity or to call any such Guarantee 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

(d) the Seller, QIB or any of QIB's Material Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started 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 the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in QIB or another Subsidiary of QIB; or

(e) the Seller, 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 the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in QIB or another Subsidiary of QIB; or

(f) the Seller, 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

(g) 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 any substantial part of the property of the Seller, QIB or any of QIB's Material Subsidiaries and is not discharged within 30 days; or

(h) 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

(i) 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 partially displaced or the authority of QIB or any of its Material Subsidiaries in the conduct of its business is wholly or partially curtailed or (B) all or a majority of the issued shares of QIB or any of QIB's Material Subsidiaries or the whole or any part of their respective revenues or assets is seized, nationalised, expropriated or compulsorily acquired; or

(j) either of the Seller or 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) or the Seller 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) or the Seller thereunder are not or cease to be legal, valid, binding and enforceable; or

(k) any Security Interest present or future, created or assumed by the Seller, 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 any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person); or

(l) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Seller and QIB (acting in any capacity) lawfully to enter into, exercise its rights and perform and comply with its obligations under any Transaction Document to which it is respectively a party, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Transaction Documents admissible in evidence in the courts of Qatar is not taken, fulfilled or done and, in each case, is incapable of remedy or, if, in the opinion of the Delegate, is capable of remedy, is not, in the opinion of the Delegate, remedied within 30 days after written notice requiring remedy shall have been given to QIB or the Seller, as the case may be, by the Delegate; or

(m) any event occurs which under the laws of any other relevant jurisdiction has a similar or analogous effect to any of the events described in (d), (e) (f), (g), (i) and (k) above.

The occurrence of a 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 one-fifth in face amount of the Certificates for the time being outstanding or upon being directed by Extraordinary Resolution of the Certificateholders requiring it to declare) subject, in any such case, to being indemnified and/or secured and/or pre-funded to its satisfaction, the Certificates to be immediately due and payable.

QIB will agree in the Purchase Undertaking that, to the extent that the sale and purchase or transfer of any interest in its undivided rights, benefits, entitlements and interests in, to and under any Sukuk Assets is not effective in any jurisdiction for any reason, it will agree in consideration for the payment of the relevant purchase price to make payment of the relevant purchase price by way of restitution to the Issuer immediately upon request.

QIB will agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deductions or withholding for or on account of tax unless required by law and without set-off or counterclaim 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 Issuer of such net amounts as would have been received by it if no deduction or withholding had been made.

The payment obligations of QIB under the Purchase Undertaking are and will be direct, unconditional, unsecured and general obligations of QIB and shall rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of QIB.

Sale Undertaking

The Sale Undertaking will be executed as a deed on 7 October 2010 by the Issuer as trustee for the Certificateholders in favour of QIB and will be governed by English law.

Pursuant to the Sale Undertaking and subject to the Issuer being entitled to redeem the Certificates for tax reasons in accordance with Condition 8.2, QIB may, by exercising its right under the Sale Undertaking and serving notice on the Issuer no later than 60 days prior to the Tax Redemption Date, oblige the Issuer to sell the Issuer's interest in the Sukuk Assets on the Tax Redemption Date.

The price (the **Exercise Price**) payable by QIB shall be an amount equal to the aggregate of (i) the outstanding face amount of the Certificates; (ii) any accrued but unpaid Periodic Distribution Amounts; and (iii) any amounts advanced by way of Shari'a compliant funding by the Managing Agent under the Management Agreements.

Costs Undertaking

The Costs Undertaking will be executed by way of deed on 7 October 2010 by QIB and will be governed by English law. Pursuant to the Costs Undertaking, QIB will pay certain fees and expenses of, and indemnify against certain losses of, among others, the Delegate and the Agents.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates. Prospective purchasers of Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Certificates and receiving payments of profit, principal and/or other amounts under the Certificates. This summary is based upon the law as in effect on the date of this 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) the regulations prescribed under the Qatar tax law and (c) the published practices that have been adopted and applied by the Qatar Public Revenues and Taxes Department (the **PRTD**) of the Ministry of Economy and Finance, each as in effect on the date of this 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. The Qatar tax law specifies a withholding tax rate of 7 per cent. on payments of interest. Pursuant to a letter from the PRTD dated 4 January 2010, this withholding tax on interest was suspended and remains suspended until further notice. However, it is not clear whether the PRTD has the authority to suspend the withholding tax as a matter of Qatari law.

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).

There are no provisions in the Qatar tax law that specify the tax treatment in respect of payments made pursuant to Shari'a compliant transactions or deal with the tax status of the entities involved in such transactions. Therefore, there is some uncertainty in the application of the Qatar tax law as to (i) the tax status of the Issuer (who owns assets located in Qatar), (ii) the taxation of the payments received by the Issuer, (iii) the taxation of the payments under the Certificates to Certificate holders (who have a beneficial interest in assets located in Qatar), and (iv) the taxation of any gains derived from a sale or exchange of Certificates.

Pursuant to the terms of the Transaction Documents, QIB has agreed to be responsible for any taxes imposed pursuant to the Qatar tax law. Specifically, to the extent that any withholding tax is imposed under the Qatar tax law on payments made by QIB (under the Purchase Undertaking or Management Agreement) or the Issuer (under the Certificates), QIB (in relation to both payments made by it and the Issuer) has undertaken to pay such additional amounts so that the full amount which would otherwise have been due and payable is received by the Issuer and Certificateholders. In addition, pursuant to the terms of the Costs Undertaking, QIB has agreed to indemnify the Issuer in respect of any tax liabilities imposed on the Issuer in connection with the performance of the Issuer's obligations under the Certificates and the Transaction Documents to which it is a party.

Cayman Islands

Under existing Cayman Islands laws, payments on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. The Issuer has obtained an undertaking dated 15 June 2010 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 grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profit, income, gains or appreciation shall apply to the Issuer 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 Issuer 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 Issuer to the Cayman Islands Registry 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.$731.71. 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 Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income, which may include Periodic Distribution Amounts) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending as 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, including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Under the terms and conditions contained in a Subscription Agreement (the **Subscription Agreement**) dated 5 October 2010 between the Issuer, QIB, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, QInvest LLC (together, the **Joint Lead Managers and Joint Bookrunners**) and National Bank of Abu Dhabi P.J.S.C. (the **Co-Lead Manager**, together with the Joint Lead Managers and Joint Bookrunners, the **Managers**), the Issuer has agreed to issue and sell to the Managers U.S.$750,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Managers have agreed to subscribe for the Certificates. The Subscription Agreement provides that the obligations of the Managers to pay for and accept delivery of the Certificates are subject to certain conditions. Pursuant to the Subscription Agreement, the Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Managers will also be reimbursed in respect of certain of their expenses, and each of the Issuer and QIB has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Certificates.

Selling Restrictions

United States

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, any U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Certificates are being offered and sold only outside the United States to persons other than U.S. persons as defined in Regulation S in offshore transactions in reliance on, and in compliance with, Regulation S.

Each Manager has agreed that it has offered and sold, and will offer and sell, the Certificates (a) as part of its distribution at any time and (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S.

Each Manager has agreed that, at or prior to confirmation of sale of Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

''The Securities covered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S.''

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 Certificate in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

Kingdom of Bahrain

Each Manager has represented and agreed that it has not offered, and will not offer, Certificates to (i) the public (as defined in Articles 142-146 of the Commercial Companies Law (Decree Law No. 21/2001) of Bahrain) or (ii) any person in Bahrain who is not an ''accredited investor''. For this purpose, an ''accredited investor'' means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Cayman Islands

Each Manager has represented and agreed that it has not made and will not make any offer or invitation to the public in the Cayman Islands to subscribe for any Certificates.

Malaysia

This Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the **CMSA**). Accordingly, each Manager has represented and agreed that the Certificates have not been and will not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under (i) Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) and (ii) Schedule 8 (or Section 257(3)) of the CMSA, 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.

Prospective investors should note that 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 Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires Certificates pursuant to an offering should note that the offer of Certificates is an offer to "Sophisticated Investors" (as defined in Article 10 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**) for the purposes of Article 9 of the KSA Regulations. Each Manager has represented and agreed that the offer of the Certificates will only be directed at Sophisticated Investors.

The offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates as a Sophisticated Investor may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Certificates are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Singapore

This 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 Securities and Futures Act). Accordingly, each Manager has represented and agreed that it has not offered or sold and 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 Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Qatar (excluding the Qatar Financial Centre)

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Certificates in Qatar, except (a) in compliance with all applicable laws and regulations 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 Qatar.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Each Manager has acknowledged, that the information contained in this Prospectus does not constitute a public offer of securities in the United Arab Emirates 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 Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

Each Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) deemed to be an ''Exempt Offer'' in accordance with the Offered Securities Rules 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.

General

Each Manager has agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Certificates or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Delegate and any of the Managers shall have any responsibility therefor.

None of the Issuer, QIB, the Delegate and any of the Managers represents that the Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of the Certificates.

GENERAL INFORMATION

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Issuer dated 4 October 2010. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents to which it is a party. The entry into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of QIB on 22 September 2010.

Listing

Application has been made to the UK Listing Authority for the Certificates to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Certificates is expected to be granted on or before 8 October 2010.

Documents Available

For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the offices of the Issuer and the Paying Agent in London:

(a) the Transaction Documents;

(b) the Memorandum and Articles of Association of the Issuer;

(c) the Memorandum and Articles of Association of QIB;

(d) the consolidated audited financial statements of QIB in respect of the financial years ended 31 December 2009 and 31 December 2008 and the interim condensed consolidated financial statements for the six month period ending 30 June 2010, in each case together with any audit reports prepared in connection therewith;

(e) the most recently published audited annual consolidated financial statements of QIB and the most recently published audited interim consolidated financial statements of QIB, in each case together with any audit reports prepared in connection therewith; and

(f) the Prospectus.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Certificates is XS0545395765. The Common Code for the Certificates is 054539576.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brusssels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the prospects of the Issuer, in each case, since the date of its incorporation.

There has been no significant change in the financial or trading position of QIB and its subsidiaries, taken as a whole since 30 June 2010 and there has been no material adverse change in the financial position or prospects of QIB and its subsidiaries, taken as a whole since 31 December 2009.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

QIB is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of QIB.

Auditors

The first financial period of the Issuer will end on 31 December 2010. The Issuer has no subsidiaries. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The auditors of QIB are PricewaterhouseCoopers LLP, independent chartered accountants, who have audited QIB's accounts, without qualification, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, for each of the two financial years ended on 31 December 2009 and 31 December 2008. The auditors have no material interest in QIB.

Expenses

The expenses relating to the admission to trading of the Certificates on the London Stock Exchange's regulated market are expected to amount to £4,200.

Shari'a Advisory Board

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the each of the HSBC Amanah Central Shari'a Committee and the QInvest Sharia'a Supervisory Board. 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.

Managers transacting with QIB

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, QIB and its affiliates in the ordinary course of business.

FINANCIAL INFORMATION

The financial information included in this 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.)
Doho - Qatar

Interim Condensed Consolidated Financial Statements
30 June 2010

Qatar Islamic Bank (S.A.Q.)
Interim condensed consolidated financial statements
30 June 2010

Auditors' review report to the Board of Directors of
Qatar Islamic Bank (S.A.Q)

We have reviewed the accompanying interim condensed consolidated balance sheet of Qatar Islamic Bank (S.A.Q) ('the Bank") and it's subsidiaries ("the Group") as of 30 June 2010 and the related interim condensed consolidated statements of income, changes in shareholder's equity and cash flows for the six-month period then ended, and the summary of significant accounting policies and other explanatory notes 1 to 12. Management are responsible for the fair preparation and presentation of these Interim Condensed Consolidated Financial Information in accordance with Financial Accounting Standards of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and Qatar Central Bank regulations, and also responsible for the Bank's undertaking to operate in accordance with Islamic Shari'a rules and principles. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with International Standards on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared in all material respects, in accordance with note 2 of the interim condensed consolidated financial information.

Ahmed El-Badawi
of PricewaterhouseCoopers
Auditor's Registration No.249
14 July 2010

Qatar Islamic Bank (S.A.Q.)
Interim condensed consolidated balance sheet
As at 30 June 2010

(Amounts expressed in thousands of Qatari Riyal unless otherwise stated)

	Note	30 June 2010 (Reviewed)	31 December 2009 (Audited)	30 June 2009 (Reviewed)
Assets				
Cash and balances with Qatar central bank		1,413,228	1,338,216	2,497,266
Due from and investments with banks and financial institutions		7,352,790	8,902,623	8,183,153
Due from financing activities	4	28,632,958	22,663,482	19,710,768
Financial investments	5	4,786,860	3,436,043	3,049,450
Other investments		1,175,754	1,203,429	1,204,999
Fixed assets		289,052	299,079	274,452
Other assets		1,582,686	1,429,828	764,721
Total assets		**45,233,328**	**39,272,700**	**35,684,809**
Liabilities, unrestricted investment accounts, minority interest and shareholders' equity				
Liabilities				
Due to banks and financial institutions		10,031,380	8,690,985	6,740,618
Customers' accounts		8,061,231	6,718,703	5,828,749
Other liabilities		1,209,725	1,021,907	1,017,068
Total liabilities		**19,302,336**	**16,431,595**	**13,586,435**
Unrestricted investment accounts	6	**17,322,348**	**13,642,280**	**14,373,382**
Minority interest		**194,589**	**193,722**	**201,373**
Shareholders' equity				
Share capital	7	2,166,022	2,067,566	2,067,566
Advance for capital increase		-	956,003	-
Legal reserve	7	4,654,922	3,797,375	3,790,457
General reserve		666,571	666,571	519,514
Risk reserve		428,500	428,500	358,856
Fair value reserve		(50,826)	(44,827)	(61,332)
Translation reserve		(52,696)	(47,551)	(47,739)
Proposed cash dividend		-	1,181,466	-
Retained earnings		601,562	-	896,297
Total shareholders' equity		**8,414,055**	**9,005,103**	**7,523,619**
Total liabilities, unrestricted investment accounts, minority interest and shareholders' equity		**45,233,328**	**39,272,700**	**35,684,809**

The financial statements were approved by the Board of Directors on 14th of July 2010, and signed on their behalf by:

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman

Mr. Salah Mohammed Jaidah
Chief Executive Officer

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements

Qatar Islamic Bank (S.A.Q.)
Interim condensed consolidated statement of income
For the six months period ended 30 June 2010

(Amounts expressed in thousands of Qatari Riyal unless otherwise stated)

	Note	Three months period ended 30 June 2010 (Reviewed)	Three months period ended 30 June 2009 (Reviewed)	Six months period ended 30 June 2010 (Reviewed)	Six months period ended 30 June 2009 (Reviewed)
Income					
Income from financing activities, net		485,404	418,359	906,409	845,174
Income from investing activities, net		37,706	164,204	47,849	235,137
Total income from financing and investing activities, net		523,110	582,563	954,258	1,080,311
Commission and fees income	8	102,734	64,101	186,322	108,278
Commission and fees expenses		(5,653)	(4,470)	(10,531)	(8,123)
Net income from commission and fees		97,081	59,631	175,791	100,155
Foreign exchange gain		7,505	30,238	13,390	34,768
Other operating income		-	2,778	-	8,884
Net operating income		**627,696**	**675,210**	**1,143,439**	**1,224,118**
Expenses and provisions					
General and administrative expenses		(101,738)	(95,882)	(191,399)	(200,278)
Depreciation		(10,803)	(8,455)	(20,524)	(16,224)
Provision for doubtful financing activities (net)		(71,809)	17,498	(71,809)	-
Provision for impairment of financial investments		-	-	(17,008)	-
Provision for impairment of other investment		-	(17,009)	-	(17,009)
Net profit for the period		**443,346**	**571,362**	**842,699**	**990,607**
Less:					
Unrestricted investment account holders' share of profit		(137,341)	(124,773)	(236,355)	(198,589)
Minority interest		(4,546)	15,829	(4,782)	20,627
Net profit for the period attributable to shareholders		**301,459**	**462,418**	**601,562**	**812,645**
Earnings per share					
Basic and diluted earnings per		1.39	2.24	2.82	3.98

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements

Qatar Islamic Bank (S.A.Q.)
Interim condensed consolidated statement of changes in shareholders' equity
For the six months period ended 30 June 2010

(Amounts expressed in thousands of Qatari Riyals unless otherwise stated)

	Share Capital	**Advance received for capital increase**	**Legal reserve**	**General reserve**	**Risk reserve**	**Fair value reserve**	**Translation reserve**	**Proposed cash dividend**	**Retained earnings**	**Total**
<u>Six months period ended 30 June 2010</u>										
Balance as of 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 7)	98,456	(956,003)	857,547	-	-	-	-	-	-	-
Cash dividend for the year 2009	-	-	-	-	-	-	-	(1,181,466)	-	(1,181,466)
Net profit for the period	-	-	-	-	-	-	-	-	601,562	601,562
Fair value reserve, net	-	-	-	-	-	(5,999)	-	-	-	(5,999)
Translation reserve	-	-	-	-	-	-	(5,145)	-	-	(5,145)
Balance as of 30 June 2010 (Reviewed)	2,166,022	-	4,654,922	666,571	428,500	(50,826)	(52,696)	-	601,562	8,414,055
<u>Six months period ended 30 June 2009</u>										
Balance as of 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 to carrying value of associate	-	-	-	(28,138)	-	-	-	-	-	(28,138)
Shares issued to QIA (Note 7)	98,456	-	857,547	-	-	-	-	-	-	956,003
Cash dividend for the year 2008	-	-	-	-	-	-	-	(1,378,377)	-	(1,378,377)
Net profit for the period	-	-	-	-	-	-	-	-	812,645	812,645
Fair value reserve, net	-	-	-	-	-	14,677	-	-	-	14,677
Translation reserve	-	-	-	-	-	-	3,917	-	-	3,917
Balance as of 30 June 2009 (Reviewed)	2,067,566	-	3,790,457	519,514	358,856	(61,332)	(47,739)	-	896,297	7,523,619

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

Qatar Islamic Bank (S.A.Q.)

Interim condensed consolidated statement of cash flows
For the six month period ended 30 June 2010

(Amounts expressed in thousands of Qatari Riyals unless otherwise stated)

	Six months period ended 30 June 2010 (Reviewed)	Year ended 31 December 2009 (Audited)	Six months period ended 30 June 2009 (Reviewed)
Cash flows from operating activities:			
Net cash used in operating activities	(2,223,465)	(623,988)	(669,716)
Cash flows from investing activities:			
Purchase of financial investments	(1,489,128)	(250,510)	(121,354)
Additional investment in associate company	(30,945)	(700,020)	(381,147)
Proceeds from sale of financial investments	92,732	1,422,223	1,408,778
Purchase of other investments	-	(142,309)	(126,767)
Proceeds from sale of other investments	27,685	613,463	613,464
Proceeds from sale of associate company	-	781,888	781,888
Dividend received from associate company	53,220	15,000	15,000
Purchase of fixed assets	(10,969)	(74,357)	(30,338)
Proceeds from sale of fixed assets	-	203	134
Net cash (used in) / resulted from investing Activities	**(1,357,405)**	**1,665,581**	**2,159,658**
Cash flows from financing activities:			
Proceeds from issuance of share capital	-	956,003	956,003
Advance for capital increase	-	956,003	–
Increase in unrestricted investment accounts	3,443,714	1,637,316	2,878,786
Dividend distributed	(1,181,466)	(1,378,377)	(1,378,377)
Net cash resulted from financing activities	**2,262,248**	**2,170,945**	**2,456,412**
Net (decrease) / increase in cash and cash equivalents	(1,318,622)	3,212,538	3,946,354
Cash and cash equivalents - beginning of the period	8,913,484	5,700,946	5,700,946
Cash and cash equivalents - end of the period (Note 9)	**7,594,862**	**8,913,484**	**9,647,300**

1. Legal status and principal activities:

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements

(Amounts expressed in thousands of Qatari Riyals unless otherwise stated)

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 in accordance with the provisions of the Islamic Sharia. In addition to its main office, the Bank operates through its sixteen branches in the State of Qatar. The Bank's shares are quoted in Doha Securities Market.

The Bank carries out all banking services, investment and financing activities through various Islamic modes of financing such as Murabaha, Mudaraba, Musharaka, Musawama, Istisna etc. It also carries out investment activities for its own account and on behalf of its customers. The activities of the Bank are conducted in accordance with the Islamic Sharia principles, as determined by the Sharia committee of the Bank and in accordance with the provisions of its Memorandum and Articles of Association.

2. Significant accounting policies:

The accompanying interim condensed consolidated financial information of QIB and its subsidiaries (the "Group") have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), International Financial Reporting Standards (IFRS); where AAOIFI guidance is not available, related regulations of Qatar Central Bank and applicable provisions of the Qatar Commercial Company's Law. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2009.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with AAOIFI. In addition, results for the six month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

The Bank's principal subsidiaries and its percentage of equity 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	QR 300,000	49%
European Finance House	U K	Investment banking	GBP 25,000	60%

(Amounts expressed in thousands of Qatari Riyals unless otherwise stated)

3. Segment results:

	Local		International		Total	
	Six months ended 30 June 2010 (Reviewed)	**Six months ended 30 June 2009 (Reviewed)**	**Six months ended 30 June 2010 (Reviewed)**	**Six months ended 30 June 2009 (Reviewed)**	**Six months ended 30 June 2010 (Reviewed)**	**Six months ended 30 June 2009 (Reviewed)**
Income from financing and investing activities	834,129	744,830	120,129	335,481	954,258	1,080,311
Other income	176,966	134,967	12,215	8,840	189,181	143,807
Provisions and expenses					(300,740)	(233,511)
Depositors' share of profit					(236,355)	(198,589)
Profit for the period before minority interest					606,344	792,018
Minority interest					(4,782)	20,627
Profit for the period					**601,562**	**812,645**

4. Due from financing activities:

	30 June 2010 (Reviewed)	**31 December 2009 (Audited)**	**30 June 2009 (Reviewed)**
Financing activities receivables	33,222,108	25,734,305	22,111,372
Unearned profit	(4,235,315)	(2,806,578)	(2,161,625)
Provision for doubtful financing	(319,718)	(248,232)	(217,956)
Suspended profit	(34,117)	(16,013)	(21,023)
Net	**28,632,958**	**22,663,482**	**19,710,768**

(Amounts expressed in thousands of Qatari Riyals unless otherwise stated)

5. Financial investment:

	30 June 2010 (Reviewed)	31 December 2009 (Audited)	30 June 2009 (Reviewed)
a) Financial assets available for sale:			
Quoted	839,871	897,533	785,249
Unquoted	2,363,830	921,116	925,469
	3,203,701	1,818,649	1,710,718
b) Investments in associates	1,583,159	1,617,394	1,338,732
Total	**4,786,860**	**3,436,043**	**3,049,450**

6. Unrestricted investment accounts:

	30 June 2010 (Reviewed)	31 December 2009 (Audited)	30 June 2009 (Reviewed)
Term	10,555,035	8,403,855	9,724,769
Saving accounts	4,017,934	3,149,319	2,997,012
Repayable on demand	2,676,225	1,964,266	1,548,660
	17,249,194	**13,517,440**	**14,270,441**
Share of unrestricted investment accounts in profit	84,690	145,281	114,706
Unrestricted investment account share of fair value reserve	(11,536)	(20,441)	(11,765)
Total	**17,322,348**	**13,642,280**	**14,373,382**

7. Increase in share capital:

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

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 and the share premium to the legal reserve were executed.

(Amounts expressed in thousands of Qatari Riyals unless otherwise stated)

8. Commission and fees income:

	Six months period ended 30 June 2010 (Reviewed)	Six months period ended 30 June 2009 (Reviewed)
Letters of credit and guarantee	18,028	16,187
Banking operations	17,693	12,336
Management fee	126,911	49,510
Others	23,690	30,245
Total	**186,322**	**108,278**

9. Cash and cash equivalents:

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

	30 June 2010 (Reviewed)	31 December 2009 (Audited)	30 June 2009 (Reviewed)
Cash and current account with Qatar Central Bank	277,775	313,233	1,536,965
Due from and investments with banks and financial institutions	7,317,087	8,600,251	8,110,335
Total	**7,594,862**	**8,913,484**	**9,647,300**

10. Contingent liabilities and commitments:

a) Contingent liabilities:

	30 June 2010 (Reviewed)	31 December 2009 (Audited)	30 June 2009 (Reviewed)
Letters of Guarantees	2,588,717	6,055,571	3,249,070
Unused facilities	2,014,563	1,817,558	415,048
Istisna commitment	1,603,356	1,673,368	2,318,658
Letters of credit and acceptances	588,899	416,758	393,412
Total	**6,795,535**	**9,963,255**	**6,376,188**

(Amounts expressed in thousands of Qatari Riyals unless otherwise stated)

b) Commitments and Others:

	30 June 2010 (Reviewed)	31 December 2009 (Audited)	30 June 2009 (Reviewed)
Investment portfolios (Note 11)	4,441	4,441	4,441
Restricted investment balances	178,360	178,360	251,371
Total	**182,801**	**182,801**	**255,812**

11. Investment portfolios:

The Group manages the following investment portfolios, which are invested on behalf of customers:

	30 June 2010 (Reviewed)	31 December 2009 (Audited)	30 June 2009 (Reviewed)
Solidarity Fund	4,441	4,441	4,441
Total	**4,441**	**4,441**	**4,441**

12. 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. At the balance sheet date, such significant balances included:

Transactions with related parties

	30 June 2010 (Reviewed)		31 December 2009 (Audited)	
	Directors	Subsidiaries and Affiliates	Directors	Subsidiaries and Affiliates
Balance sheet items				
On Balance sheet items				
Financing	375,243	1,511,512	578,240	1,485,500
Deposits	448,441	308,399	399,458	422,797
Mudaraba investment in property funds	-	31,045	-	40,962
Off Balance sheet items				
Contingent liabilities, guarantees and other commitments	62,606	178,360	58,773	178,360

(Amounts expressed in thousands of Qatari Riyals unless otherwise stated)

12. Related party transactions (Continue):

	30 June 2010 (Reviewed)		30 June 2009 (Reviewed)	
	Directors	**Subsidiaries and Affiliates**	**Directors**	**Subsidiaries and Affiliates**
Financing income	10,331	65,152	32,191	38,929
Profit paid on deposits	6,011	7,942	704	7,112

All the transactions with related parties are substantially on terms comparable with those relating to transactions with other customers.

	For six months ended as 30 June 2010 (Reviewed)	2009 (Reviewed)
Key management remuneration including other benefits	5,325	5,323

QATAR ISLAMIC BANK (S.A.Q)

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009

QATAR ISLAMIC BANK (S.A.Q)
31 DECEMBER 2009

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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 2009 and the related consolidated statements of income, changes in shareholders equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes 1 to 34. Management is responsible for the preparation and presentation of these consolidated financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial institutions, and the instructions issued by the Qatar Central Bank. Also managements is responsible for undertaking to operate in accordance with Islamic Shari'a rules and principles as determined by the Shari'a board of the group. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2009, and the results of its operations and its cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial institutions, and the instructions issued by the Qatar Central Bank, and the Islamic Shari'a rules and principles as determined by the Shari'a board of the Group.

Further, we confirm that the financial information included in the Directors' report is consistent with the books of account of the bank. We report that we have obtained all the information we considered necessary for the purpose of our audit; and that nothing has come to our attention which causes us to believe that the bank has breached any of the applicable provisions of 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 2009.

Ahmed Badawi
of PricewaterhouseCoopers
Auditor's Registration No.249
_4_ February 2010

Qatar Islamic Bank (S.A.Q)

Consolidated balance sheet
As at 31 December 2009

(Amounts expressed in thousands of Qatari Riyals)

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

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

Jassim Bin Hamad Bin Jassim
Bin Jabor Al Thani
Chairman

Salah Mohammed Jaidah
Chief Executive Officer

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

Qatar Islamic Bank (S.A.Q)

Consolidated statement of income
For the year ended 31 December 2009

(Amounts expressed in thousands of Qatari Riyals)

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

The notes from 1 to 34 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 2009

(Amounts expressed in thousands of Qatari Riyals)

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

The notes from 1 to 34 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 2009

(Amounts expressed in thousands of Qatari Riyals)

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

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

Qatar Islamic Bank (S.A.Q)

Consolidated statement of cash flows
For the year ended 31 December 2009

(Amounts expressed in thousands of Qatari Riyals)

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

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

1. Legal status and principal activities

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

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

2. Significant accounting policies

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

a) Basis of preparation

The consolidated financial statements of the Bank and its subsidiaries (together "the Group") are prepared under the historical cost convention as modified for measurement at fair value of financial investments, in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), and International Financial Reporting Standards ("IFRS"); where 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.

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%
European Finance House	United Kingdom	Investment banking	179,341	60%

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (note 8b).

The Group's share of its associates post-acquisition profits or losses is recognised in the statement of income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

b) Foreign currencies and transactions

Functional and presentation currency

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

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

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

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

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

2. Significant accounting policies (continued)

e) Fair value

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

f) Date of recognition of financial transactions

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

g) Investments in properties and other assets

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

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

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

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

h) Due from financing activities

Financing activities such as Murabaha, Mudaraba, Musharaka, Musawama, and Istisna contracts are presented at their gross principal amounts less any amounts received in respect of such contracts, provision for impairment, suspended profit and unearned profit. The provision for impairment of due from financing activities estimated by management through a detailed review in accordance with Qatar Central Bank's instructions.

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

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

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 equipment	3
Office equipment, furniture, fixture and leasehold improvement	5-7
Motor vehicles	5

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

l) Impairment of other assets

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

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 23.

o) Other provisions

Provisions for legal claims are recognised when the Group has legal claims or obligations as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The Group accounts for provisions to be charged to the consolidated statement of income for any potential claim or for any expected impairment of assets, taking into consideration the value of the potential claim or expected impairment and its likelihood.

p) Financial guarantee contracts

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

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

2. Significant accounting policies (continued)

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

q) Off-balance sheet items

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

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

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

r) Profit distribution between shareholders and unrestricted investment accounts holders

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

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

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

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

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

s) Cash and cash equivalent

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

3. Financial instruments and related risk management

a) Financial instruments - definition and classification

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

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

b) Fair value of financial instruments

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

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

Exposure to credit risk

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

Aging analysis of past due but not impaired

2009	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**Total 2009**
Due from financing activities	28,828	186,998	115,926	**331,752**

2008	**Less than 30 days**	**31 to 60 days**	**61 to 90 Days**	**Total 2008**
Due from financing activities	83,427	17,687	10,900	**112,014**

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

Allowances for impairment

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

Write-off policy

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

Collaterals

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

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

b) Liquidity risk

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

Management of liquidity risk

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

Exposure to liquidity risk

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

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

At 31 December 2009	**Up to 1 month**	**1-3 months**	**3-12 months**	**1 to 5 years**	**Above 5 years**	**Total**
Assets						
Cash and balances with central bank	313,233	-	-	-	1,024,983	1,338,216
Due from and investments with banks and financial institutions	7,462,983	1,137,268	120,372	182,000	-	8,902,623
Due from financing activities	3,335,932	1,057,242	4,860,047	13,410,261	-	22,663,482
Financial investments	17,654	-	20,662	2,711,190	686,537	3,436,043
Other investments	-	-	-	1,203,429	-	1,203,429
Fixed assets	-	-	-	-	299,079	299,079
Other assets	-	-	-	1,429,828	-	1,429,828
Total assets	**11,129,802**	**2,194,510**	**5,001,081**	**18,936,708**	**2,010,599**	**39,272,700**
Liabilities and unrestricted investment accounts						
Due to banks and financial institutions	6,654,290	1,492,714	543,981	-	-	8,690,985
Customers' accounts	6,718,703	-	-	-	-	6,718,703
Other liabilities	150,369	48,391	222,447	600,700	-	1,021,907
	13,523,362	**1,541,105**	**766,428**	**600,700**	**-**	**16,431,595**
Unrestricted investment accounts	4,937,182	3,256,269	4,962,764	486,065	-	13,642,280
Total liabilities and unrestricted investment accounts	**18,460,544**	**4,797,374**	**5,729,192**	**1,086,765**	**-**	**30,073,875**
Contingent Liabilities	**-**	**-**	**9,963,255**	**-**	**-**	**9,963,255**
Difference	**(7,330,742)**	**(2,602,864)**	**(10,691,366)**	**17,849,943**	**2,010,599**	**(764,430)**

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

At 31 December 2008	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and balances with central bank	234,231	-	-	-	788,950	1,023,181
Due from and investments with banks and financial institutions	5,165,352	301,363	598,186	302,820	-	6,367,721
Due from financing activities	1,353,358	880,655	4,368,167	12,263,715	-	18,865,895
Financial investments	-	282,309	-	3,543,821	771,460	4,597,590
Other investments	-	-	-	1,691,696	-	1,691,696
Net Fixed assets	-	-	-	-	260,347	260,347
Other assets	-	-	-	736,728	-	736,728
Total assets	**6,752,941**	**1,464,327**	**4,966,353**	**18,538,780**	**1,820,757**	**33,543,158**
Liabilities and unrestricted investment accounts						
Due to banks and financial institutions	6,647,709	1,264,932	642,076	141,999	-	8,696,716
Customers' accounts	3,686,223	-	1,027,562	383,466	-	5,097,251
Other liabilities	-	-	-	885,792	-	885,792
	10,333,932	**1,264,932**	**1,669,638**	**1,411,257**	**-**	**14,679,759**
Unrestricted investments accounts	5,112,025	1,811,676	4,047,799	484,832	38,265	11,494,597
Total liabilities and unrestricted investment accounts	**15,445,957**	**3,076,608**	**5,717,437**	**1,896,089**	**38,265**	**26,174,356**
Contingent Liabilities	**-**	**-**	**5,687,830**	**-**	**-**	**5,687,830**
Difference	**(8,693,016)**	**(1,612,281)**	**(6,438,914)**	**16,642,691**	**1,782,492**	**1,680,972**

c) Market risk for financial investments

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

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

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

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

Profit rate risk

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

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

d) Foreign currency risk

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

At 31 December 2009	QAR	USD	EUR	GBP	Others	Total
Assets	32,141,244	6,830,703	(163,013)	298,086	165,680	39,272,700
Liabilities, minority interest and shareholders' equity	(34,075,362)	(4,894,917)	(176,391)	(123,446)	(2,584)	(39,272,700)
Net balance sheet position	**(1,934,118)**	**1,935,786**	**(339,404)**	**174,640**	**163,096**	**-**

At 31 December 2008	QAR	USD	EUR	GBP	Others	Total
Assets	19,698,810	9,928,874	2,793,015	966,179	156,280	33,543,158
Liabilities, minority interest and shareholders' equity	(22,761,855)	(7,008,531)	(2,791,791)	(961,252)	(19,729)	(33,543,158)
Net balance sheet position	**(3,063,045)**	**2,920,343**	**1,224**	**4,927**	**136,551**	**-**

The exchange rate of QAR against US Dollar has been pegged and the Group's exposure to currency risk is limited to that extent. The Group uses Shari'a compliant forward contracts and foreign exchange swaps to mitigate the other currency risks, specifically for EURO.

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

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

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

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

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

f) Capital adequacy

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

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

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

g) Risk of managing third party investments

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Financial instruments and related risk management (continued)

h) Operational and other risks

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

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

i) Fair value of financial assets and liabilities

All financial assets and liabilities are measured at amortised cost except for financial investments which are measured at fair value by reference to published price quotations in an active market or 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.

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on due from financing activities

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

(b) Impairment of financial investments

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

5. Cash and balances with central bank

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

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

(Amounts expressed in thousands of Qatari Riyals)

6. Due from and investments with banks and financial institutions

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

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

7. Due from financing activities

a) By type:

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

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

(Amounts expressed in thousands of Qatari Riyals)

7. Due from financing activities (continued)

b) By industry:

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

c) By Customer:

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

(Amounts expressed in thousands of Qatari Riyals)

7. Due from financing activities (continued)

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

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

e) Provisions distribution by nature of the customer:

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

8. Financial investments

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

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

a) Financial investments available-for-sale

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

Movement in provision for revaluation losses

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

b) Investments in associates

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

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

The investments in associates are being distributed as follows:

By the investment value:

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

By the financial position

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

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

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

Business combination – Associates

Q-Invest

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

Goodwill
In compliance with the applicable accounting standards, the Bank has carried out one time "purchase price allocation (PPA)" exercise of the value paid for the acquisition of 10% shares of its associate – Q-Invest LLC. PPA identifies the value paid for the tangible assets, intangible assets and the goodwill arising on the acquisition. The intangibles identified on acquisition of 10% shares in Q-Invest LLC are not material.

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

Shard Fund Limited

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

Al Daman Islamic Insurance Co.

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

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

	Q Invest	Bawabat Al-Shamal	Shard Funding Ltd	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**	-	-	-

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

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

9. Other investments

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

9. Other investments (continued)

b) Investments in property and other assets held for trading

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

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

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

(Amounts expressed in thousands of Qatari Riyals)

11. Other assets

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

12. Due to banks and financial institutions

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

13. Customers' Accounts

a) Current Accounts

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

(Amounts expressed in thousands of Qatari Riyals)

14. Other liabilities

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

15. Provision for employees' end of service benefits

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

16.Unrestricted investment accounts

a) By type:	2009	2008
Term deposits	8,403,855	6,479,164
Saving accounts	3,149,319	2,677,566
Call accounts	1,964,266	2,193,142
	13,517,440	**11,349,872**
Share of unrestricted investment accounts in profit	145,281	121,636
Unrestricted investment account share of fair value reserve	(20,441)	(49,133)
Unrestricted investment account share of risk reserve	-	72,222
	13,642,280	**11,494,597**

b) By sector:		
Individuals	7,743,783	5,968,542
Corporations	5,633,904	4,164,140
Government	139,753	1,208,588
Government and semi government organizations	-	8,602
	13,517,440	**11,349,872**
Share of unrestricted investment accounts in profit	145,281	121,636
Unrestricted investment accounts share of fair value reserve	(20,441)	(49,133)
Unrestricted investment account share of risk reserve	-	72,222
	13,642,280	**11,494,597**

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

(Amounts expressed in thousands of Qatari Riyals)

17. Minority interest

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

18. Shareholders' equity

a) Share capital

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

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

b) Advance for capital increase

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

c) Legal reserve

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

d) General reserve

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

(Amounts expressed in thousands of Qatari Riyals)

18 Shareholders' equity (continued)

e) Risk reserve

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

f) Fair value reserve

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

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

f) Proposed dividend and bonus shares

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

19 Income from financing activities

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

(Amounts expressed in thousands of Qatari Riyals)

20 Profit from investing activities

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

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

21 Commission and fees income

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

(Amounts expressed in thousands of Qatari Riyals)

22 Gains/(losses) from foreign exchange operations

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

23 General and administrative expenses

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

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

24 Unrestricted investment account holder's share of profit

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

24. Unrestricted investment account holder's share of profit (continued)

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

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

25 Basic and diluted earnings per share

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

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

(Amounts expressed in thousands of Qatari Riyals)

26 Contingent liabilities and commitments

a) Contingent liabilities

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

b) Commitments

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

a) Contingent liabilities

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

b) Commitments

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

(Amounts expressed in thousands of Qatari Riyals)

27 Geographical distribution of assets and liabilities

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

At 31 December 2009

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

(Amounts expressed in thousands of Qatari Riyals)

27. Geographical distribution of assets and liabilities (continued)

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

At 31 December 2008

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

(Amounts expressed in thousands of Qatari Riyals)

28. Investment portfolios

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

	2009	2008
Solidarity Fund	4,441	4,441

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

29. Restricted investment balances

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

30. Related party transactions

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

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

	2009	2008
Key management remuneration during the year includes salaries and other benefits	22,644	28,310

(Amounts expressed in thousands of Qatari Riyals)

31. Cash and cash equivalents

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

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

32. Parent company

Balance sheet:

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

(Amounts expressed in thousands of Qatari Riyals)

32. Parent company (continued)

Statement of income

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

(Amounts expressed in thousands of Qatari Riyals)

32. Parent company (continued)

Statement of cash flows:

Cash flows from operating activities	**2009**	**2008**
Net profit for the year before share of profit for unrestricted investment account holders	1,859,924	1,975,610
Adjustments for:		
Depreciation on fixed assets	31,925	16,026
Provision for impairment of due from financing activities	25,799	(47,750)
Provision for impairment of financial investments	82,572	(4,524)
Provision for impairment of other investments	-	65,011
Revaluation gain for other investments	-	12,240
Share of profit from associate	(147,057)	(239,558)
Foreign exchange fluctuations gains	(6,512)	20,915
Gain on sale of fixed assets	(88)	-
Gain on sale of financial investments	-	(178,313)
Income from revaluation on investment property at faire value	-	(198,129)
Gain on sale of other investments	-	(119,769)
Net operating profit before changes in operating assets and liabilities	**1,846,563**	**1,301,759**
Net decrease / (increase) in assets:		
Balances with banks and financial institutions	598,635	(704,593)
Reserve with Qatar Central Bank	(236,033)	(417,106)
Due from financing activities	(3,762,418)	(7,229,545)
Other assets	(759,163)	(84,487)
Net increase / (decrease) in liabilities:		
Due to banks and financial institutions	(38,623)	4,923,684
Customer accounts	1,620,867	710,591
Other liabilities	101,091	300,174
Net cash flows used in operating activities	**(629,081)**	**(1,199,523)**
Cash flow from investing activities:		
Purchase of financial investments	(304,410)	(2,255,405)
Additional investment in associate company	(628,904)	(535,000)
Proceeds from sale of financial investments	1,414,466	1,373,860
Dividends received from subsidiary companies	62,255	-
Proceeds from sale of associate company	781,888	-
Dividends received from associate companies	15,000	-
Purchase of other investments	(115,784)	(401,753)
Proceeds from sale of other investments	613,464	380,341
Purchase of fixed assets	(72,178)	(164,901)
Proceeds from sale of fixed assets	203	-
Net cash flows generated from / (used in) investing activities	**1,766,000**	**(1,602,858)**
Cash flows from financing activities		
Increase in share capital	956,003	1,253,070
Advance paid against increase in share capital	956,003	-
Increase in unrestricted investment accounts	1,612,123	3,282,495
Dividend distributed	(1,378,377)	(238,680)
Net cash flows generated from financing activities	**2,145,752**	**4,296,885**
Net increase in cash and cash equivalents	3,282,671	1,494,504
Cash and cash equivalents - Beginning of the year	5,545,372	4,050,868
Cash and cash equivalents – Ending of the year	**8,828,043**	**5,545,372**

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

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

34. Comparative figures

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

QATAR ISLAMIC BANK (S.A.Q.)

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2008

QATAR ISLAMIC BANK (S.A.Q)
31 DECEMBER 2008

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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 2008 and the related consolidated statements of income, consolidated statement of changes in shareholders' equity and consolidated cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes 1 to 35. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the Group's directors and management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the International Standards of Auditing and Auditing Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 present fairly, in all material respects, the financial position of the Group as at 31 December 2008, and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, and the Shari'a rules and principles as determined by the Shari'a board of the Group, and the instructions issued by the Qatar Central Bank for Islamic banks operating in Qatar.

Further, we confirm that the financial information included in the annual report of the Bank's Board of Directors 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 2008.

Ahmed Badawi
of PricewaterhouseCoopers
Auditor's Registration No.249
8 February 2009

Qatar Islamic Bank (S.A.Q.)

Consolidated balance sheet
As at 31 December 2008

(Amounts expressed in thousands of Qatari Riyals)

	Note	2008	2007
Assets			
Cash and balances with central bank	**5**	1,023,181	1,256,826
Due from and investments with banks and financial institutions	**6**	6,367,721	3,364,522
Due from financing activities	**7**	18,865,895	11,679,082
Financial investments available for sale	**8(a)**	2,947,154	2,116,803
Investments in associates	**8(b)**	1,650,436	862,887
Other investments	**9**	1,334,972	1,222,315
Fixed assets	**10**	260,347	101,757
Other assets	**11**	1,093,452	731,576
Total assets		**33,543,158**	**21,335,768**
Liabilities, unrestricted investment accounts, Minority interest and shareholders' equity			
Liabilities			
Due to banks and financial institutions	**12**	8,696,716	3,604,378
Customers' accounts	**13**	5,097,251	4,384,352
Other liabilities	**14**	885,792	783,428
Total liabilities		**14,679,759**	**8,772,158**
Unrestricted investment accounts	**16**	**11,494,597**	**7,816,480**
Minority interest	**17**	**225,910**	**118,168**
Shareholders' equity			
Share capital	**18**	1,969,110	1,193,400
Legal reserve	**18**	2,932,910	1,858,850
General reserve	**18**	547,652	109,964
Risk reserve	**18**	358,856	92,246
Fair value reserve	**18**	(76,009)	15,573
Translation reserve	**18**	(51,656)	-
Proposed bonus shares		-	596,700
Proposed cash dividend	**18**	1,378,377	238,680
Social contribution reserve		41,064	-
Retained earnings	**18**	42,588	523,549
Total shareholders' equity		**7,142,892**	**4,628,962**
Total liabilities, unrestricted investment accounts, Minority interest and shareholders' equity		**33,543,158**	**21,335,768**

These financial statements were approved by the Board of Directors on 18 January 2009 and were signed on their behalf by:

Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman

Salah Mohammed Jaidah
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 2008

(Amounts expressed in thousands of Qatari Riyals)

	Note	2008	2007
Income			
Income from financing activities	**19**	1,328,065	839,109
Net income from investing activities	**20**	1,071,355	741,093
Total income from financing and investing activities		2,399,420	1,580,202
Commission and fees Income	**21**	236,132	100,832
Commission and fees expenses	**21**	(12,954)	(13,062)
Net income from commission and fees	**21**	223,178	87,770
Loss / gain from foreign exchange operations, net	**22**	(80,734)	5,030
Other operating income		12,714	21,480
Net operating revenues		**2,554,578**	**1,694,482**
Expenses and provisions			
General and administrative expenses	**23**	(424,349)	(306,424)
Depreciation		(19,590)	(11,341)
Provision for impairment of due from financing activities	**7**	47,750	(1,416)
Provision for impairment of financial investments	**8**	-	(4,000)
Provision for impairment of other investment	**9**	(65,011)	(12,138)
Net operating profit		**2,093,378**	**1,359,163**
Income from dilution of interest in a subsidiary	**24**	**-**	306,354
Net profit for the year		**2,093,378**	**1,665,517**
Less:			
Unrestricted investment account holders' share of profit	**25**	(388,667)	(342,801)
Minority interest of subsidiaries profit	**17**	(62,170)	(67,312)
Net profit for the year attributable to shareholders		**1,642,541**	**1,255,404**
Basic and diluted earnings per share (in Qatari Riyals per share)	**26**	8.49	6.85

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 2008

(Amounts expressed in thousands of Qatari Riyals)

	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserve	Translation reserve	Proposed bonus shares	Proposed cash Dividend	Social Contribution reserve	Retained earnings	Total
2008											
Balance as of 1 January 2008	**1,193,400**	**1,858,850**	**109,964**	**92,246**	**15,573**	-	**596,700**	**238,680**	**-**	**523,549**	**4,628,962**
Bonus shares issued	596,700	-	-	-	-	-	(596,700)	-	-	-	-
Rights issue (Note 18 (b))	179,010	1,074,060	-	-	-	-	-	-	-	-	1,253,070
Proceeds from sale of share fractions of bonus shares	-	-	-	-	-	-	-	-	-	237	237
Cash dividend	-	-	-	-	-	-	-	(238,680)	-	-	(238,680)
Net profit for the period	-	-	198,130	-	-	-	-	-	-	1,444,411	1,642,541
Share of profit from associate (Note 8(b))	-	-	239,558	-	-	-	-	-	-	(239,558)	-
Net movement in risk reserve for 2008	-	-	-	266,610	-	-	-	-	-	(266,610)	-
Fair value reserve, net	-	-	-	-	(91,582)	-	-	-	-	-	(91,582)
Translation reserve	-	-	-	-	-	(51,656)	-	-	-	-	(51,656)
Proposed cash dividends	-	-	-	-	-	-	-	1,378,377	-	(1,378,377)	-
Social contribution reserve	-	-	-	-	-	-	-	-	41,064	(41,064)	-
Balance at 31 December 2008	**1,969,110**	**2,932,910**	**547,652**	**358,856**	**(76,009)**	**(51,656)**	**-**	**1,378,377**	**41,064**	**42,588**	**7,142,892**

Qatar Islamic Bank (S.A.Q.)

Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2008

(Amounts expressed in thousands of Qatari Riyals)

	Share capital	Legal reserve	General Reserve	Risk reserve	Fair value reserve	Proposed bonus shares	Proposed dividend	Retained earnings	Total
2007									
Balance at 1 January 2007	**1,193,400**	**1,870,707**	**90,215**	**51,073**	**52,173**	**-**	**835,380**	**152,590**	**4,245,538**
Cash dividends for 2006	-	-	-	-	-	-	(835,380)	-	(835,380)
Net profit for the year	-	-	-	-	-	-	-	1,255,404	1,255,404
Share of profit from associate (Note 8 (b))	-	-	28,029	-	-	-		(28,029)	-
Net movement in risk reserve for 2007	-	-	-	41,173	-	-	-	(41,173)	-
Fair value reserve, net	-	-	-	-	(36,600)	-	-	-	(36,600)
Sale of Al Jazeera Islamic Co	-	(11,857)	(8,280)	-	-	-	-	20,137	-
Proposed cash dividends	-	-	-	-	-	-	238,680	(238,680)	-
Proposed Bonus Shares	-	-	-	-	-	596,700	-	(596,700)	-
Balance at 31 December 2007	**1,193,400**	**1,858,850**	**109,964**	**92,246**	**15,573**	**596,700**	**238,680**	**523,549**	**4,628,962**

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 2008

(Amounts expressed in thousands of Qatari Riyals)

	2008	2007
Cash flow from operating activities		
Net profit for the year before share of profit for unrestricted investment account holders and minority interest	2,093,378	1,665,517
Adjustments for:		
Depreciation on fixed assets	19,590	11,342
Profit on sale of fixed assets	-	(14)
Provision for financial investments	(4,524)	(1,151)
Provision for impairment of other investments	65,011	12,138
Share of profit from associate	(239,558)	(30,098)
Profit from investment revaluation	13,069	(6,984)
Loss / profit on foreign exchange	20,915	(66,651)
Profit on sale of financial investments	(178,313)	(141,189)
Profit on dilution of interest in subsidiary	-	(306,354)
Income from revaluation on investment property at fair value	(198,129)	-
Profit on sale of other investments	(119,769)	(170,208)
Net operating profit before changes in operating assets and liabilities	**1,471,670**	**966,348**
Net decrease / (increase) in assets:		
Balances with banks and financial institutions	(704,592)	(73,506)
Reserve with Qatar Central Bank	(417,106)	(134,524)
Due from financing activities	(7,186,813)	(4,523,075)
Other assets	(361,639)	(269,272)
Net increase / (decrease) in liabilities:		
Due to banks and financial institutions	5,092,337	2,457,136
Customers accounts	712,899	2,020,633
Other liabilities	157,499	106,996
	(1,235,745)	**550,736**
Payment to unrestricted investment account holders	(365,610)	(297,870)
Net cash from operating activities	**(1,601,355)**	**252,866**
Cash flow from investing activities:		
Purchase of financial investments	(2,166,690)	(1,437,490)
Additional investment in Associate company	(612,517)	(364,000)
Proceeds from sale of financial investments	1,373,860	845,315
Proceeds from dilution of interest in subsidiary	-	390,000
Purchase of other investments	(545,984)	(925,848)
Proceeds from sale of other investments	686,065	852,177
Dividend received from associate company	-	2,000
Purchase of fixed assets	(178,030)	(28,164)
Proceeds from sale of fixed assets	-	23,561
Net cash used in investing activities	**(1,443,296)**	**(642,449)**
Cash flow from financing activities		
Increase in share capital	179,010	-
Increase in legal reserve	1,074,060	-
Increase in unrestricted investment accounts	3,678,117	1,394,431
Dividend distributed	(238,680)	(835,380)
Net cash from financing activities	**4,692,507**	**559,051**
Net increase / (decrease) in cash and cash equivalents	1,647,856	169,468
Cash and cash equivalents - Beginning of the year	4,053,090	3,883,622
Cash and cash equivalents - End of the year (Note 32)	**5,700,946**	**4,053,090**

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 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.

In addition to its main office, the Bank operates through its head office located in Grand Hamad Street, Doha, and 16 branches in the State of Qatar. The Bank's shares are listed on the Doha Securities Market.

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 except as explained in note 2(d).

a) Basis of preparation

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

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)

a) Basis of preparation (continued)

(i) Subsidiaries (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	Properties investment activities	190,000	49%
European Finance House	Jersey	Investment banking	179,341	60%

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

On 28 January 2008, the Bank acquired 60% equity in European Finance House (EFH) for an aggregated cash price of GBP 15 million equivalent to QAR 107.6 million (15 million equity shares of par value GBP 1 each equivalent to QAR 7.17). EFH obtained license to operate as an Islamic Investment Bank from Financial Services Authority, United Kingdom on 29 January 2008.

(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 income statement 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

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.

2. Significant accounting policies (continued)

b) Foreign currencies (continued)

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

Transaction and balances
Changes in the fair value of monetary securities denominated in foreign currency 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 income statement, 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 income statement 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 of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to 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 income statement as part of the gain or loss on sale.

c) Revenue recognition

Revenues on financing transactions are recognized on accrual basis using the reducing installment method. Income on non performing financing accounts is suspended when it is not certain the Group will receive it and in accordance with Qatar Central Bank's instructions.

Income from funds, sukouk, shares and other investments is recognised when the right to receive profit / dividend is established.

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.

d) Valuation of financial investments available for sale

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

2. Significant accounting policies (continued)

d) Valuation of financial investments available for sale (continued)

All investments in equity shares, sukouk and funds are classified as investments available for sale and are measured at fair value on individual basis unless a reliable fair value estimate is not available. Unrealised gains arising from a change in the fair value is recognised in the fair value reserve under shareholders' equity and equity of the unrestricted investment account holders, until it is sold, at which time the cumulative gain previously recognised in shareholders' equity and equity of unrestricted investment accounts is included in the consolidated statement of income. Unrealised losses occurring on specific investments due to changes in fair value are recognised in the consolidated statement of income if they exceed the available fair value reserve for that investment. Future unrealised gains on that investment are recognised in the consolidated statement of income to the extent of unrealised losses previously recognised. Any excess is taken to the fair value reserve. In case where objective evidence exists that investment is impaired for unlisted equity investments, the recoverable amount of that investment is determined and any resulting impairment loss is recognised in the consolidated statement of income as a provision for impairment of investments. Impairment losses recognised in consolidated statement of income on equity instruments are not reversed through the income statement.

Change in accounting policy
In October 2008 the AAOFI has made a revision in treatment of available for sale investments measurements i.e. with effect from July 1, 2008 any unrealised losses resulting from re-measurement at fair value of investments in sukuk and shares available for sale have now been allowed to be presented in equity as "Investment fair value reserve" provided that there is no impairments effects on the investments available for sale, refer note 18 (e)

e) Fair value

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

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 property and other assets

Investment in properties and other assets held for leasing and capital appreciation
Investments in property and assets acquired for leasing are carried at cost, less provision for impairment. Gains or losses on sale of investments are recognised upon sale. Depreciation for investment in property is provided on a straight-line basis over the assets' estimated useful life of 20 years.

Investment held for capital appreciation has been fair valued and the resultant gain or loss from difference between the carrying value and market value has been recognised into the profit and loss account for the year.

Investment in property and other assets held for trading
Investments in property 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.

2. Significant accounting policies (continued)

h) Due from financing activities

Financing activities such as Murabaha, Mudaraba, Musharaka, Musawama, and Istisna contracts are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and unearned profit. The provision for impairment on financing is maintained at a level based on detailed review by the management in accordance with Qatar Central Bank's instructions.

Due from financing activities are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted, any recoveries from previously written off financing activities are written back to the specific provision.

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

i) Properties acquired against settlement of receivables

Properties, if any, acquired against settlement of receivable amounts are included under other assets at their acquisition value net of any required provision for impairment. Unrealised losses due to reduction in fair value of such assets are included in the consolidated statement of income. Future, unrealised gains on these properties are 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 an 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. Gain 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

Fixed assets, except for land, are depreciated on a straight-line basis over their estimated useful lives as follows:

	Years
Buildings	20
Computers and peripherals	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.

2. Significant accounting policies (continued)

l) Impairment and uncollectability of other assets

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

m) 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 period of service at the balance sheet date. The provision for employees is included in staff indemnity within other liabilities.

The Group calculates its share in the pension fund in accordance with the Qatari Pension law. The expense is considered as part of staff cost within general and administrative expenses and is disclosed in Note 23.

n) Other provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation 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 creates provisions charging 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.

o) Financial guarantee contracts

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

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

Any increase in the liability relating to guarantees is taken to the income statement under other operating expense.

p) Off balance sheet items

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

Investment portfolios

Investment portfolios represent funds belonging to the Group's customers for which it 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).

2. Significant accounting policies (continued)

p) Off balance sheet items (continued)

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 mudaraba contract entered into with the depositors. These special investment deposits, which are classified as off balance sheet, share the profits or losses of the related investments once realised and do not, otherwise, share in the profits or losses attributable to unrestricted investment accounts and the shareholders (Note 30).

q) Unrestricted investment accounts' share of profit

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 is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed 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 fee.

In case of any expense or loss, which arise out of misconduct on the part of the Group due to non compliance with Qatar Central Bank's regulations and instructions, then such expenses or loss 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 loss, the unrestricted investment account holders shall not be charged with any share of such loss, 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 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.

r) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents 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. Risk management of financial instruments

a) Definition and classification

Financial instruments cover 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 explain the accounting policies used to recognize and measure the major financial instruments and their related income and expense.

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 disclosed 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 management of 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 above management's discretionary powers and to set market risk limits under which the Group's management operates. Further, Remedial Committee has been set-up to identify, monitor and take corrective action on delinquent credits.

The Risk Management Committee has further set up from within management an Assets and Liabilities Committee (ALCO), a Group Credit Committee, and 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. Risk management of financial instruments (continued)

Risk management framework (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.

Management of credit risk

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 lending 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.

(Amounts expressed in thousands of Qatari Riyals)

3. Risk management (continued)

a) Credit risk (continued)

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.

	Gross maximum exposure	
	2008	**2007**
Cash and balances with central banks (excluding cash on hand)	823,153	1,094,506
Due from banks and financial institutions	6,367,721	3,364,522
Due from financing activities	18,865,895	11,679,082
Financial investments	4,597,590	2,979,690
Other investments and other assets	2,428,424	1,953,891
Total on balance sheet items	**33,082,783**	**21,071,691**
Contingent liabilities	5,687,630	3,860,620
Total off balance sheet items	**5,687,630**	**3,860,620**
Total credit risk exposure	**38,770,413**	**24,932,311**

(Amounts expressed in thousands of Qatari Riyals)

3. Risk management (continued)

a) Credit risk (continued)

Exposure to credit risk

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

	Due from financing activities		Others		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
A. Individually impaired						
Substandard	38,339	48,728	-	-	38,339	48,728
Doubtful	84,185	21,051	-	-	84,185	21,051
Bad debts	171,536	215,327	113,252	21,386	284,788	236,713
Gross amount	294,060	285,106	113,252	21,386	407,312	306,492
Profits suspended	(12,362)	(12,556)	-	-	(12,362)	(12,556)
Specific allowance for impairment	(221,611)	(269,966)	(113,252)	(21,386)	(334,863)	(291,352)
Carrying amount	**60,087**	**2,584**	**-**	**-**	**60,087**	**2,584**
B. Past due but not impaired	**112,014**	**29,955**	**-**	**-**	**112,014**	**29,955**
C. Neither past due nor impaired						
Gross amount	20,828,665	12,978,873	14,226,498	9,392,609	35,055,163	22,371,482
Deferred Income	(2,134,871)	(1,332,330)	(9,610)	-	(2,144,481)	(1,332,330)
Carrying amount	**18,693,794**	**11,646,543**	**14,216,888**	**9,392,609**	**32,910,682**	**21,039,152**
Total	**18,865,895**	**11,679,082**	**14,216,888**	**9,392,609**	**33,082,783**	**21,071,691**

(Amounts expressed in thousands of Qatari Riyals)

3. Risk management (continued)

a) Credit risk (continued)

Aging analysis of past due but not impaired

	Less than 30 days	31 to 60 days	61 to 90 days	Total 2008
Due from financing	83,427	17,687	10,900	**112,014**

	Less than 30 days	31 to 60 days	61 to 90 Days	Total 2007
Due from financing	22,310	4,730	2,915	**29,955**

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 requirements.

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.

Allowances for impairment

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

Write-off

The Group writes off a due from financing (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.

Collateral

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 14,909 million (2007:QAR 12,924 million) as at the reporting date, according to independent valuation reports.

3. 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 certain sources of funding to dry up immediately.

Management of liquidity risk

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

Exposure to liquidity risk

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

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

(Amounts expressed in thousands of Qatari Riyals)

3. Risk management (continued)

b) Liquidity risk (continued)

As at 31 December 2008

	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and balances with central bank	234,230	-	-	-	788,951	1,023,181
Due from and investments with banks and financial institutions	5,140,880	301,363	622,658	302,820	-	6,367,721
Due from financing activities	1,353,358	880,655	4,368,167	12,263,715	-	18,865,895
Financial investments	-	282,309	-	3,543,821	771,460	4,597,590
Other investments	-	-	-	1,334,972	-	1,334,972
Fixed assets	-	-	-	-	260,347	260,347
Other assets	-	-	-	1,093,452	-	1,093,452
Total assets	**6,728,468**	**1,464,327**	**4,990,825**	**18,538,780**	**1,820,758**	**33,543,158**
Liabilities and unrestricted investment accounts						
Due to banks and financial institutions	6,647,709	1,264,932	642,076	141,999	-	8,696,716
Customers' accounts	3,686,223	-	1,027,562	383,466	-	5,097,251
Other liabilities	-	-	-	885,792	-	885,792
	10,333,932	**1,264,932**	**1,669,638**	**1,411,257**	**-**	**14,679,759**
Unrestricted investments	5,112,025	1,811,676	4,047,799	484,832	38,265	11,494,597
Total liabilities and unrestricted investment accounts	**15,445,957**	**3,076,608**	**5,717,437**	**1,896,089**	**38,265**	**26,174,356**
Contingent Liabilities	**-**	**-**	**5,687,830**	**-**	**-**	**5,687,830**
Difference	**(8,717,489)**	**(1,612,281)**	**(6,414,442)**	**16,642,691**	**1,782,493**	**1,680,972**

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. Risk management (continued)

b) Liquidity risk (continued)

As at 31 December 2007

	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	884,982	-	-	-	371,844	1,256,826
Due from and investments with banks and financial institutions	2,664,537	503,572	196,413	-	-	3,364,522
Due from financing activities	497,645	2,773,746	3,904,596	4,503,095	-	11,679,082
Financial investments	-	-	-	1,715,549	1,264,141	2,979,690
Other investments	-	-	-	1,222,315	-	1,222,315
Other assets	731,576	-	-	-	-	731,576
Total assets	**4,778,740**	**3,277,318**	**4,101,009**	**7,440,959**	**1,635,985**	**21,234,011**
Liabilities and unrestricted investment accounts						
Due to banks and financial institutions	1,967,830	95,237	1,541,311	-	-	3,604,378
Customers' accounts	3,922,213	-	462,139	-	-	4,384,352
Other liabilities	783,428	-	-	-	-	783,428
	6,673,471	**95,237**	**2,003,450**	-	-	**8,772,158**
Unrestricted investments	5,048,778	673,918	1,948,856	63,269	81,659	7,816,480
Total liabilities and unrestricted investment accounts	**11,722,249**	**769,155**	**3,952,306**	**63,269**	**81,659**	**16,588,638**
Contingent Liabilities	**-**	**-**	**3,860,620**	**-**	**-**	**3,860,620**
Difference	**(6,943,509)**	**2,508,163**	**(3,711,917)**	**7,377,690**	**1,554,326**	**784,753**

(Amounts expressed in thousands of Qatari Riyals)

3. Risk management (continued)

c) Market risk

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 & 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(f))

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:

	Change in equity price % 2008	Effect on equity 2008	Change in equity price % 2007	Effect on equity 2007
Market Indices				
Doha securities market	+-10%	25,801	+- 10%	10,817
Kuwait stock exchange	-	-	+- 10%	3,677
Bahrain stock exchange	+ - 10%	5,747	-	-

Profit rate risk

The profit rate risk refers to the risk due to change of profit rates, which might affect the future earnings 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) 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. Position are closely monitored and hedging strategy are used to ensure positions are maintained within established limits. At 31 December, the Group had the following significant net exposures denominated in foreign currencies.

(Amounts expressed in thousands of Qatari Riyals)

3. Risk management (continued)

d) Currency risk (continued)

As at 31 December 2008	QAR	USD	EUR	GBP	Others	Total
Assets	19,698,810	9,928,874	2,793,015	966,179	156,280	33,543,158
Liabilities, minority interest and shareholders' equity	(22,761,855)	(7,008,531)	(2,791,791)	(961,252)	(19,729)	(33,543,158)
Net balance sheet position	**(3,063,045)**	**2,920,343**	**1,224**	**4,927**	**136,551**	**-**

As at 31 December 2007	QAR	USD	EUR	GBP	Others	Total
Assets	13,635,489	4,962,769	1,374,619	625,548	737,343	21,335,768
Liabilities, minority interest and shareholders' equity	(17,552,599)	(2,062,469)	(1,206,327)	(418,302)	(96,071)	(21,335,768)
Net balance sheet position	**(3,917,110)**	**2,900,300**	**168,292**	**207,246**	**641,272**	**-**

The exchange rate of QAR against US Dollar is 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.

d) 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 QR on the income statement, with all other variables held constant:

Currency	Change in currency rate in %	Effect on income statement 2008	Effect on income statement 2007
USD	+2	58,407	58,006
EUR	+3	37	5,049
GBP	+2	99	4,145
Others	+3	4,097	19,238
USD	-2	(58,407)	(58,006)
EUR	-3	(37)	(5,049)
GBP	-2	(99)	(4,145)
Others	-3	(4,097)	(19,238)

During 2008, the currency risk was pertaining to currencies other than US Dollars and the impact of fluctuation in rates was linked to the EURO position.

(Amounts expressed in thousands of Qatari Riyals)

3. 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	**2008**	**2007**	**2008**	**2007**
Credit risk	23,968,653	15,230,490	23,968,653	15,230,490
Market risk	843,474	718,623	8,434,741	7,186,233
Operational risk	118,807	94,392	1,188,073	943,919
Total capital charge/risk weighted assets	**24,930,934**	**16,043,505**	**33,591,467**	**23,360,642**

	2008	**2007**	**2008**	**2007**
Tier 1 capital	5,492,260	4,282,463	16.35%	18.34%
Tier 1+Tier 2 capital	5,723,451	4,381,716	17.04%	18.76%

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

g) Risk of managing restricted 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 operational risk. Such risks are mitigated through review procedures to ensure compliance. Note 29 list 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 that 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. Risk management (continued)

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 decline in value.

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

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

	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Financial assets				
Cash and balance with central bank	1,023,181	1,023,181	1,256,826	1,256,826
Due from banks and financial institutions	6,367,721	6,367,721	3,364,522	3,364,522
Due from financing activities	18,865,895	18,865,895	11,679,082	11,679,082
Financial investments	2,947,154	2,947,154	2,116,803	2,116,803
Financial liabilities				
Due to banks and financial institutions	8,696,716	8,696,716	3,604,378	3,604,378
Customers' accounts	5,097,251	8,097,251	4,384,352	4,384,352
Unrestricted investment accounts	11,494,597	11,494,597	7,816,480	7,816,480

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

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

(Amounts expressed in thousands of Qatari Riyals)

4. Critical accounting estimates and judgements in applying accounting policies

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 booked 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. Also refer to Note 7.

(b) Impairment of financial investments

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

5. Cash and balances with central bank

	2008	**2007**
Cash in vaults	200,027	162,320
Cash reserve with central bank	788,950	371,844
Current account with Qatar Central Bank	34,204	417,662
Others	-	305,000
Total	**1,023,181**	**1,256,826**

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

(Amounts expressed in thousands of Qatari Riyals)

6. Due from and investments with banks and financial institutions

	2008	2007
Current accounts	194,708	40,835
Unrestricted investment deposits	1,288,163	331,179
Commodity Murabaha transactions	4,913,608	2,998,532
	6,396,479	3,370,546
Unearned profit	(28,758)	(6,024)
	6,367,721	**3,364,522**

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

7. Due from financing activities

a) By type:

	2008	2007
Musharaka	172	22,006
Murabaha and Musawama	13,365,657	7,250,613
Istisna contracts	2,331,742	2,179,905
Mudaraba	1,247,493	1,227,144
Ijara financing	4,281,038	2,415,017
Other	8,637	199,249
	21,234,739	**13,293,934**
Unearned profit	(2,134,871)	(1,332,330)
Specific provision	(221,611)	(269,966)
Suspended profit	(12,362)	(12,556)
Due from financing activities, net	**18,865,895**	**11,679,082**

Total of non performing due from financing activities amounted to QR 294 million at the end of year 2008 (2007: QR 285 million) which is 1.39% (2007: 2.15 %) 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 Contracts	Mudaraba and Musharaka	Ijara	Others	2008 Total	2007 Total
Government	364,604	412,711	-	-	-	777,315	714,809
Semi-government	47,942	-	-	513,323	-	561,265	551,295
Industry	150,144	3,573	-	2,691	121	156,529	93,578
Trading	3,243,592	44,347	965,547	79,476	96	4,333,058	3,508,011
Contracts	283,007	7,536	207,108	16,398	103	514,152	559,412
Consumer financing	3,046,338	1,197,147	75,010	1,945,375	6,332	6,270,202	3,198,312
Housing	5,272,659	586,370	-	1,676,993	5	7,536,027	4,270,020
Others	957,371	80,058	-	46,782	1,980	1,086,191	398,497
	13,365,657	**2,331,742**	**1,247,665**	**4,281,038**	**8,637**	**21,234,739**	**13,293,934**
Unearned profit						(2,134,871)	(1,332,330)
Specific provisions						(221,611)	(269,966)
Suspended profit doubtful financing						(12,362)	(12,556)
Due from financing activities, net						**18,865,895**	**11,679,082**

c) By Customer:

2008

	Murabah& Musawama	Istisna Contracts	Mudaraba and Musharaka	Ijara	Others	Total
Retail	3,046,338	1,197,147	75,010	--	6,332	4,324,827
Corporate	6,380,174	670,001	-	--	2,106	7,052,281
Small and medium enterprises	3,526,599	51,883	1,172,655	--	199	4,751,336
Finance with real estate mortgage	--	--	--	3,767,715	--	3,767,715
Government & Other	412,546	412,711	-	513,323	-	1,338,580
Total	**13,365,657**	**2,331,742**	**1,247,665**	**4,281,038**	**8,637**	**21,234,739**
Unearned Profit						(2,134,871)
Specific Provision						(221,611)
Suspended Profit						(12,362)
Due from financing activities, net						**18,865,895**

(Amounts expressed in thousands of Qatari Riyals)

7. **Due from financing activities** (continued)

c) **By Customer** (continued):

2007

	Murabah& Musawama	Istisna Contracts	Mudaraba and Musharaka	Ijara	Others	Total
Retail	2,316,665	815,947	65,700	-	-	3,198,312
Corporate	2,123,102	460,428	27,275	-	135,000	2,745,805
Small and medium enterprises	2,282,024	518,295	1,156,175	-	-	3,956,494
Finance with real estate mortgage	-	-	-	1,863,722	-	1,863,722
Government & Other	528,822	385,235	-	551,295	64,249	1,529,601
Total	**7,250,613**	**2,179,905**	**1,249,150**	**2,415,017**	**199,249**	**13,293,934**
Unearned Profit						(1,332,330)
Specific Provision						(269,966)
Suspended Profit						(12,556)
Due from financing activities, net						**11,679,082**

d) **Movement in provisions for impairment of financing activities**:

	2008 Specific Provision	2008 Profit in Suspense	2007 Specific Provision	2007 Profit in Suspense
Balance at 1 January	**269,966**	**12,556**	**275,845**	**20,075**
Provision made during the year	77,091	15,509	122,326	19,878
Recoveries of amounts previously provided	(124,841)	(15,703)	(120,910)	(27,397)
Net provision during the year	(47,750)	(194)	1,416	(7,519)
Provisions written off	(605)		(7,295)	-
Balance at 31 December	**221,611**	**12,362**	**269,966**	**12,556**

During the year the Bank renegotiated financing facilities amount to QAR 49.8 million (2007: QAR 9.1 million).

e) **Provisions by Customer**:

	2008	2007
Retail	87,639	70,854
Corporate	133,972	199,112
Total	**221,611**	**269,966**

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments

	2008	2007
a) Financial assets available for sale:		
Quoted	953,720	855,964
Unquoted	1,993,434	1,260,839
	2,947,154	2,116,803
b) Investments in associates	1,650,436	862,887
Total	**4,597,590**	**2,979,690**

a) Financial investments available for sale

	2008 Quoted	2008 Unquoted	2008 Total	2007 Quoted	2007 Unquoted	2007 Total
Shares	221,523	648,019	869,542	229,652	276,613	506,265
Sukouk government of Qatar	65,468	-	65,468	207,548	-	207,548
Sukouk others	666,729	628,574	1,295,303	418,764	552,324	971,088
Other Islamic portfolio and funds	-	731,175	731,175	-	441,150	441,150
Total financial investments	**953,720**	**2,007,768**	**2,961,488**	**855,964**	**1,270,087**	**2,126,051**
Provision for losses	-	(14,334)	(14,334)	-	(9,248)	(9,248)
	953,720	**1,993,434**	**2,947,154**	**855,964**	**1,260,839**	**2,116,803**

b) Investments in associates

	2008	2007
Beginning of the year	862,887	420,972
Investments during the year	743,373	364,054
Dilution of interest in subsidiary to associates	-	49,832
Disposal	(129,307)	-
Total Investment	1,476,953	834,858
Fair value	(43,362)	-
Translation reserve	(22,713)	-
Share of profit	239,558	28,029
At end of the year	**1,650,436**	**862,887**

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

b) Investments in associates (continued)

The investments in associates are being distributed as follows:

By the investment value:

	Country of incorporation	2008 Ownership Amount	2008 Ownership Percentage	2007 Ownership Amount	2007 Ownership Percentage
Arab Finance House	Lebanon	77,277	32.51%	69,857	30.68%
Asian Finance Bank	Malaysia	72,612	21.00%	80,932	21.00%
Q Invest	Qatar	680,071	25.00%	662,212	25.00%
Al Jazeera Islamic Co	Qatar	192,056	30.17%	49,832	30.17%
Durat Al Doha	Cayman Islands	212,853	39.90%	54	29.70%
Shard Funding Ltd	Jersey	343,592	25.00%	-	-
Bawabat Al-Shamal	Qatar	71,975	37.25%	-	-
		1,650,436		**862,887**	

By the financial position:

As at 31 December 2008

	Assets	Liabilities	Revenue	Profit/(Loss)	Percentage
Arab Finance House	304,467	227,190	14,208	3,846	32.51%
Asian Finance Bank	273,185	200,573	4,276	(4,361)	21.00%
Q Invest	834,602	336,531	88,378	81,344	25.00%
Al Jazeera Islamic Co	731,017	538,961	73,726	26,289	30.00%
Bawabat Al-Shamal	329,641	257,666	-	-	37.25%
Durat Al Doha	422,495	209,642	-	-	39.90%
Shard Funding Ltd	810,000	466,407	132,521	132,440	25.00%
	3,705,407	2,236,970	313,109	239,558	

As at 31 December 2007

	Assets	Liabilities	Revenue	Profit/(Loss)	Percentage
Arab Finance House	223,385	153,528	8,554	(1,674)	30.68%
Asian Finance Bank	292,248	211,317	703	4,491	21.00%
Q Invest	788,740	300,862	37,909	25,212	25.00%
Al Jazeera Islamic Co	382,656	318,923	39,130	--	30.17%
Durat Al Doha	46,012	45,982	--	--	29.70%
	1,733,041	1,030,612	86,296	28,029	

(Amounts expressed in thousands of Qatari Riyals)

8. Financial investments (continued)

b) Investments in associates (continued)

Q-Invest

On 2 August 2007, the bank acquired an additional 10% equity in one of its associates, Q-Invest LLC ("Q-Invest") for an aggregated cash price of USD 100 million equivalent to QAR 364 million (50 million equity shares of par value USD 1 each equivalent to QAR 3.64 each).

Goodwill

In compliance with the applicable accounting standards, the Bank has carried out one time "purchase price allocation (PPA)" exercise of the value paid for the acquisition of 10% shares of its associate – Q-Invest LLC. PPA identifies the value paid for the tangible assets, intangible assets and the premium/goodwill arising on the acquisition. The intangibles identified on acquisition of 10% shares in Q-Invest LLC are not material.

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

Shard Fund Limited

During the year ended 31 December 2008, the Bank has acquired 25% equity of Shard Fund Limited, a company registered under the laws of Jersey for a value of GBP 28.75 million equivalent to QR 211.15 million (28.75 million shares of par value GBP 1 each equivalent to QR 7.34).

Bawabat Al Shamal

The Bank also acquired 25% equity of Bawabat Al Shamal, a company registered in Qatar under Commercial law no 5 of 2002, represented by 1,250 shares of QR 1,000 each for a value of QR 1.25 million.

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

	Q-Invest	**Bawabat Al shamal**	**Shard Fund Limited**
Cash paid	364,000	1,250	211
Share of fair value of net assets acquired	(182,380)	(1,250)	(211)
Goodwill	181,620	-	-

(Amounts expressed in thousands of Qatari Riyals)

9. Other investments

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

	Land	Building	2008 Total	Land	Building	2007 Total
Cost						
At 1st January	204,843	12,039	216,882	204,843	12,039	216,882
Additions during the year	201,236	-	201,236	-	-	-
Increase in fair value	198,129	-	198,129	-	-	-
Disposals during the year	(2,727)	(12,039)	(14,766)	-	-	-
At 31 December	**601,481**	**-**	**601,481**	**204,843**	**12,039**	**216,882**
Accumulated depreciation						
At 1st January	-	(8,416)	(8,416)	-	(7,814)	(7,814)
Charge for the year	-	(150)	(150)	-	(602)	(602)
Disposals	-	8,566	8,566	-	-	-
At 31 December	**-**	**-**	**-**	**-**	**(8,416)**	**(8,416)**
Impairment loss	**(31,379)**	**-**	**(31,379)**	**-**	**-**	**-**
Net book value –	**570,102**	**-**	**570,102**	**204,843**	**3,623**	**208,466**

The aggregate market value of the properties and investments held for leasing and capital appreciation at 31 December 2008 stands at QAR 640 million (2007: QAR 324 million) according to an independent valuer report.

b) Investments in property and other assets held for trading

	Land	Building	2008 Total	Land	Building	2007 Total
Cost						
At 1st January	344,599	681,388	1,025,987	93,259	714,097	807,356
Additions during the year	376,126	-	376,126	554,947	370,900	925,847
Disposal during the year	(560,094)	-	(560,094)	(303,607)	(403,609)	(707,216)
Net Book value – 31 December	**160,631**	**681,388**	**842,019**	**344,599**	**681,388**	**1,025,987**
Provision for impairment						
At 1st January	-	(12,138)	(12,138)	-	-	-
Charge for the year	-	(65,011)	(65,011)	-	(12,138)	(12,138)
At 31 December	**-**	**(77,149)**	**(77,149)**	**-**	**(12,138)**	**(12,138)**
Book Value – 31 December	**160,631**	**604,239**	**764,870**	**344,599**	**669,250**	**1,013,849**
Total Net Book Value – 31 December	**730,733**	**604,239**	**1,334,972**	**549,442**	**672,873**	**1,222,315**

The aggregate market value of the properties and other assets held for trading at 31 December 2008 stands at QAR 862 million (2007: QAR 1.035 million) according to an independent valuer 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 and peripherals	Office equipment, furniture and fixtures and leasehold improvements	Motor vehicles	Total
Cost					
At 1 January 2008	96,659	63,261	43,721	2,410	206,051
Additions	84,369	23,038	69,621	1,002	178,030
Disposals	-	(43)	(12)	-	(55)
At 31 December 2008	181,028	86,256	113,330	3,412	384,026
Depreciation					
At 1 January 2008	29,835	54,653	18,381	1,425	104,294
Charge for the year	2,456	8,501	8,111	372	19,440
Disposals	-	(43)	(12)	-	(55)
At 31 December 2008	32,291	63,111	26,480	1,797	123,679
Net book value					
At 31 December 2008	**148,737**	**23,145**	**86,850**	**1,615**	**260,347**

	Land and buildings	Computer and peripherals	Office equipment, furniture and fixtures and leasehold improvements	Motor vehicles	Total
Cost					
At 1 January 2008	117,853	59,470	33,451	2,363	213,137
Additions	1,877	6,322	19,826	139	28,164
Disposals	(23,071)	(2,531)	(9,556)	(92)	(35,250)
At 31 December 2008	96,659	63,261	43,721	2,410	206,051
Depreciation					
At 1 January 2008	27,849	52,843	23,364	1,201	105,257
Charge for the year	2,540	4,331	3,539	330	10,740
Disposals	(554)	(2,517)	(8,526)	(106)	(11,703)
At 31 December 2008	29,835	54,657	18,377	1,425	104,294
Net book value					
At 31 December 2008	**66,824**	**8,604**	**25,344**	**985**	**101,757**

(Amounts expressed in thousands of Qatari Riyals)

11. Other assets

	2008	2007
Accrued income	470,692	333,043
Prepayment and advances	42,438	63,339
Capital work in progress*	402,237	220,211
Assets acquired in exchange for debts	13,537	-
Others	164,548	114,983
Due from Bank of Credit and Commerce International (BCCI) (Under liquidation)	36,422	43,789
	1,129,874	775,365
Provisions for due from BCCI	(36,422)	(43,789)
Net	**1,093,452**	**731,576**

*Included in capital work-in-progress at the end of the year 2008 are advance payments made to acquire land and real estate amounting to QR 297 million, project for building villas under progress amounting to QR 60 million (2007: QR 175 million) and other projects under progress amounting to QR Nil (2007: QR 45.00 million).

12. Due to banks and financial institutions

	2008	2007
Current accounts and deposits from banks and financial institutions	**8,696,716**	**3,604,378**

13. Customers' Accounts

a) Current Accounts

	2008	2007
Government	53,499	118,632
Corporate	1,887,082	1,557,294
Individual	1,745,249	1,725,485
	3,685,830	**3,401,411**
b) Other due to customers	**1,411,421**	**982,941**
	5,097,251	**4,384,352**

(Amounts expressed in thousands of Qatari Riyals)

14. Other liabilities

	2008	2007
Staff indemnity (Note 15)	58,904	42,893
Pension fund	751	391
Margin deposits	66,514	53,437
Manager cheques	40,983	78,858
Accrued expenses	135,007	77,170
Settlement deposits	210,410	117,905
Customer's participation in funds	418	453
Unclaimed dividend	4,591	4,426
Cheques in clearing	3,665	8,425
Naps and visa settlements	23,098	19,152
Provision for potential claims	17,333	17,333
Others	324,118	362,985
	885,792	**783,428**

15. Movement in staff indemnity

	2008	2007
Balance at 1 January	42,893	29,026
Charge for the year	22,250	19,714
Amount paid during the year	(6,239)	(5,847)
Balance at 31 December (Note 14)	**58,904**	**42,893**

16. Unrestricted investment accounts

a) By type:	**2008**	**2007**
Repayable on demand	2,193,142	1,454,301
Saving accounts	2,677,566	2,786,694
Term	6,479,164	3,393,802
	11,349,872	7,634,797
Share of unrestricted investment accounts in profit	121,636	97,899
Unrestricted investment account share of fair value reserve	(49,133)	11,562
Unrestricted investment account share of risk reserve	72,222	72,222
Total	**11,494,597**	**7,816,480**

b) By sector:

Government	1,208,588	810,121
Government organization and department	8,602	20,011
Individuals	5,968,542	4,948,015
Corporations	4,164,140	1,838,450
Banks	-	18,200
	11,349,872	7,634,797
Share of unrestricted investment accounts in profit	121,636	97,899
Unrestricted investment accounts share of fair value reserve	(49,133)	11,562
Unrestricted investment account share of risk reserve	72,222	72,222
Total	**11,494,597**	**7,816,480**

Unrestricted invested accounts include QR 79 million held as collateral against direct and indirect financing credit facilities (2007: QR 91.80 million).

(Amounts expressed in thousands of Qatari Riyals)

17. Minority interest

	2008	2007
Balance at 1 January	118,168	79,602
Share of minority in the profit of subsidiary companies	62,170	67,312
Distribution of profit by subsidiary companies	-	(5,500)
Sale of Al Jazeera	-	(31,712)
Net movement in fair value reserve of subsidiary companies	(328)	1,458
Capital increase	45,900	7,008
At 31 December	**225,910**	**118,168**

18. Shareholders' equity

a) Share capital

	2008	2007
Authorised, issued and paid-up share capital 196.91 million ordinary shares of QR 10 each (2007: 119.34 million shares of QR 10 each)	**1,969,110**	**1,193,400**

b) 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.

The right issue was approved by the Ministry of Economy and Commerce, vide letter dated 4 March 2008. The share premium arising on the rights issue has been transferred to the legal reserve.

c) General reserve

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

(Amounts expressed in thousands of Qatari Riyals)

18 Shareholders' equity (continued)

d) Risk reserve

In accordance with Qatar Central Bank regulations, the risk reserve at the end of each year should not be less than 2.00% of the total direct credit extended by the bank and its branches and subsidiaries as per the consolidated balance sheet after excluding the specific provision, suspended profit, deferred income and financing to Ministry of Finance of the State of Qatar, guaranteed by Ministry of Finance and financing against cash collaterals. The amount of the reserve will be distributed among the shareholders and unrestricted investment accounts and only after obtaining prior approval from the Central Bank of Qatar.

e) Fair value reserve – financial investments

	2008	2007
Balance at January 1	**15,573**	**52,173**
Revaluation for the year	(141,438)	36,082
Charged to income statement	(10,839)	(101,749)
Net change during the year	(152,277)	(65,667)
Share of holders of unrestricted investment accounts in the movement in the fair value reserve	60,695	29,067
Balance at December 31	**(76,009)**	**15,573**

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

f) Proposed dividend and bonus shares

The Board of Directors has proposed a cash dividend of 70% of paid up share capital amounting to QR 1.378 million i.e. - QR 7.0 per share (2007 - 20% of paid up share capital amounting to QR 238.7 million i.e. - QR 2 per share) which is subject to approval at the Annual General Meeting of the shareholders.

19 Income from financing activities

	2008	2007
Murabaha and Musawama	770,716	499,114
Istisna	211,769	123,180
Mudaraba	99,985	84,603
Ijara financing	245,595	132,212
	1,328,065	**839,109**

(Amounts expressed in thousands of Qatari Riyals)

20 Profit from investing activities

	2008	2007
a) Income from due from and investments with banks and financial institutions		
Deposit with banks	25,630	34,065
Commodity Murabaha transactions*	(67,274)	38,115
	(41,644)	**72,180**
b) Income from investments		
Financial investments available for sale	340,362	188,436
Investment in property and assets held for leasing	28,893	61,903
Other Financial investments	29,854	1,228
	399,109	**251,567**
c) Income from sale of investments		
Financial investments available for sale	178,313	133,200
Investment in property and assets held for trading	337,447	276,675
	515,760	**409,875**
d) Income from revaluation of investment properties	**198,130**	-
e) Investments revaluation differences		
Unrealised gain/(loss) arising due to fair value estimates	-	7,471
	-	**7,471**
	1,071,355	**741,093**

* Income from commodity murabaha transactions is net of expenses paid to banks and financial institutions amounting to QAR 167 million (2007: QAR 117.68 million).

21 Net Commission and fees income

	2008	2007
Commission and Fees Income:		
Letters of credit and guarantee	33,485	14,854
Banking operations	26,265	17,645
Bank's share of income from unrestricted investments	10	158
Income from investment activities for others	343	74
Management fee	142,589	38,963
Others	33,440	29,138
	236,132	**100,832**
Commission and fees expenses	(12,954)	(13,062)
	223,178	**87,770**

(Amounts expressed in thousands of Qatari Riyals)

22 (Loss)/gain from foreign exchange operations

	2008	2007
Gain on sale of foreign exchange	7,798	4,706
Revaluation gain/(losses) of foreign exchange	(88,532)	324
Net gain/(losses) of foreign exchange	**(80,734)**	**5,030**

23 General and administrative expenses

	2008	2007
Staff salaries and allowances	244,554	159,815
Board of Directors' remuneration	34,720	25,000
Contributions to pension fund	119	260
Staff indemnity	22,490	22,291
Training costs	4,318	2,197
Advertisements and market promotions	28,047	24,876
Legal and professional fee	12,546	4,104
Communication, insurance and utilities	12,555	8,713
Rent and maintenance	26,916	19,580
Others	38,084	30,240
Other provision	-	9,348
	424,349	**306,424**

The number of staff employed by the Bank as at 31 December 2008 was 708 (2007: 631).

24 Income from dilution of interest in subsidiary

	2008	2007
Income from dilution of interest in subsidiary	-	**306,354**

Represents the net proceeds of the sale of Al Jazeera Co. (refer note 2 and 8).

On 30 December 2007, QIB reduced the controlling interest in Al Jazeera Islamic Company ("AJIC"), from 80% to 30%. Consequently, the results of the subsidiary were consolidated with the Group until 30 December 2007 and subsequently this investment is equity accounted as this is considered as an investment in associate.

25 Unrestricted investment account holder's share of profit

	2008	2007
Investment account holders' share in profit before Mudaraba share of the Bank	780,615	697,805
Bank's share of profit as Mudarib	(467,579)	(396,132)
Unrestricted investment account holders' net share after Mudarib's share of the profit	313,036	301,673
Shareholders' cession	75,631	41,128
Unrestricted investment account holders' share after cession	**388,667**	**342,801**

25. Unrestricted investment account holder's share of profit (continued)

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

	2008 (%)	**2007 (%)**
5 year term	7.00	7.00
3 year term	6.25	6.20
1 year term	5.75	5.50
6 months term	5.10	5.00
3 months term	4.00	4.00
1 month term	3.52	3.52
Savings account	3.50	3.50
Call account	3.50	3.50

26 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 as follows:

	2008	**2007**
Net profit for the year attributable to the shareholders	1,642,541	1,255,404
Weighted average number of shares for the year (expressed in thousands)	193,433	183,271
Basic and diluted earnings per share (QR per share)	8.49	6.85

(Amounts expressed in thousands of Qatari Riyals)

27 Contingent liabilities and commitments
As at 31 December 2008
a) Contingent liabilities

	No later than 1 year	1-5 years	Over 5 years	Total
Istisna commitment	2,353,622	-	-	2,353,622
Unused facilities	376,988	-	-	376,988
Acceptances	37,437	-	-	37,437
Guarantees	2,614,710	-	-	2,614,710
Letters of credit	305,073	-	-	305,073
	5,687,830	**-**	**-**	**5,687,830**

b) Commitments

	No later than 1 year	1-5 years	Over 5 years	Total
Investment portfolios (Note 29)	-	4,441	-	4,441
Restricted investment balances (Note 30)	2,153	178,361	-	180,514
Operations cover against foreign currencies	2,132,141	-	-	2,132,141
	2,134,294	**182,802**	**-**	**2,317,096**

As at 31 December 2007
a) Contingent liabilities

	No later than 1 year	1-5 years	Over 5 years	Total
Istisna commitment	1,839,139	-	-	1,839,139
Unused facilities	591,287	-	-	591,287
Acceptances	31,470	-	-	31,470
Guarantees	1,059,999	-	-	1,059,999
Letters of credit	338,725	-	-	338,725
	3,860,620	**-**	**-**	**3,860,620**

b) Commitments

	No later than 1 year	1-5 years	Over 5 years	Total
Investment portfolios (Note 29)	-	4,441	-	4,441
Restricted investment balances (Note 30)	6,892	215,560	-	222,452
Operations cover against foreign currencies	1,431,404	-	-	1,431,404
	1,438,296	**220,001**	**-**	**1,658,297**

(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:

As at 31 December 2008

	Qatar	GCC	Europe	North America	Others	Total
Assets						
Cash and balances with central bank	1,023,181	-	-	-	-	1,023,181
Due from and investments with banks and financial institutions	842,791	1,055,024	4,287,587	15,305	167,014	6,367,721
Due from financing activities	15,880,070	1,829,343	780,721	-	375,761	18,865,895
Financial investments available for sale	370,382	1,328,917	784,909	-	462,946	2,947,154
Investments in associates	1,024,069	-	341,443	-	284,924	1,650,436
Other investments	762,112	-	572,860	-	-	1,334,972
Fixed assets	260,347	-	-	-	-	260,347
Other assets	1,093,452	-	-	-	-	1,093,452
Total assets	**21,256,404**	**4,213,284**	**6,767,520**	**15,305**	**1,290,645**	**33,543,158**
Liabilities						
Due to banks and financial institutions	6,047,812	2,075,949	235,689	-	337,266	8,696,716
Customers' accounts	5,097,251	-	-	-	-	5,097,251
Other liabilities	885,792	-	-	-	-	885,792
Total liabilities	**12,030,855**	**2,075,949**	**235,689**	**-**	**337,266**	**14,679,759**
Unrestricted investment accounts	**11,494,597**	**-**	**-**	**-**	**-**	**11,494,597**
Minority interest	**225,910**	**-**	**-**	**-**	**-**	**225,910**
Shareholders' equity						
Share capital	1,969,110	-	-	-	-	1,969,110
Legal reserve	2,932,910	-	-	-	-	2,932,910
General reserve	547,652	-	-	-	-	547,652
Risk reserve	358,856	-	-	-	-	358,856
Fair value reserve	(76,009)	-	-	-	-	(76,009)
Translation reserve	(51,656)					(51,656)
Proposed Bonus Shares	-	-	-	-	-	-
Proposed cash dividends	1,378,377	-	-	-	-	1,378,377
Social contribution reserve	41,064	-	-	-	-	41,064
Retained earnings	42,588					42,588
	7,142,892	**-**	**-**	**-**	**-**	**7,142,892**
Total liabilities, unrestricted investment accounts, minority interest and shareholders' equity	**30,894,254,**	**2,075,949**	**235,689**	**-**	**337,266**	**33,543,158**

(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:

As at 31 December 2007

	Qatar	GCC	Europe	North America	Others	Total
Assets						
Cash and balances with central bank	1,256,826	-	-	-	-	1,256,826
Due from banks and Islamic financial institutions	1,040,023	1,561,225	649,026	1,613	112,635	3,364,522
Due from financing activities	9,481,960	1,157,386	863,974	-	175,762	11,679,082
Financial investments	479,066	592,730	840,741	-	204,266	2,116,803
Investments in associates	712,044	-	-	54	150,789	862,887
Other investments	553,065	-	669,250	-	-	1,222,315
Fixed assets	101,757	-	-	-	-	101,757
Other assets	731,576	-	-	-	-	731,576
Total assets	**14,356,317**	**3,311,341**	**3,022,991**	**1,667**	**643,452**	**21,335,768**
Liabilities						
Due to banks and financial institutions	1,825,054	543,329	1,200,572	-	35,423	3,604,378
Customers' accounts	4,384,352	-	-	-	-	4,384,352
Other liabilities	783,428	-	-	-	-	783,428
Total liabilities	**6,992,834**	**543,329**	**1,200,572**	**-**	**35,423**	**8,772,158**
Unrestricted investment accounts	**7,816,480**	**-**	**-**	**-**	**-**	**7,816,480**
Minority interest	**118,168**	**-**	**-**	**-**	**-**	**118,168**
Shareholders' equity						
Share capital	1,193,400	-	-	-	-	1,193,400
Legal reserve	1,858,850	-	-	-	-	1,858,850
General reserve	109,964	-	-	-	-	109,964
Risk reserve	92,246	-	-	-	-	92,246
Fair value reserve	15,573	-	-	-	-	15,573
Proposed Bonus Shares	596,700	-	-	-	-	569,700
Proposed cash dividends	238,680	-	-	-	-	238,680
Retained earnings	523,549	-	-	-	-	523,549
	4,628,962	**-**	**-**	**-**	**-**	**4,628,962**
Total liabilities, unrestricted investment accounts, minority interest and shareholders' equity	**19,556,444**	**543,329**	**1,200,572**	**-**	**35,423**	**21,335,768**

(Amounts expressed in thousands of Qatari Riyals)

29 Investment portfolios

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

	2008	2007
Solidarity Fund	4,441	4,441
	=======	=======

The bank is marketing other investment portfolios where 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

	2008			2007		
Type of Investment	**Balance**	**Average profit rate**	**Bank's share**	**Balance**	**Average profit rate**	**Bank's share**
Investment in commodities	180,514	4.55%	10	222,452	5.90%	158

31 Related party transactions

The Group has transactions in the ordinary course of business with subsidiaries companies, associates, shareholders, directors, officers of the Group and entities of which they are principal owners. Been granted financing activities to the Parties with the relevant market prices, all are regular and there are no provisions against them. At the balance sheet date, such significant balances included:

	2008		2007	
	Directors	**Subsidiaries and Associates**	**Directors**	**Subsidiaries and Associates**
Transactions with related parties				
Fee and commission	-	293,194	-	124,692
Profit paid on deposits	9,747	8,451	1,161	1,865
Sale of properties and investments	-	-	-	645,000
Mudaraba investment in property funds	-	35,850	-	123,760
Mudaraba investment by associates	-	81,636	-	37,200
Balances with related parties				
Financing	1,148,176	1,733,970	327,133	893,743
Mudaraba investment in property funds	-	-	-	123,760
Deposits	75,528	866,640	80,671	1,307,152
Contingent liabilities, guarantees and other commitments	38,954	178,360	15,715	178,360

	2008	2007
During the year key management remuneration which includes salaries and other benefits	28,310	19,917

(Amounts expressed in thousands of Qatari Riyals)

32 Cash and cash equivalents

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

	2008	2007
Cash and current account with central banks	234,231	884,982
Due from and investments with banks and financial institutions	5,466,715	3,168,108
Total	**5,700,946**	**4,053,090**

33 Parent company

The balance sheet of the parent company is presented below:

	2008	2007
Assets		
Cash and balances with central bank	1,023,178	1,256,826
Due from and investment with banks and financial institutions	6,212,151	3,362,300
Due from financing activities (net)	19,062,120	11,784,825
Financial investments available for sale	3,091,643	2,121,312
Investments in associates	1,571,369	862,887
Other investments	1,190,741	916,592
Fixed assets	250,288	101,262
Other assets	660,590	575,867
Total assets	**33,062,080**	**20,981,871**
Total liabilities, unrestricted investment accounts and Shareholders' equity		
Due to banks and financial institutions	8,514,320	3,590,636
Customers' accounts	5,096,173	4,385,582
Other liabilities	827,533	587,460
Total liabilities	**14,438,026**	**8,563,678**
Unrestricted investment accounts	**11,519,526**	**7,850,327**
Shareholders' equity		
Share capital	1,969,110	1,193,400
Legal reserve	2,923,269	1,856,400
General reserve	545,202	107,514
Risk reserve	358,856	92,246
Fair value reserve	(76,258)	14,769
Translation reserve	(22,713)	-
Proposed bonus shares	-	596,700
Proposed cash dividend	1,378,377	238,680
Retained earnings	28,685	468,157
Total shareholders' equity	**7,104,528**	**4,567,866**
Total liabilities, unrestricted investment accounts and Shareholders' equity	**33,062,080**	**20,981,871**

(Amounts expressed in thousands of Qatari Riyals)

33. Parent company (continued)

The statement of income of the parent company is presented below:

	2008	**2007**
Income		
Income from financing activities	1,343,459	797,065
Profit on investing activities	895,510	638,228
Total income from financing and investment activities	2,238,969	1,435,293
Commission and fees income	229,081	100,832
Commission and fees expenses	(12,229)	(13,062)
Net income from commission and fees	216,852	87,770
Gain / (Loss) from foreign exchange operations	(80,706)	5,030
Other operating income	7,891	14,076
Operating revenue	**2,383,006**	**1,542,169**
Expenses and provisions		
General and administrative expenses	(374,110)	(279,195)
Depreciation of fixed assets	(16,026)	(10,667)
Provision for impairment of receivables and financing activities	47,750	584
Other investment provision	-	(4,000)
Provision impairment other Investment	(65,011)	(12,138)
Net operating profit	**1,975,609**	**1,236,753**
Income from dilution of interest in subsidiary	-	307,390
Net profit for the year	**1,975,609**	**1,544,143**
Less:		
Unrestricted investment account holder's share of profit	(386,704)	(342,801)
Net profit for the year attributable to shareholders	**1,588,905**	**1,201,342**

(Amounts expressed in thousands of Qatari Riyals)

33. Parent company (continued)

The cash flow of the parent company is presented below:

	2008	2007
Cash flow from operating activities		
Net profit for the year before share of profit for unrestricted investment account holders	1,975,610	1,544,143
Adjustments for:		
Depreciation on fixed assets	16,026	10,667
Provision for financial investments	(4,524)	(1,151)
Provision for impairment of other investments	65,011	12,138
Revaluation Gain for other investments	12,240	(7,078)
Share of profit from associate	(239,558)	(30,098)
Foreign Exchange Fluctuations Gains	20,915	(66,651)
Profit on sale of fixed assets	-	(14)
Profit on sale of financial investments available for sale	(178,313)	(141,189)
Income from Dilution of Subsidiary	-	(307,390)
Income from revaluation on investment property at faire value	(198,129)	
Profit on sale of other investments	(119,769)	(148,008)
Net operating profit before changes in operating assets and	**1,349,509**	**865,369**
Net decrease / (increase) in assets:		
Balances with banks and financial institutions	(704,593)	(72,725)
Reserve with Qatar Central Bank	(417,106)	(134,524)
Due from financing activities	(7,277,295)	(4,745,532)
Other assets	(84,487)	(303,968)
Net increase / (decrease) in liabilities:		
Due to banks and financial institutions	4,923,684	2,444,947
Customer accounts	710,591	2,021,863
Other liabilities	277,117	180,260
	(1,222,580)	**255,690**
Payments to unrestricted investment account holders	(363,647)	(297,870)
Net cash from operating activities	**(1,586,227)**	**(42,180)**
Cash flow from investing activities:		
Purchase of financial investments	(2,255,405)	(1,343,781)
Additional investment in associate company	(535,000)	(364,000)
Proceeds from sale of financial investments	1,373,860	846,615
Proceeds from dilution of interest in subsidiary	-	390,000
Purchase of other investments	(401,753)	(535,998)
Proceeds from sale of other investments	380,341	712,703
Purchase of fixed assets	(164,901)	(28,121)
Proceeds from sale of fixed assets	-	140
Net cash used in investing activities	**(1,602,858)**	**(322,442)**
Cash flow from financing activities		
Increase in share capital	179,010	-
Increase in legal reserve	1,074,060	-
Increase in unrestricted investment accounts	3,669,199	1,368,958
Dividend distributed	(238,680)	(835,380)
Net cash from financing activities	**4,683,589**	**533,578**
Net increase / (decrease) in cash and cash equivalents	1,494,504	168,956
Cash and cash equivalents - Beginning of the year	4,050,868	3,881,912
	5,545,372	**4,050,868**

34. Subsequent events

In an extraordinary general meeting of the shareholders held on 23 December 2008, the shareholders approved to issue share capital to Qatar Investment Authority (QIA) up to a maximum of 20% of the issued share capital of the bank as at 31 December 2008. Subsequently QIA indicated its intention to execute a 10% investment during 2009.

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

QIB's audited annual historical consolidated financial statements as of and for the years ended 31 December 2009 and 31 December 2008 (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 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.

PricewaterhouseCoopers 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:

- 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 recognized in other comprehensive income; and
- 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

The Bank 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 recognized 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 16 to the financial statements for the year ended 31 December 2009.

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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