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

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar International Islamic Bank (Q.S.C) (the "Bank") which comprise the consolidated statement of financial position as at December 31,2012 and the 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 information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Qatar International Islamic Bank (Q.S.C) as of December 31,2012 and of its financial performance and its cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank and Qatar Central Bank regulations.

Report on other legal and regulatory matters

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

For **Deloitte & Touche**

January 22, 2013
Doha – Qatar

Muhammad Bahemia
License No. 103

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	Notes	2012 QR'000	2011 QR'000
Assets			
Cash and balances with central bank	8	**1,354,077**	934,530
Due from banks	9	**5,449,574**	5,734,175
Financing assets	10	**14,675,110**	10,588,963
Investment securities	11	**5,004,119**	4,259,060
Investment in associates	12	**381,991**	365,231
Investment properties	13	**1,165,036**	875,915
Fixed assets	14	**209,780**	185,531
Other assets	15	**319,353**	414,221
Total assets		**28,559,040**	23,357,626
Liabilities, equity of unrestricted investment account holders and shareholders' equity			
Liabilities			
Due to banks	16	**814,667**	1,361,437
Customers' current accounts	17	**5,639,496**	3,952,019
Sukuk financing	18	**2,540,338**	-
Other liabilities	19	**356,963**	359,093
Total liabilities		**9,351,464**	5,672,549
Equity of unrestricted investment account holders	20	**14,171,539**	12,791,817
Shareholders' equity			
Share capital	21(a)	**1,513,687**	1,513,687
Legal reserve	21(b)	**2,452,360**	2,452,360
Risk reserve	21(c)	**272,854**	167,869
Fair value reserve	21(d)	**107,176**	107,309
Foreign currency translation reserve	21(e)	**-**	(10,651)
Other reserves	21(f)	**67,355**	32,896
Proposed cash dividend	21 (g)	**529,790**	529,790
Retained earnings		**92,815**	100,000
Total shareholder equity		**5,036,037**	4,893,260
Total liabilities, equity of unrestricted investment account holders and shareholders' equity		**28,559,040**	23,357,626

These consolidated financial statements were approved by the Board of Directors on 22 January, 2013 and signed on its behalf by the following:

Dr. Khaled bin Thani bin Abdullah Al Thani
Chairman and Managing Director

Abdulbasit Ahmad Abdulrahman Al Shaibei
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2012

	Notes	2012	2011
		QR'000	QR'000
Net income from financing activities	22	**785,907**	851,081
Net income from investing activities	23	**291,115**	205,483
Total income from financing and investing activities		**1,077,022**	1,056,564
Fee and commission income		**78,750**	76,966
Fee and commission expense		**(19,929)**	(15,188)
Net fee and commission income	24	**58,821**	61,778
Net foreign exchange gains	25	**10,995**	7,293
Share of results of associates	12	**36,493**	(43)
Total income		**1,183,331**	1,125,592
Staff costs	26	**(114,440)**	(113,721)
Depreciation		**(13,937)**	(12,986)
Finance expense		**(28,007)**	(15,692)
Other expenses	27	**(60,927)**	(59,895)
Total expenses		**(217,311)**	(202,294)
Net impairment loss on investment securities	11	**(24,504)**	(1,821)
Net impairment loss on financing assets	10	**-**	(19,343)
Foreign exchange loss on translation of investment in Associate	21(e)	**(40,853)**	--
Net profit for the year before return to unrestricted investment account holders		**900,663**	902,134
Share of unrestricted investment account holders of profit	20	**(221,638)**	(249,098)
		679,025	653,036
Earnings per share			
Basic and diluted earnings per share (QAR per share)	29	**4.49**	4.38

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2012

	Notes	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividend	Retained earnings	Total shareholders' equity
		QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2012		**1,513,687**	**2,452,360**	**167,869**	**107,309**	**(10,651)**	**32,896**	**529,790**	**100,000**	**4,893,260**
Foreign exchange loss translation of investment in associate transferred to statement of income	21(e)	**-**	**-**	**-**	**-**	**10,651**	**-**	**-**	**-**	**10,651**
Fair value reserve movement	21(d)	**-**	**-**	**-**	**(133)**	**-**	**-**	**-**	**-**	**(133)**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**679,025**	**679,025**
Total recognised income and expense for the year		**1,513,687**	**2,452,360**	**167,869**	**107,176**	**-**	**32,896**	**529,790**	**779,025**	**5,582,803**
Cash dividends paid to shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**(529,790)**	**-**	**(529,790)**
Proposed cash dividends		**-**	**-**	**-**	**-**	**-**	**-**	**529,790**	**(529,790)**	**-**
Net movement in other reserves			**-**	**-**	**-**	**-**	**34,459**	-	**(34,459)**	**-**
Social and Sports Fund appropriation		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,976)**	**(16,976)**
Transfer to risk reserve		**-**	**-**	**104,985**	**-**	**-**	**-**	**-**	**(104,985)**	**-**
Balance at December 31, 2012		**1,513,687**	**2,452,360**	**272,854**	**107,176**	**-**	**67,355**	**529,790**	**92,815**	**5,036,037**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2012

	Notes	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividend	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total shareholders' equity
		QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2011		1,387,546	1,651,369	152,869	66,074	(1,866)	40,800	520,330	176	3,817,298	-	3,817,298
Change in foreign currency translation reserve	21(e)	-	-	-	-	(8,785)	-	-	-	(8,785)	-	(8,785)
Fair value reserve movement	21(d)	-	-	-	41,235	-	-	-	-	41,235	-	41,235
Net profit for the year		-	-	-	-	-	-	-	653,036	653,036	-	653,036
Total recognised income and expense for the year		1,387,546	1,651,369	152,869	107,309	(10,651)	40,800	520,330	653,212	4,502,784	-	4,502,784
Shares issued to Qatar Investment Authority	21(a)	126,141	800,991	-	-	-	-	-	-	927,132	-	927,132
Cash paid to shareholders		-	-	-	-	-	-	(520,330)	-	(520,330)	-	(520,330)
Proposed cash dividends		-	-	-	-	-	-	529,790	(529,790)	-	-	-
Net movement in other reserve		-	-	-	-	-	(7,904)	-	7,904	-	-	-
Social and Sports Fund appropriation		-	-	-	-	-	-	-	(16,326)	(16,326)	-	(16,326)
Transfer to risk reserve		-	-	15,000	-	-	-	-	(15,000)	-	-	-
Balance at December 31, 2011		1,513,687	2,452,360	167,869	107,309	(10,651)	32,896	529,790	100,000	4,893,260	-	4,893,260

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

	Notes	2012	2011
		QR'000	QR'000
For the year ended December 31			
Cash flows from operating activities			
Net profit for the year		**679,025**	653,036
Adjustments for:			
Net impairment loss on financing assets	10	**-**	19,343
Net impairment loss on investment securities	11	**24,504**	1,821
Foreign exchange loss on translation of investment in associate	21 (e)	**40,853**	-
Depreciation and amortization	13/14	**13,937**	12,986
Net gain on sale of investment securities	23	**(12,539)**	(2,098)
Dividend income	23	**(11,297)**	-
Share of results of associates and joint ventures	12	**(36,493)**	43
Sukuk amortization		**337**	-
gain on disposal of investment property		**(12,992)**	-
Gain on disposal of fixed assets		**(130)**	-
Profit before changes in operating assets and liabilities		**685,205**	685,131
Change in reserve account with central banks		**(116,567)**	(156,537)
Change in due from banks		**-**	-
Change in financing assets		**(4,086,147)**	(1,411,216)
Change in other assets		**94,868**	(149,640)
Change in due to banks		**(546,770)**	(84,113)
Change in customer current accounts		**1,687,477**	1,115,887
Change in other liabilities		**(40,181)**	77,252
Net cash (used in) / from operating activities		**(2,322,115)**	76,764
Cash flows from investing activities			
Acquisition of investment securities		**(2,988,638)**	(3,199,577)
Proceed from sale of investment securities		**2,250,545**	633,649
Acquisition of fixed assets	14	**(34,438)**	(4,308)
Proceed from sale of fixed assets		**159**	--
Acquisition of associate company		**-**	(167,164)
Acquisition of investment property	13	**(350,569)**	(240,812)
Proceed from sale of investment property		**64,269**	-
Dividends received from associate companies		**2,034**	7,861
Net cash used in investing activities		**(1,056,638)**	(2,970,351)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

	Notes	2012	2011
		QR'000	QR'000
Cash flows from financing activities			
Change in unrestricted investment accounts		**1,386,921**	2,896,312
Proceeds from issuance of share capital		**-**	927,132
Proceeds from Sukuk financing	١٨	**2,540,001**	-
Dividends paid		**(529,790)**	(520,330)
Net cash from financing activities		**3,397,132**	3,303,114
Net increase in cash and cash equivalents		**18,379**	409,527
Cash and cash equivalents at 1 January		**5,890,199**	5,480,672
Cash and cash equivalents at 31 December	30	**5,908,578**	5,890,199

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Qatar International Islamic Bank (Q.S.C.) ("the Bank") was incorporated under Amiri Decree No. 52 of 1990. The Bank operates through its head office located on Grand Hamad Street in Doha and 16 local branches. The Bank is listed and its shares are traded on the Qatar Exchange.

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

The consolidated financial statements have been approved by the Board of Directors on January 22, 2013.

The principal SPE of the Bank is as follows:

	Country of Incorporation	***Capital'000***	***Principal Business Activity***	***Effective Percentage of ownership***	
				2012	*2011*
QIIB Sukuk Ltd (i)	Cayman Islands	-	Sukuk Issuance	-	-

Notes:

(i) QIIB Sukuk Ltd, was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk issuance for the benefit of QIIB.

2. BASIS OF PREPARATION

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, the applicable provisions of Qatar Central Bank ("QCB") regulations and the applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Bank uses guidance from the relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment securities classified as "Investments at fair value through equity", " Investments at fair value through income statement" and "investments in properties held for trading" that are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyal ("QAR"), which is the Bank's functional and the presentation currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousands.

2. BASIS OF PREPARATION

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

i. Special purpose entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific financing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Bank and the SPE's risks and rewards, the Bank concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Bank controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Bank according to its specific business needs so that the Bank obtains benefits from the SPE's operation;
- The Bank has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Bank has delegated these decision-making powers;
- The Bank has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE;
- The Bank retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Bank has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Bank and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Bank and the SPE and in such instances the Bank determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Bank's voluntary actions, such as financing amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Bank and an SPE, the Bank performs a reassessment of control over the SPE.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

ii. Associates

Associates are entities over which the Bank 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 under the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate).

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

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

Gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Similarly losses on transactions between the Bank and its associates also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of these consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the consolidated statement of income.

The Bank's share of the results of its associates is based on financial statements made up to a date not earlier than three months before the date of the consolidated financial statements and adjusted to conform to the accounting policies of the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

Foreign currency transactions during the year are translated at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Qatari Riyal at the rates of exchange prevailing at the year end. Any differences are taken to the income statement as currency exchange gains or losses.

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

(c) Investment securities

i. Classification

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Debt-type instruments
Investments in debt-type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through statement of income.

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through statement of income.
Debt-type investments classified and measured at fair value through statement of income include investments held for trading or designated at fair value through statement of income. At inception, a debt-type investment managed on a contractual yield basis, can only be designated at fair value through statement of income if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

Equity-type instruments
Investments in equity type instruments are classified into the following categories: 1) at fair value through statement of income or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through statement of income include investments held for trading or designated at fair value through statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (continued)

i. Classification (continued)

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through statement of income include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Bank makes an irrevocable election to designate certain equity instruments that are not designated at fair value through statement of income to be classified as investments at fair value through equity.

ii. Recognition and derecognition

Investment securities are recognised at the trade date i.e. the date that the Bank contracts to purchase or sell the asset, at which date the Bank becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risk and rewards of ownership.

iii. Measurement

Initial recognition
Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through statement of income which are charged to the consolidated statement of income.

Subsequent measurement
Investments at fair value through statement of income are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated statement of income in the period in which they arise.

Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated statementof income.

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in owners' equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated statementof income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (continued)

iii. Measurement (continued)

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

iv. Measurement principles

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement
Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. Quoted investments are marked to market using the bid price for that instrument at the close of business as of the reporting date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows discounted at current profit rates for contracts with similar term and risk characteristics.

(d) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Bank with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musharaka, Musawama, Ijarah, Istisna'aand other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any)

Murabaha and Musawama
Murabaha and Musawama receivables are sales on deferred terms. The Bank arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Mudaraba and Musharaka
Mudaraba financing are partnerships in which the Bank contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financing assets (continued)

Mudaraba financing are partnerships in which the Bank contributes work and capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah
Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisna'a
Istisna'a is a sales contract in which the Bank acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

(e) Other financial assets and liabilities

i. Recognition and initial measurement

The Bank initially recognises due from banks, financing assets, customers' current accounts, due to banks, and financing liabilities on the date at which they originate. All other financial assets and liabilities are initially recognised on the settlement date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through statement of income, transaction costs that are directly attributable to its acquisition or issue.

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Other financial assets and liabilities (continued)

ii. Derecognition of financial assets and financial liabilities

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated statementof income.

The Bank enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised
In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

iii. Offsetting

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing facility or advance by the Bank on terms that the Bank would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Bank of assets such as adverse changes in the payment status of counterparty or issuers in the Bank, or economic conditions that correlate with defaults in the Bank. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Equity-type investments classified as fair value through equity
In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined continuously for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

Financial assets carried at amortised cost (including investment in debt-type instruments classified as amortised cost)

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated statement of income and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognised impairment losses. The Bank considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

(g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central bank and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment property

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment property.

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

Properties held capital appreciation purposes are recognized at fair value on an individual aggregated basis. Unrealized gain from changes in fair value is included in fair value reserve in equity and unrestricted investments account, until the investment is sold or determined as or impaired at which time, the Bank will then convert profits or losses previously included within the equity and unrestricted investment accounts to the statement of income.

(i) Fixed assets

i) Recognition and measurement

Property and equipment are stated at cost net of accumulated depreciation and impairment in value. Freehold land is not depreciated. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

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The estimated useful lives for the current and comparative years are as follows:

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

Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.
Repairs and maintenance expenses are charged to the statement of income when incurred.

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

(j) Customer current accounts

Balances in current accounts are recognised when received by the Bank. The transactions are measured as the amount received by the Bank at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Equity of unrestricted investment account holders

Equity of unrestricted investment account holders are funds held by the Bank, which it can invest at its own discretion. The investment account holders authorises the Bank to invest its funds in a manner which the Bank deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Bank charges a management fee (Mudarib fee) to the unrestricted the investment account holders. Of the total income from investment accounts, the income attributable to the unrestricted investment account holders is allocated to them after setting aside provisions, reserves (profit equalisation reserve and investment risk reserve) and deducting the Bank's share of income as a Mudarib. The allocation of income is determined by the management of the Bank within the allowed profit sharing limits as per the terms and conditions of the unrestricted investment accounts.

(l) Distribution of profit between equity of investment account holders and shareholders

The Bank complies with the directives of the QCB as follows:

- 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 owners.

- The share of profit of unrestricted investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Bank's agreed and declared Mudaraba fee.

- In case of any expense or loss, which arises out of negligence on the part of the Bank due to non-compliance with QCB regulations and instructions, then such expense or loss, shall not be borne by the unrestricted investment account holders. Such matter is subject to the QCB decision.

- In case the results of the Bank at the yearend are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.

- Due to pooling of investment funds (both Bank's and unrestricted investment account holders funds) for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(m) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Bank as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investment account holders. Assets that are held in such capacity are not included as assets of the Bank in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Sukuk financing

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears fixed semi-annual profit and mature after 5 years from issuance date. Profits are recognised periodically till maturity. Sukuks are recognised at amoritised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing".

(o) Provisions

Provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation, that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(p) Employees' end of service benefits and pension fund

- The Bank provides a provision for all end of service benefits payable to employees in accordance with the Bank's policies, calculated on the basis of individual employee's salary and period of service at the reporting date
- The Bank also provides for its contribution to the pension fund in accordance with the Retirement and Pension Law No. 24 of 2002, which is included under general and administrative expenses.

(q) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders' of the Bank.

(r) Revenue recognition

Murabaha and Musawama
Profit from Murabaha and Musawama transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated statement of income.

Mudaraba
Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib. Losses on the other hand are charged to the consolidated statement of income on declaration by the Mudarib.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

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

Musharaka
Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Ijara
Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated statement of income.

Istisna'a
Revenue and the associated profit margin are recognised in the Bank's consolidated statement of income according to the percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Bank's estimated cost. The Bank's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Fees and commission income
Fees and commission income that are integral to the effective profit rate of a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

Dividend income
Dividend income is recognised when the right to receive the dividend is established.

(s) Earnings per share

The Bank presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(t) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Chief Executive Officer (being the chief operating decision maker) of the Bank to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Earnings prohibited by Shari'a

The Bank is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Bank uses these funds for charitable purposes.

(v) Wakala payables

The Bank accepts deposits from customers under Wakala arrangements whereby the returns payable to customers are agreed in the wakala agreements. There is no restriction on the Bank for the use of funds received under wakala agreements. Wakala payables are carried at cost plus accrued profit

(w) Financial guarantees

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

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

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

(x) Contingent liabilities

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

(y) New standards and interpretations

During 2012, AAOIFI issued a new accounting standard:- Financial Accounting Standard (FAS 26) "Investment in real estate", which is effective as of January 1, 2013.

Management expects implementation of the new standard in the future period will have no effect on the Bank's financial position, performance or its disclosures.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

Financial instruments

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

Risk Management

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

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

Risk Management Structure

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

Board of Directors

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

Risk Management Function

The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Bank.

Executive Bank Management

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

Internal audit

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Risk measurement and reporting systems

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

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

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

On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

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

Excessive risk concentration

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

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

(b) Credit risk

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The main types of collaterals obtained are as follows:
For securities lending, cash or securities.
For commercial and corporate lending, mortgages over real estate properties, inventory, cash and securities.
For retail lending, mortgages over residential properties and securities.

Management monitors the market value of collateral.

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

Details of the composition of the receivables and balances from financing activities to customers are set out inNote10.

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

(i) Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:

	2012	2011
	QR'000	QR'000
Balances with central bank	**1,174,136**	778,506
Due from banks	**5,449,574**	5,734,175
Financing assets	**14,675,110**	10,588,963
Investment securities	**5,004,119**	4,259,060
Other assets	**319,353**	414,221
	26,622,292	21,774,925
Other credit risk exposures are as follows:		
Acceptances	**37,607**	39,245
Guarantees	**801,618**	913,115
Letter of credit	**222,326**	305,389
Unutilised financing facilities	**822,630**	67,902
	1,884,181	1,325,651

The above tables represent a worse-case scenario of credit risk exposure to the Bank, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a financing commitment is the full amount of the commitment. In both cases, the maximum risk exposure is greater than the amount recognised as a liability in the consolidated statement of financial position.

(ii) Concentration of risks of financial assets with credit risk exposure Geographical sectors

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region and based on the country of domicile of its counterparties.

2012	**Qatar**	**Other GCC**	**Other Middle East**	**Others**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**	**QR'000**
Assets recorded on the consolidated statement of financial position:					
Balances with central bank	**1,174,136**	**-**	**-**	**-**	**1,174,136**
Due from banks	**4,749,145**	**515,765**	**2,673**	**181,991**	**5,449,574**
Financing assets	**14,663,014**	**-**	**12,096**	**-**	**14,675,110**
Investment securities	**4,412,068**	**505,620**	**18,208**	**68,223**	**5,004,119**
Other assets	**310,640**	**-**	**-**	**8,713**	**319,353**
	25,309,003	**1,021,385**	**32,977**	**258,927**	**26,622,292**

2011	Qatar	Other GCC	Other Middle East	Others	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
Assets recorded on the consolidated statement of financial position:					
Balances with central bank	778,506	-	-	-	778,506
Due from banks	5,457,479	188,104	1,519	87,073	5,734,175
Financing assets	10,564,701	-	24,262	-	10,588,963
Investment securities	4,050,554	114,629	18,209	75,668	4,259,060
Other assets	414,221	-	-	-	414,221
	21,265,461	302,733	43,990	162,741	21,774,925

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Concentration of risks of financial assets with credit risk exposure Geographical sectors (continued)

2012	**Qatar**	**Other GCC**	**Other Middle East**	**Others**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**	**QR'000**
Acceptances	**37,607**	**-**	**-**	**-**	**37,607**
Guarantees	**801,208**	**-**	**-**	**410**	**801,618**
Letter of credit	**222,326**	**-**	**-**	**-**	**222,326**
Unutilised financing facilities	**822,630**	**-**	**-**	**-**	**822,630**
	1,883,771	**-**	**-**	**410**	**1,884,181**

2011	Qatar	Other GCC	Other Middle East	Others	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
Acceptances	39,245	-	-	-	39,245
Guarantees	913,115	-	-	-	913,115
Letter of credit	305,389	-	-	-	305,389
Unutilised financing facilities	67,902	-	-	-	67,902
	1,325,651	-	-	-	1,325,651

Industry sectors

The following table breaks down the Bank's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements, as categorised by the industry sectors of the Bank's counterparties.

	Gross exposure	Gross exposure
	2012	2011
Government & government institutions	**5,301,992**	4,921,196
Industry	**306,985**	62,414
Commercial	**510,378**	79,322
Services	**7,284,576**	6,801,522
Contracting	**119,225**	569,501
Real estate	**6,925,333**	5,528,337
Personal	**4,279,822**	3,355,178
Others	**1,893,983**	457,455
Contingent liabilities	**1,884,181**	1,325,651
	28,506,473	23,100,576

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Concentration of risks of financial assets with credit risk exposure Geographical sectors (continued)

Credit risk exposure

The tables below presents an analysis of financial assets by rating agency designation, based on Standard & Poor's ratings (or their equivalent):

	2012	2011
	QR'000	QR'000
Equivalent grades		
AAA to AA-	**5,302,181**	4,830,895
A+ to A-	**2,735,297**	67,947
BBB+ to BBB-	**60,470**	4,042
BB+ to B-	**2,083**	-
Below B-	**-**	5,676
Unrated	**18,522,261**	16,866,365
	26,622,292	21,774,925

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality

	Financing assets		Due from banks		Investment in debt-type securities	
	2012	2011	**2012**	2011	**2012**	2011
	QR'000	QR'000	**QR'000**	QR'000	**QR'000**	QR'000
Neither past due nor impaired (low risk):						
Gross amount	**15,352,153**	11,262,577	**5,449,574**	5,734,175	**-**	-
Deferred profit	**(924,426)**	(875,740)	**-**	-	**-**	-
Carrying amount	**14,427,727**	10,386,837	**5,449,574**	5,734,175	**-**	-
Past due but not impaired (special mentioned):	**175,103**	172,688	**-**	-	**-**	-
Impaired						
Substandard (overdue > 3 months)	**108,880**	73,239	**-**	-	**-**	-
Doubtful (overdue > 6 months)	**28,361**	12,310	**-**	-	**-**	-
Loss (overdue > 9 months)	**109,173**	102,614	**-**	-	**-**	-
	246,414	188,163	**-**	-	**-**	-
Less: suspended profit	**(58,542)**	(42,125)	**-**	-	**-**	-
Less: impairment allowance-specific	**(115,592)**	(116,600)	**-**	-	**-**	-
	72,280	29,438	**-**	-	**-**	-
Carrying amount – net	**14,675,110**	10,588,963	**5,449,574**	5,734,175	**-**	-
Investment securities						
At amoritised cost	-	-	-	-	**4,760,461**	3,589,297
Less: impairment allowance	-	-	-	-	**-**	-
Carrying amount – net	-	-	-	-	**4,760,461**	3,589,297
Total carrying amount	**14,675,110**	10,588,963	**5,449,574**	5,734,175	**4,760,461**	3,589,297

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Impaired financing assets and investment in debt-type securities
Individually impaired financing assets and investment in debt-type securities (other than those carried at fair value through statement of income) are those which the Bank has determined that there is objective evidence of impairment and it does not expect to collect all principal and profit due according to the contractual terms of the financing / investment security agreement(s).

Investment in debt-type securities carried at fair value through statement of income are not assessed for impairment.

Financing assets past due but not impaired
Past due but not impaired financing assets are those for which contractual profit or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

	2012	2011
	QR'000	QR'000
Upto 30 days	**55,765**	89,237
30 to 60 days	**119,338**	60,892
60 – 90 days	**-**	22,559
Gross	**175,103**	172,688

(iv) Collateral

The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indexes of similar assets.

The Bank has collateral in the form of blocked deposit, pledge of shares, mortgage interests over properties, guarantees or legal mortgage against the past dues financing assets.

The aggregate collateral is QR 51 million (2011: QR 82.9 million) for past due up to 30 days, QR 446.2million (2011: QR 227.9 million) for past due from 31 to 60 days, QR Nil million (2011: QR 32.0 million) for past due from 61 and 90 days, and QR 441.4 million (2011: QR 278.4 million) for past due from 91 and above days.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Write-off policy

The Bank writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Bank determines that the financing asset or security is uncollectible and after QCB approval is obtained.

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 1.0 million (2011: QAR 0.73 million.).

(c) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sale of assets, or potentially an inability to fulfil financing commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

(i) Management of liquidity risk

The Bank maintains a portfolio of high quality liquid assets, largely made up of QCB Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB. The Market Risk Department monitors the liquidity risk of the Bank on a daily basis to run various liquidity Stress Testing scenarios and report its results to the risk committee for their action if needed. All liquidity policies and procedures are subject to review by ALCO and approved by Board Of Directors.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(ii) Exposure to liquidity risk

A key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers, i.e total assets by maturities against total liabilities by maturities. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by QCB. The Market Risk Department monitors the liquidity risk of the Bank on a daily basis and run liquidity Stress Testing in order to make sure the Bank is incompliance with QCB requirements. All liquidity policies and procedures are subject to review by ALCO and approved by Board of Directors.

Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2012	2011
	QR'000	QR'000
At December 31		
Average for the year	**204%**	202
Maximum for the year	**228%**	249
Minimum for the year	**176%**	167

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis

Maturity analysis of Bank's assets is prepared on the basis of their expected maturity. Whereas maturity analysis of the Bank's liabilities are prepared on the basis of contractually maturity date,

	Carrying Amount	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
2012						
Balances with central bank	1,174,136	1,174,136	-	-	-	-
Due from banks	5,449,574	2,730,348	1,990,925	728,301	-	-
Financing assets	14,675,110	124,543	703,774	1,518,901	8,166,134	4,161,758
Investment securities-SUKUK	4,760,461	199,520	-	-	2,206,744	2,354,197
Investment in Associates	381,991	-	-	-	-	381,991
Other assets	319,353	159,382	63,766	96,205	-	-
Total financial assets	**26,760,625**	**4,387,929**	**2,758,465**	**2,343,407**	**10,372,878**	**6,897,946**
Due to banks	814,667	292,228	158,289	364,150	-	-
Sukuk financing	2,540,338	-	-	-	2,540,338	-
Other Liabilities	356,963	-	356,963	-	-	-
Total Liabilities	**3,711,968**	**292,228**	**515,252**	**364,150**	**2,540,338**	**-**
Equity of unrestricted investment account holders	14,171,539	5,998,044	1,266,928	4,335,661	2,570,906	-
Total of liability and equity	**17,883,507**	**6,290,272**	**1,782,180**	**4,699,811**	**5,111,244**	**-**
Maturity gap	**8,877,118**	**(1,902,343)**	**976,285**	**(2,356,404)**	**5,261,634**	**6,897,946**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

	Carrying Amount	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
2011						
Balances with central bank	778,506	778,506	-	-	-	-
Due from banks	5,734,175	2,603,957	2,226,576	903,642	-	-
Financing assets	10,588,963	86,196	548,927	810,665	4,115,983	5,027,192
Investment securities-SUKUK	4,094,752	648,845	-	-	2,195,907	1,250,000
Investment in Associates	365,231	-	-	-	-	365,231
Other assets	414,221	234,510	-	179,711	-	-
Total financial assets	21,975,848	4,352,014	2,775,503	1,894,018	6,311,890	6,642,423
Due to banks	1,361,437	553,165	808,272	-	-	-
Sukuk financing	-	-	-	-	-	-
Other Liabilities	359,093	-	359,093	-	-	-
Total Liabilities	1,720,530	553,165	1,167,365	-	-	-
Equity of unresticted investment account holders	12,791,817	4,185,803	709,783	4,662,226	3,234,005	-
Total	14,512,347	4,738,968	1,877,148	4,662,226	3,234,005	-
Maturity gap	7,463,501	(386,954)	898,355	(2,768,208)	3,077,885	6,642,423

(d) Market risks

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

The market risks arising from trading and non-trading activities are concentrated in the Bank's Treasury and monitored by the Bank's Market risk department on a daily basis. Regular reports are submitted to the Risk Committee/Board Level.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(i) Management of market risks

Overall authority for market risk is vested in ALCO/Investment Committee / Limits Committee. Bank Market Risk is responsible for the development of detailed market risk management policies (subject to review and approval by Risk Committee/Board Level) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification and management of market risk in a prudent way to ensure safeguarding interests of all shareholders. The Bank views market risk management as a core competency and its purpose is not to neutralise market risks, but rather maximize risk/return trade-offs within clearly defined limits. The existence of market risk requires the measurement of the magnitude of the exposure. This measure is an essential precursor to the management of the risk that takes the form of either reducing the exposure through hedging or maintaining sufficient capital to protect the entity from the risk of operational capacity impairment

The principal tool used to measure and control market risk exposure within the Bank's portfolios is Stress Testing scenarios modelling .

(ii) Exposure to other market risks – non-trading portfolios

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through statement of income and fair value through equity.

The Bank is exposed to equity price risk and the sensitivity analysis thereof is as follows:

Market Indices	Change in equity price %	Effect on equity		Effect on profit and loss	
		2012	2011	**2012**	2011
		QR'000	QR'000	**QR'000**	QR'000
Qatar Exchange	**+/ - 10%**	**12,260**	2,462	**-**	**-**
New York Stock Exchange	**+/ - 10%**	**749**	523	**-**	**-**

The above analysis has been prepared on the assumption that all other variables such as profit rate, foreign exchange rate, etc are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above.

Profit rate risk

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

Profit rate risk (continued)

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

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

	Change in basis points	Sensitivity of profit income	
		2012	2011
		QR '000	QR '000
Change in net income	+/- 25	**213**	262

Currency risk

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

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

Currency	**Change in currency rate**	**Effect on statement of income**	
		2012	2011
	%	**QR'000**	QR'000
Euro	+/- 10%	**6,003**	291
Sterling Pounds	+/- 10%	**1,197**	1,967
Others	+/- 10%	**5,243**	39,621

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

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

(f) Capital management

Regulatory capital

The Bank's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on owners' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the period.

The capital adequacy ratio of the Bank is calculated in accordance with the Basel II Committee guidelines as adopted by the QCB.

The Bank's regulatory capital position under Basel II and QCB regulations at December 31 was as follows:

	2012	2011
	QR'000	QR'000
Tier 1 capital	**3,908,702**	3,922,756
Tier 2 capital	**74,799**	163,160
Total regulatory capital	**3,983,501**	4,085,916

Tier 1 capital includes share capital, legal reserve, retained earnings and other reserves.

Tier 2 capital includes risk reserve (up to 1.25% of the risk weighted assets), fair value reserves (45% if positive and 100 % if negative) and subordinated debt.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Regulatory capital (continued)

Risk weighted assets and carrying amounts

	2012 Basel II Risk weighted amount	2011 Basel II Risk weighted amount	**2012 Carrying amount**	2011 Carrying amount
	QR'000	QR'000	**QR'000**	QR'000
Balances with central bank	**-**	-	**1,174,136**	934,530
Placements with banks and other financial Institutions	**3,070,844**	2,869,353	**5,449,574**	5,734,175
Financing assets	**12,102,949**	8,043,265	**14,675,110**	10,588,963
Investment securities	**636,326**	474,984	**5,004,119**	4,259,060
Other assets	**533,406**	908,940	**319,353**	414,221
Off balance sheet assets	**623,551**	508,922	**1,059,291**	1,257,749
Total risk weighted assets for credit risk	**16,967,076**	12,805,464	**27,681,583**	23,188,698
Risk weighted assets for market risk	**2,982,888**	2,401,571	**238,631**	192,126
Risk weighted assets for operational risk	**1,443,344**	1,295,152	**115,468**	103,612
	4,426,232	3,696,723	**354,099**	295,738

The minimum ratio limit determined by QCB is 10% and the current Basel II capital adequacy requirement is 8%.

	2012	2011
	QR'000	QR'000
Risk weighted assets	**21,393,308**	16,502,187
Regulatory capital	**3,991,865**	4,085,916
Risk weighted assets as a percentage of regulatory capital (capital ratio)	**18.66%**	24.76%

5. USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Allowance for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Provisions and Past dues Committee. Minimum impairment on specific counter parties are determined based on the QCB regulations.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(b) Critical accounting judgements in applying the Bank's accounting policies

(i) Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed in the significant accounting policies section.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Critical accounting judgements in applying the Bank's accounting policies (continued)

(i) Valuation of financial instruments (continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair value using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(ii) Financial asset and liability classification

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurements categorised:

2012	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Financial investments				
Investment at fair value Through equity	**243,658**	**130,094**	**113,568**	**-**
Total	**243,658**	**130,094**	**113,568**	**-**

2011	Fair value	Level 1	Level 2	Level 3
	QR'000	QR'000	QR'000	QR'000
Financial investments				
Investment at fair value through equity	164,308	30,252	134,056	-
Total	164,308	30,252	134,056	-

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Critical accounting judgements in applying the Bank's accounting policies (continued)

(ii) Financial asset and liability classification (continued)

During the current year, due to changes in market conditions for certain investment securities, quoted prices in active markets were no longer available for those securities. However, there was sufficient information available to measure fair values of those securities based on observable market inputs. Hence, those securities, with a carrying amount of QAR NIL (2011: QR NIl), were transferred from Level 1 to Level 2 of the fair value hierarchy.

Details of the Bank's classification of financial assets and liabilities are given in note 7.

(iii) Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies note.

(iv) Useful lives of fixed assets

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

6. OPERATING SEGMENT

The bank has 3 reportable segments, as described below, which are the bank strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Bank's management and internal reporting structure. For each of the strategic divisions, the Bank Management Committee reviews internal management reports on at least monthly basis. The following summary describes the operations in each of the Bank's reportable segments.

Corporate Banking	Includes financings, deposits and other transactions and balances with corporate customers, government and semi-government institutions, SME's customers.
Retail Banking	Includes financings, deposits and other transactions and balances with retail customers
Treasury & Investment	Undertakes the Bank's funding and centralised risk management activities through borrowings, issues of debt securities, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Investments activity , includes the Bank's trading and corporate finance activities

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit profitability, assets and liabilities growth, as included in the internal management reports that are reviewed by the ALCO committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments.

6. OPERATING SEGMENT (CONTINUED)

(i) Information about operating segments

2012	**Corporate**	**Retail**	**Treasury & Investments**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**
External revenue:				
Total income from financing and investing activities	**517,450**	**267,029**	**292,543**	**1,077,022**
Net fee and commission income	**41,031**	**17,790**	**-**	**58,821**
Foreign exchange gain / (loss)		**-**	**10,995**	**10,995**
Share of results of associates	**-**	**-**	**36,493**	**36,493**
Total segment revenue	**558,481**	**284,819**	**340,031**	**1,183,331**
Other material non-cash items:				
Net impairment loss on investment	**-**	**-**	**65,357**	**65,357**
Reportable segment profit	**558,481**	**284,819**	**274,674**	**1,117,974**
Reportable segment assets	**10,166,501**	**4,494,787**	**12,291,879**	**26,953,167**
Reportable segment liabilities	**6,130,579**	**13,511,999**	**3,355,005**	**22,997,583**

2011	Corporate	Retail	Treasury & Investments	Total
	QR'000	QR'000	QR'000	QR'000
External revenue:				
Total income from financing and investing activities	617,155	225,729	213,680	1,056,564
Net fee and commission income	44,899	16,878	-	61,778
Foreign exchange gain / (loss)		-	7,293	7,293
Share of results of associates and joint ventures	-	-	(43)	(43)
Total segment revenue	662,054	242,607	220,930	1,125,592
Other material non-cash items:				
Net impairment loss on investment securities	-	-	1,821	1,821
Net impairment loss on financing assets	6,961	12,382	-	19,343
Reportable segment profit before tax	655,093	230,225	219,109	1,104,427
Reportable segment assets	7,243,677	3,321,024	11,258,643	21,823,344
Reportable segment liabilities	2,511,983	14,056,202	1,361,361	17,929,546

6. OPERATING SEGMENT (CONTINUED)

(i) Reconciliation of reportable segment revenues, profit or (loss), assets and liabilities

	2012	2011
	QR'000	QR'000
Revenues		
Total revenue for reportable segments	**1,183,331**	1,125,592
Consolidated revenue	**1,183,331**	1,125,592
Profit or (loss)		
Total profit for reportable segments	**695,848**	669,753
Unallocated amounts	**(16,823)**	(16,717)
Consolidated profit	**679,025**	653,036
Assets		
Total assets for reportable segments	**26,953,167**	21,823,344
Other unallocated amounts	**1,605,873**	1,534,282
Consolidated total assets	**28,559,040**	23,357,626
Liabilities		
Total liabilities for reportable segments	**22,997,583**	17,929,546
Other unallocated amounts	**5,561,457**	5,428,080
Consolidated total liabilities	**28,559,040**	23,357,626

(i) Geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and assets are based on the geographical location of the assets.

	Qatar	**Other GCC**	**Middle East other than GCC**	**Europe**	**North America**	**Rest of the World**	**Total**
	QR'000	**QR'000**	**QR'000**	**QR'000**	**QR'000**	**QR'000**	**QR'000**
2012							
External revenues	**1,139,353**	**32,888**	**10,996**	**-**	**94**	**-**	**1,183,331**
Non-current assets	**17,786,414**	**584,560**	**115,244**	**-**	**-**	**-**	**18,486,218**
2011							
External revenues	1,107,642	17,288	548	101	12	-	1,125,591
Non-current assets	12,913,964	386,997	121,947	-	-	-	13,422,908

7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

2012	**Fair value through statement of income**	**Fair value through equity**	**Amortised cost**	**Total carrying amount**	**Fair value**
	QR'000	**QR'000**	**QR'000**	**QR'000**	**QR'000**
Cash and balances with central bank	-	**-**	**1,354,077**	**1,354,077**	**1,354,077**
Due from banks	-	**-**	**5,449,574**	**5,449,574**	**5,449,574**
Financing assets	-	**-**	**14,675,110**	**14,675,110**	**14,675,110**
Investment securities:					
- Measured at fair value	-	**243,658**	**-**	**243,658**	**243,658**
- Measured at amortised cost	-	**-**	**4,760,461**	**4,760,461**	**4,767,484**
	-	**243,658**	**26,239,222**	**26,482,880**	**26,489,903**
Due to banks	-	**-**	**814,667**	**814,667**	**814,667**
Customers' current accounts	-	**-**	**5,639,496**	**5,639,496**	**5,639,496**
Sukuk financing	-	**-**	**2,540,338**	**2,540,338**	**2,540,338**
	-	**-**	**8,994,501**	**8,994,501**	**8,994,501**

2011	Fair value through statement of income	Fair value through equity	Amortised cost	Total carrying amount	Fair value
	QR'000	QR'000	QR'000	QR'000	QR'000
Cash and balances with central bank	-	-	934,530	934,530	934,530
Due from banks	-	-	5,734,175	5,734,175	5,734,175
Financing assets	-	-	10,588,963	10,588,963	10,588,963
Investment securities:					
- Measured at fair value	505,455	164,308	-	669,763	669,763
- Measured at amortised cost	-	-	3,589,297	3,589,297	3,588,215
	505,455	164,308	20,846,965	21,516,728	21,515,646
Due to banks	-	-	1,361,437	1,361,437	1,361,437
Customers' current accounts	-	-	3,952,019	3,952,019	3,952,019
	-	-	5,313,456	5,313,456	5,313,456

8. CASH AND BALANCES WITH QATARCENTRAL BANK

	2012	2011
	QR'000	QR'000
Cash	**179,941**	156,024
Cash reserve with QCB*	**895,073**	778,506
Other balances with QCB	**279,063**	-
	1,354,077	934,530

The cash reserve with Qatar Central Bank represents mandatory reserve not used in the daily operations of the Bank (4.75% of the total customer deposits).

9. DUE FROM BANKS

	2012	2011
	QR'000	QR'000
Current accounts	**176,170**	96,338
Wakala placements with banks	**600,000**	1,000,000
Mudaraba placements	**4,513,168**	3,933,207
Commodity Murabaha receivable	**160,236**	704,630
	5,449,574	5,734,175

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

10. FINANCING ASSETS

(a) By Type

	2012	2011
	QR'000	QR'000
Murabaha and Musawama	**9,734,333**	7,220,677
Istisna'a*	**220,322**	352,127
Ijarah Muntahia Bittamleek	**5,582,522**	3,994,888
Mudaraba	**90,775**	4,876
Diminishing Musharaka	**42,649**	42,842
Others	**103,069**	8,018
Total financing assets	**15,773,670**	11,623,428
Less: Deferred profit	**(924,426)**	(875,740)
Specific impairment of financing assets to customers	**(115,592)**	(116,600)
Suspended profit	**(58,542)**	(42,125)
Net financing assets (see note 1 below)	**14,675,110**	10,588,963

10. FINANCING ASSETS (CONTINUED)

Note 1

By Segment:	**2012** **QR'000**	2011 QR'000
Government and related agencies	**116,459**	631,492
Corporate	**10,062,136**	6,631,995
Retail	**4,496,515**	3,325,476
	14,675,110	10,588,963

*Total carrying amount of Istisn'a contracts under processing is QAR 428 million (2011:QAR 248.1 million).

The total non-performing financing assets at 31 December 2012 amounted to QAR 246.4 million, representing 1.56% of the gross financing assets (2011: QAR 188.2 million, representing 1.6 %).

During the year, the Bank had written off fully provided bad debts after meeting the conditions stipulated in the instructions of QCB amounting to QAR 1.0 million (2011: QR 0.73million)

10. FINANCING ASSETS (CONTINUED)

(b) By Type Sector

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

- By Sector

At December 31, 2012	Murabaha and Musawama QR'000	Istesna QR'000	Mudaraba QR'000	Musharka QR'000	Ijarah QR'000	Others QR'000	Total 2012 QR'000	%
Government	**116,459**	**-**	**-**	**-**	**-**	**-**	**116,459**	0.74
Industry	**262,197**	**-**	**-**	**-**	**-**	**12,799**	**274,996**	1.74
Trade	**516,155**	**-**	**-**	**373**	**-**	**11,916**	**528,444**	3.35
Service	**1,310,817**	**-**	**-**	**213**	**-**	**4,301**	**1,315,331**	8.34
Contracting	**124,519**	**-**	**-**	**-**	**-**	**3,701**	**128,220**	0.81
Housing	**1,259,527**	**220,322**	**90,775**	**466**	**5,582,522**	**204**	**7,153,816**	45.35
Consumer	**4,539,282**	**-**	**-**	**39,869**	**-**	**23,556**	**4,602,707**	29.18
Other	**1,605,377**	**-**	**-**	**1,728**	**-**	**46,592**	**1,653,697**	10.49
	9,734,333	**220,322**	**90,775**	**42,649**	**5,582,522**	**103,069**	**15,773,670**	100.00
Less: Deferred profit							**(924,426)**	
Provision for impairment and suspense profit on financing assets							**(174,134)**	
Net financing assets							**14,675,110**	

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

10. FINANCING ASSETS (CONTINUED)

(a) By Type Sector (continued)

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

- By Sector(continued)

	Murabaha and Musawama	Istesna	Mudaraba	Ijarah	Musharka	Others	Total 2011	
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	%
At December 31, 2011								
Government	631,492	-	-	-	-	-	631,492	5.43
Industry	59,431	-	-	-	-	-	59,431	0.51
Trade	87,019	-	-	-	373	-	87,392	0.75
Service	530,754	-	-	-	562	-	531,316	4.57
Contracting	627,438	-	-	-	-	-	627,438	5.4
Housing	1,637,448	352,127	-	3,994,888	466	-	5,984,929	51.49
Consumer	3,647,095	-	-	-	41,441	7,970	3,696,506	31.8
Other	-	-	4,876	-	-	48	4,924	0.04
	7,220,677	352,127	4,876	3,994,888	42,842	8,018	11,623,428	100.00
Less: Deferred profit							(875,740)	
Provision for impairment and suspense profit on financing assets							(158,725)	
Net financing assets							10,588,963	

10. FINANCING ASSETS (CONTINUED)

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

	2012			*2011*		
	Specific QR'000	***Profit in suspense QR'000***	***Total QR'000***	*Specific QR'000*	*Profit in suspense QR'000*	*Total QR'000*
Balance at January 1	**116,600**	**42,125**	**158,725**	97,897	11,940	109,837
Net additional provision during the year	**-**	**17,341**	**17,341**	19,343	30,273	49,616
New provisions during the year	**-**	**17,341**	**17,341**	19,343	32,829	52,172
Provisions recovered during the year	**-**	**-**	**-**	-	(2,556)	(2,556)
Provision written off during the year	**(1,008)**	**(924)**	**(1,932)**	(640)	(88)	(728)
Provision balance at the year end	**115,592**	**58,542**	**174,134**	116,600	42,125	158,725

11. INVESTMENT SECURITIES

	2012			2011		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Investments classified as fair value through statement of income						
- Debt-type investments fixed rate	-	-	-	505,455	-	505,455
Debt-type investments classified at amortised cost						
- Fixed rate	**1,801,553**	**2,949,520**	**4,751,073**	91,164	3,398,845	3,490,009
- Floating rate	**9,388**	**-**	**9,388**	99,288	-	99,288
	1,810,941	**2,949,520**	**4,760,461**	190,452	3,398,845	3,589,297
Equity-type investments classified as fair value through equity	**130,094**	**113,564**	**243,658**	30,252	134,056	164,308
	1,941,035	**3,063,084**	**5,004,119**	726,159	3,532,901	4,259,060

11. INVESTMENT SECURITIES(CONTINUED)

The cumulative change in fair value of equity-type investments designated as fair value through equity, during the year is as follows:

	2012			2011		
	Positive fair value	**Negative fair value**	**Total**	Positive fair value	Negative fair value	Total
Balance at January 1	**21,233**	**(55)**	**21,178**	22,726	(4,706)	18,020
Net change in fair value	**(668)**	**(4,481)**	**(5,149)**	(1,493)	4,651	3,158
Balance at December 31	**20,565**	**(4,536)**	**16,029**	21,233	(55)	21,178

The movement in impairment of equity-type securities carried at fair value through equity:

	2012	2011
	QR'000	QR'000
Balance at January 1	**4,100**	2,279
Charge during the year	**24,504**	1,821
Balance at December 31	**28,604**	4,100

12. INVESTMENT IN ASSOCIATES

	2012	2011
	QR'000	QR'000
Balance at January 1	**365,231**	227,864
Foreign currency translation	**(17,699)**	(21,893)
Investments acquired during the year	**-**	167,164
Share of results	**36,493**	(43)
Cash dividend	**(2,034)**	(7,861)
Balance at December 31	**381,991**	365,231

12. INVESTMENT IN ASSOCIATES (CONTINUED)

The Bank has the following investments in associates:

	Activity	*Country of incorporation*	*Ownership percentage*	*2012*	*2011*
				QR'000	*QR'000*
Syria International Islamic Bank	**Banking**	**Syria**	**20%**	**102,246**	107,504
Al Tashelat Islamic Company W.L.L.	**Financing**	**Qatar**	**49%**	**49,344**	46,584
Al Moqawil Company W.L.L.	**Contracting**	**Qatar**	**49%**	**1,470**	1,470
Syria Islamic Insurance Company	**Insurance**	**Syria**	**20%**	**12,998**	14,443
Mackeen Investment and Real Estate Development Q.C.S.C.	**Real Estate**	**Qatar**	**49%**	**215,933**	195,230
				381,991	365,231

13. INVESTMENT PROPERTIES

	2012			2011		
Held for:	**For Capital appreciation**	**For Rental**	**Total**	For Capital appreciation	For Rental	Total
Balance at January 1	**639,636**	**236,279**	**875,915**	444,123	77,930	522,053
Addition(s)	**321,400**	**29,169**	**350,569**	76,875	163,937	240,812
Disposal(s)	**(64,269)**	**-**	**(64,269)**			
Transfer from property and equipment	**-**	**-**		24,231	-	24,231
Changes in fair value	**6,466**	**-**	**6,466**	94,407	-	94,407
Depreciation	**-**	**(3,645)**	**(3,645)**	-	(5,588)	(5,588)
Balance at December 31	**903,233**	**261,803**	**1,165,036**	639,636	236,279	875,915

14. FIXED ASSETS

	Land and Buildings	IT Equipment	Fixtures and fittings -lease hold improvements	Motor Vehicles	Total
Cost					
Balance at January 1, 2011	200,860	47,795	50,841	1,834	301,330
Acquisitions / transfers	175	2,051	2,082	-	4,308
Disposals	(24,231)	(630)	(1,100)	-	(25,961)
Balance at January 1, 2012	**176,804**	**49,216**	**51,823**	**1,834**	**279,677**
Acquisitions / transfers	24,597	6,163	3,391	446	34,597
Disposals	-	-	-	(943)	(943)
Balance at December 31, 2012	**201,401**	**55,379**	**55,214**	**1,337**	**313,331**
Accumulated depreciation and impairment losses					
Balance at January 1, 2011	11,278	42,284	30,362	1,259	85,183
Depreciation charged during the year	1,261	3,148	5,924	228	10,561
Impairment during the year	-	(502)	(1,096)	-	(1,598)
Balance at January 1, 2012	**12,539**	**44,930**	**35,190**	**1,487**	**94,146**
Depreciation charged during the year	1,260	2,703	6,036	320	10,319
Disposals	-	-	-	(914)	(914)
Balance at December 31, 2012	**13,799**	**47,633**	**41,226**	**893**	**103,551**
Carrying amounts:					
Balance at December 31, 2011	164,265	4,286	16,633	347	185,531
Balance at December 31, 2012	**187,602**	**7,746**	**13,988**	**444**	**209,780**

15. OTHER ASSETS

	2012	2011
	QR'000	QR'000
Accrued profit	**229,733**	233,813
Prepayments and advances	**19,581**	13,961
Sundry debtors	**8,490**	3,960
Clearing suspense accounts	**2**	91,160
Others	**61,547**	71,327
	319,353	414,221

16. DUE TO BANKS

	2012	2011
	QR'000	QR'000
Current accounts	**16,490**	15,997
Wakala payable*	**798,177**	1,345,440
	814,667	1,361,437

* Wakala payable includes various facilities with maturities ranging from one to six months and carries a profit rate 0.15 % – 2.00 % .

17. CUSTOMERS' CURRENT ACCOUNTS

	2012	2011
	QR'000	QR'000
Current accounts by sector:		
- Government	**708,870**	627,631
- Non-Banking Financial Institutions	**2,294**	2,978
- Corporate	**1,907,697**	661,154
- Individuals	**3,020,635**	2,660,256
	5,639,496	3,952,019

18. SUKUK FINANCING

On 18 October 2012 the Bank raised USD 700.0 million (QR 2,549.1 million) through a 5 Year Sharia'a compliant Sukuk Financing arrangement (the "Sukuk"). The Sukuk is listed at the Irish stock exchange. The Sukuk issue cost of QR 8.7 million is amortised over the tenor of the Sukuk life.

According to terms of the arrangement, the Bank has transferred certain identified assets ("the Sukuk Assets") to QIIB Sukuk Funding Limited (the "Issuer"), an entity incorporated in Cayman Island, for that purpose.

The Sukuk bear a fixed annual profit rate of 2.688% payable to the investors on a semi-annual basis. The issuer will pay the distribution amount from returns received in respect of the Sukuk Assets.

The Bank controls these Sukuk assets which will continue to be serviced by the Bank. Upon maturity of the Sukuk, the Bank has undertaken to repurchase the Sukuk assets at the exercise price of USD 700 million.

19. OTHER LIABILITIES

	2012	2011
	QR'000	QR'000
Customer advances	**73,546**	46,163
Manager cheques	**40,085**	71,640
Accrued expenses	**34,007**	33,217
Naps and visa settlements	**22,001**	27,584
Contribution to Social and sports activities	**16,976**	16,326
Accrued profit	**18,358**	1,501
Cash margins	**62,978**	53,308
Dividend payable	**15,196**	11,195
Unclaimed balances	**931**	645
Clearing suspense accounts	**14,878**	21,272
Other provisions	**3,352**	3,575
Employees' end of service benefits*	**16,042**	17,477
Retention from supplier	**21,638**	13,428
Others	**16,975**	41,762
	356,963	359,093

***Movement in employees' end of service benefits is as follows:**

	2012	2011
	QR'000	QR'000
Balance at 1 January	**17,477**	16,155
Charge for the year	**2,195**	2,184
Payments made during the year	**(3,630)**	(862)
Balance at 31 December	**16,042**	17,477

20. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2012	2011
	QR'000	QR'000
Unrestricted investment account holders balance before share of profit	**14,003,082**	12,616,161
Add: Profits for unrestricted investment account holders for the year **(a)**	**221,638**	249,098
Less: Profit paid during the year	**(180,525)**	(186,910)
Total unrestricted investment account holders balance after share of profit **(b)**	**14,044,195**	12,678,349

By type:	**2012**	2011
	QR'000	QR'000
Saving accounts	**5,062,914**	4,447,591
Term accounts	**8,981,281**	8,230,758
Total (b)	**14,044,195**	12,678,349

By sector:		
Government	**951,149**	726,306
Semi government organizations	**351,028**	-
Non-banking financial institution	**764,666**	592,003
Retail	**10,522,167**	10,283,861
Corporate	**1,455,185**	1,076,179
Total (b)	**14,044,195**	12,678,349

Total unrestricted investment account holders balance after share of profit **(b)**	**14,044,195**	12,678,349
Share in fair value reserve	**127,344**	125,971
Share in foreign currency reserve	**-**	(12,503)
Total unrestricted investment account holders balance	**14,171,539**	12,791,817

-

	2012	2011
	QR'000	QR'000
Share of investment account holders' profit for the year (a)	**488,923**	495,626
Less: Mudarib share	**(299,004)**	(299,638)
Add: Support provided by the Bank	**31,719**	53,110
Total profit distributed to investment account holders for the year (a)	**221,638**	249,098

21. SHAREHOLDERS' EQUITY

(a) Paid up share capital

	2012	2011
	Number of shares	*Number of shares*
	(000)	*(000)*
Issued and fully paid		
At January 1,	**151,369**	138,755
Additional shares issued	**-**	12,614
At December 31,	**151,369**	151,369

Issued and fully paid capital of QR1,513,687thousandscomprises 151.4million shares of nominal value of QR 10 each (2010: QR 1,513,687 thousands comprising 151.4 million shares of QR 10 each).

(b) Legal reserve

Qatar Central Bank's Law No. 33 of 2006 requires 10% of the net profit for the year to be transferred to legal reserve until the reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in the manner specified in the Qatar Commercial Companies' Law No. 5 of 2002 and subject to the approval of Qatar Central Bank. No amount was transferred from profit to legal reserve in 2012 as the balance of legal reserve exceeded 100% of the paid up capital.

c) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve has been created to cover contingencies in the private sector financing activities, with a minimum reserve requirement of ٢.٠% of the total private sector exposure granted by the Bank and its branches after removing specific provisions, profit in suspense and unearned income. The financing provided to/or secured by the Government or financing against cash guarantees are alsoexcluded. In accordance with Qatar Central Bank regulation, the risk reserve should be deducted only from the Shareholders' share of profit, and included in Shareholders' equity in its entirety.

21. SHAREHOLDERS' EQUITY (CONTINUED)

d) Fair value reserve

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

	2012	2011
	QR'000	QR'000
Financial Investments:		
Balance at January 1	**9,662**	8,441
Revaluation for the year	**11,087**	3,482
Transfer to statement of income on disposal	**(17,844)**	(827)
Net change during the year	**(6,757)**	2,655
Share of holders of unrestricted investment depositors accounts	**3,669**	(1,434)
As at December 31 (shareholders' share) (a)	**6,574**	9,662
Investments Properties :		
Balance at January 1	**97,647**	57,633
Revaluation for the year	**15,755**	94,953
Transfer to statement of income on disposal	**(9,289)**	-
Net change during the year	**6,466**	94,953
Share of holders of unrestricted investment account depositors	**(3,511)**	(54,939)
As at December 31 (shareholders' share) (b)	**100,602**	97,647
Balance at December 31 (shareholders' share) (a + b)	**107,176**	107,309

21. SHAREHOLDERS' EQUITY (CONTINUED)

(e) Foreign currency translation reserve

As of December 31, 2012, the Bank determined that the devaluation of Syrian Pound against Qatari Riyal is significant. Accordingly, the currency translation difference accumulated in equity under foreign currency translation reserve, which relates certain investment in associates in Syria, was transferred to statement of income as Loss on translation of foreign currency of investment in Associate.

(f) Other Reserves

Other reserves include the undistributed share of the associate's profit after deducting cash profits received.

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

	2012	2011
	QR'000	QR'000
Undistributed share of Associates profit		
Balance at January 1	**32,896**	40,800
Less : Dividend received from associates	**(2,034)**	(7,861)
Add : Share of result of associates for the year	**36,493**	(43)
Transfer to other reserves	**34,459**	(7,904)
Balance at December 31	**67,355**	32,896

g) Proposed dividend

The Board of Directors in its meeting held on January 22, 2013 has proposed to pay a cash dividend of 35% (2011: 35 %) of its paid up capital equivalent to QR. 3.5 per each share.

h) Contributions to Social and Sport Activities

Pursuant to Law No. 13 of 2008 and further clarification of the Law issued in 2011, the Bank made an appropriation of QR. 16,976 thousand (2011: QR 16,326 thousand) from retained earnings for its contribution to the social and sport activities support fund. This amount represents 2.5% of the net profit for the year ended December 31, 2012.

22. NET INCOME FROM FINANCING ACTIVITIES

	2012	2011
	QR'000	QR'000
Murabaha and Musawama	**508,755**	590,437
Mudaraba	**3,324**	7,682
Musharaka	**7**	132
Ijarah	**255,342**	224,503
Istisna'a	**16,191**	28,327
Others	**2,288**	-
	785,907	851,081

23. NET INCOME FROM INVESTING ACTIVITIES

	2012	2011
	QR'000	QR'000
Income from inter-bank placements with Islamic banks	**38,415**	18,855
Income from investment in debt-type instruments	**175,532**	160,622
Net gain on sale of equity-type investments	**12,539**	805
Net gain on sale of debt-type investments	**17,316**	8,709
Net gain on sale of properties held for trading	**12,992**	-
Fair value gain on investment securities carried at fair value through statement of income	**-**	2,098
Income from investment in properties and assets held for leasing	**23,024**	14,094
Dividend income	**11,297**	300
	291,115	205,483

24. NET FEE AND COMMISSION INCOME

	2012	2011
	QR'000	QR'000
Commission on Local Financing	**38,693**	37,880
Commission on L/Cs and Guarantees	**8,986**	15,065
Bank Charges	**31,071**	24,021
	78,750	76,966
Commission expense	**(19,929)**	(15,188)
Net fee and commission income	**58,821**	61,778

25. NET FOREIGN EXCHANGE GAIN

	2012	2011
	QR'000	QR'000
Exchange transaction gain	**10,072**	7,368
(Gain)/loss on revaluation of monetary assets and liabilities	**923**	(75)
	10,995	7,293

26. STAFF COSTS

	2012	2011
	QR'000	QR'000
Basic salaries	**37,603**	33,825
Housing Allowance	**17,859**	18,328
Staff pension fund costs	**485**	1,203
Staff indemnity costs	**1,963**	2,184
Training	**982**	1,500
Other	**55,548**	56,681
	114,440	113,721

27. OTHER EXPENSES

	2012	2011
	QR'000	QR'000
Advertising and promotion	**5,931**	8,506
Rent	**10,273**	9,534
Telephone, telex and post	**9,133**	7,052
Fess and Subscriptions	**2,858**	2,527
Computer and ATMs expenses	**8,214**	6,764
Shri'a committee remuneration	**711**	700
Business travelling expense	**2,298**	2,196
Maintenance and cleaning expense	**2,820**	2,782
Insurance	**1,835**	1,347
Stationery and printing	**1,167**	1,884
Professional fees	**2,071**	3,051
Donations	**961**	107
Water and electricity	**868**	900
Security service expenses	**953**	833
Hospitality expense	**817**	1166
Investment expense	**593**	984
Board of directors remuneration	**8,484**	8,415
Miscellaneous expense	**940**	1,147
	60,927	59,895

28. CONTINGENT LIABILITIES AND COMMITMENTS

	2012	2011
	QR'000	QR'000
Contingent liabilities		
Unused facilities-cancellable	**822,630**	67,902
Acceptances	**37,607**	39,245
Guarantees	**801,618**	913,115
Letters of credit	**222,326**	305,389
Others	**5,462**	11,062
	1,889,643	1,336,713

29. EARNINGS PER SHARE

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

	2012	2011
	QR'000	QR'000
Net profit for the year due to shareholders (QR'000)	**679,025**	653,036
Weighted average number of shares outstanding during the year (thousands)	**151,368**	149,261
Basic and diluted earnings per share (QR)	**4.49**	4.38

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

30. CASH AND CASH EQUIVALENTS

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

	2012	2011
	QR'000	QR'000
Cash and balances with Qatar Central Bank excluding Cash reserve	**459,004**	156,024
Cash with banks and other financial institutions	**5,449,574**	5,734,175
	5,908,578	5,890,199

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

31. RELATED PARTY TRANSACTIONS

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

	2012			2011		
	Subsidiary and associated companies	**Board of Directors**	**Others**	Subsidiary and associated companies	Board of Directors	Others
Assets:						
Financing assets	**2,137**	**130,808**	**151,394**	18,870	159,765	9,851
Liabilities:						
Deposits	**214,956**	**45,310**	**187,040**	203,947	107,399	111,194
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	**-**	**782**	**18,659**	-	600	6,637
Consolidated statement of income items:						
Fee and commission	**118**	**7,194**	**8,327**	1,227	10,385	640
Board remunerations	**-**	**8,484**	**-**	-	8,415	-

Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Bank during the year as follows:

	2012	2011
	QR'000	QR'000
Mortgage and other secured financings	**1,919**	5,673
Credit card	**13**	11
	1,932	5,684

Compensation of key management personnel

	2012	2011
	QR'000	QR'000
Short-term employee benefits	**7,884**	7,163
Long-service leave	**1,191**	1,056
Post-employment benefits	**568**	525
	9,643	8,744

32. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

Following is the concentration of assets, liabilities and equity of investment account holders into geographical sectors regions:

2012	Qatar QR'000	Other GCC QR'000	Europe QR'000	North America QR'000	Others QR'000	Total QR'000
Cash and balances with central banks	**1,354,077**	**-**	**-**	**-**	**-**	**1,354,077**
Due from banks	**4,749,145**	**515,765**	**138,600**	**42,909**	**3,155**	**5,449,574**
Financing assets	**14,663,014**	**-**	**-**	**-**	**12,096**	**14,675,110**
Investment securities	**4,412,067**	**510,080**	**28,475**	**10,405**	**43,092**	**5,004,119**
Investment property	**892,051**	**272,985**	**-**	**-**	**-**	**1,165,036**
Investment in associates	**266,747**	**-**	**-**	**-**	**115,244**	**381,991**
Fixed assets	**209,780**	**-**	**-**	**-**	**-**	**209,780**
Other assets	**310,641**	**-**	**-**	**-**	**8,712**	**319,353**
Total assets	**26,857,522**	**1,298,830**	**167,075**	**53,314**	**182,299**	**28,559,040**
Liabilities and equity of investment account holders						
Liabilities						
Placements from financial institutions	**70,430**	**66,340**	**11,372**	**2,405**	**664,120**	**814,667**
Customer current accounts	**5,639,496**					**5,639,496**
Financing liabilities	**677,319**	**299,877**	**514,390**	**13,474**	**1,035,278**	**2,540,338**
Other liabilities	**299,331**	**44,989**	**2,822**	**4,142**	**5,679**	**356,963**
Total liabilities	**6,686,576**	**411,206**	**528,584**	**20,021**	**1,705,077**	**9,351,464**
Equity of unrestricted investment account holders	**14,171,539**	**-**	**-**	**-**	**-**	**14,171,539**
Total liabilities and equity of investment account holders	**20,858,115**	**411,206**	**528,584**	**20,021**	**1,705,077**	**23,523,003**

32. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

2011	Qatar QR'000	Other GCC QR'000	Europe QR'000	North America QR'000	Others QR'000	Total QR'000
Cash and balances with central banks	934,530	-	-	-	-	934,530
Due from banks	5,455,959	188,104	50,478	37,946	1,688	5,734,175
Financing assets	10,564,701	-	-	-	24,262	10,588,963
Investment securities	4,050,554	114,629	46,209	5,631	42,037	4,259,060
Investment property	561,377	314,538	-	-	-	875,915
Investment in associates	253,399	-	-	-	111,832	365,231
Fixed assets	185,531	-	-	-	-	185,531
Other assets	414,221	-	-	-	-	414,221
Total assets	22,420,272	617,271	96,687	43,577	179,819	23,357,626
Liabilities and equity of investment account holders						
Liabilities:						
Placements from financial institutions	929,544	158,596	41,724	1,216	230,357	1,361,437
Customer current accounts	3,952,019	-	-	-	-	3,952,019
Sukuk Financing liabilities	-	-	-	-	-	-
Other liabilities	359,093	-	-	-	-	359,093
Total liabilities	5,240,576	158,596	41,724	1,216	230,357	5,672,549
Equity of investment account holders	12,791,817	-	-	-	-	12,791,817
Total liabilities and equity of investment account holders	18,032,396	158,596	41,724	1,216	230,357	18,464,366

33. MATURITY

	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
2012						
Cash and balances with central bank	**1,354,077**	**-**	**-**	**-**	**-**	**1,354,077**
Due from banks	**4,721,273**	**364,150**	**364,151**	**-**	**-**	**5,449,574**
Financing assets	**828,317**	**448,395**	**1,070,506**	**4,886,318**	**7,441,574**	**14,675,110**
Investment securities	**329,612**	**-**	**-**	**1,633,719**	**3,040,788**	**5,004,119**
Investment property	**-**	**-**	**272,985**	**576,119**	**315,932**	**1,165,036**
Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**
Investment in Associates	**-**	**-**	**-**	**-**	**381,991**	**381,991**
Fixed assets	**-**	**-**	**-**	**-**	**209,780**	**209,780**
Other assets	**223,147**	**61,187**	**35,019**	**-**	**-**	**319,353**
Total financial assets	**7,456,426**	**873,732**	**1,742,661**	**7,096,156**	**11,390,065**	**28,559,040**
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	**450,517**	**364,150**	**-**	**-**	**-**	**814,667**
Customers' current accounts	**5,639,496**	**-**	**-**	**-**	**-**	**5,639,496**
Sukuk financing	**-**	**-**	**-**	**-**	**2,540,338**	**2,540,338**
Other liabilities	**356,963**	**-**	**-**	**-**	**-**	**356,963**
Total liabilities	**6,446,976**	**364,150**	**-**	**-**	**2,540,338**	**9,351,464**
Equity of unrestricted investment account holders	**7,264,972**	**1,850,131**	**2,485,530**	**2,570,906**	**-**	**14,171,539**
Total liabilities and equity of unrestricted investment account holders	**13,711,948**	**2,214,281**	**2,485,530**	**2,570,906**	**2,540,338**	**23,523,003**

33. MATURITY (CONTINUED)

	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
2011						
Cash and balances with central bank	934,530	-	-	-	-	934,530
Due from banks	4,830,533	903,642	-	-	-	5,734,175
Financing assets	635,123	243,199	567,466	3,657,270	5,485,905	10,588,963
Investment securities	1,318,608	87,396	-	1,603,056	1,250,000	4,259,060
Investment property	-	-	-	639,636	236,279	875,915
Investment in Associates	-	-	-	-	365,231	365,231
Fixed assets	-	-	-	-	185,531	185,531
Other assets	234,510	143,769	35,942	-	-	414,221
Total financial assets	7,953,304	1,378,006	603,408	5,899,962	7,522,946	23,357,626
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	1,361,437	-	-	-	-	1,361,437
Customers' current accounts	3,952,019	-	-	-	-	3,952,019
Sukuk financing	-	-	-	-	-	-
Other liabilities	359,093	-	-	-	-	359,093
Total liabilities	5,672,549	-	-	-	-	5,672,549
Equity of unrestricted investment account holders	4,895,586	1,158,624	3,503,602	3,234,005	-	12,791,817
Total liabilities and equity of unrestricted investment account holders	10,568,135	1,158,624	3,503,602	3,234,005	-	18,464,366

34. ZAKAH

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners in accordance with the bank articles of association.

35. SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

36. SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes and organisations when profits are reported.

37. COMPARATIVE FIGURES

The comparative figures presented for 2011 have been reclassified where necessary to preserve consistency with the 2012 figures. However, such reclassifications did not have any