



Annual Report 2010



## A Winning Partnership

Growth > Innovation > Service

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**His Highness Sheikh Hamad  
Bin Khalifa Al-Thani**  
Emir of the State of Qatar



**His Highness Sheikh Tamim  
Bin Hamad Al-Thani**  
Heir Apparent



*Established in 1956, IBQ has evolved in line with its customers' changing needs and Qatar's economic growth to become one of the leading commercial banks in the country. Through its winning team, IBQ sets the benchmark for banking excellence and quality through the delivery of innovative, value-added products and the highest level of customer service excellence.*

*Offering a full complement of retail, corporate, private and Islamic banking solutions, IBQ operates through a network of 14 branches and service centres and 34 ATMs, strategically located throughout Qatar and supplemented by online, telephone and SMS banking services.*

### **IBQ – a winning team**

For the past five years, IBQ has achieved exceptional balance sheet growth and profitability, and has consistently outperformed market growth rates. Reinforcing this track record, IBQ was recognised as the fastest moving bank in the MENA region, and the 26th fastest mover globally, in the 'Top 1,000 World Banks 2009' global banking survey by The Banker.

Underlying the enduring relationships that IBQ has developed with its customers for 54 years, is an unwavering commitment to deliver the highest quality of personalised service. This has been recognised by receipt of the 'Best Customer Service in Middle East Award' for three consecutive years, from 2008 to 2010, from The Banker Middle East.

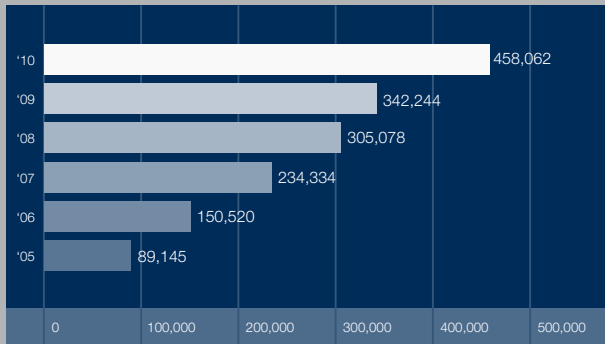
### **NBK – a winning partnership**

IBQ is 30 per cent owned and managed by the National Bank of Kuwait (NBK), the highest rated bank in the Middle East and one of the top 50 safest banks in the world. Its association with NBK provides the Bank with stable financial support, a proven banking model and successful management style, and extensive international reach covering the major financial centres in the US, Europe, Asia and the Middle East.

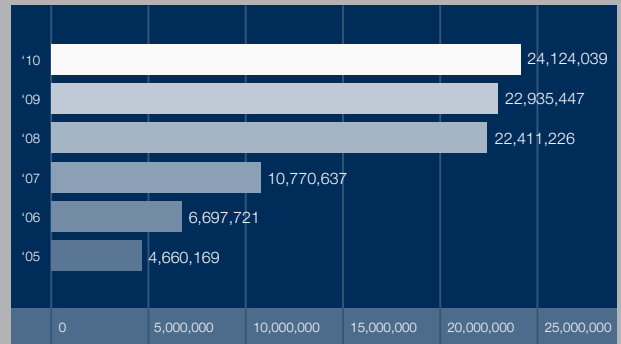
Since the start of its strategic partnership with NBK in 2004, IBQ has witnessed strong and consistent year-on-year growth. The customer base has more than quadrupled while net profits have risen twelve-fold. The Bank's significant balance sheet growth is highlighted by a fifteen-fold increase in loans, with assets growing more than 12 times, and deposits rising 11 times.

# Financial Highlights

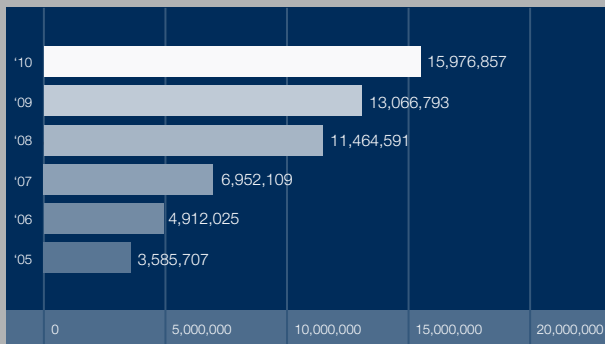
Net Profit (QAR 000's)



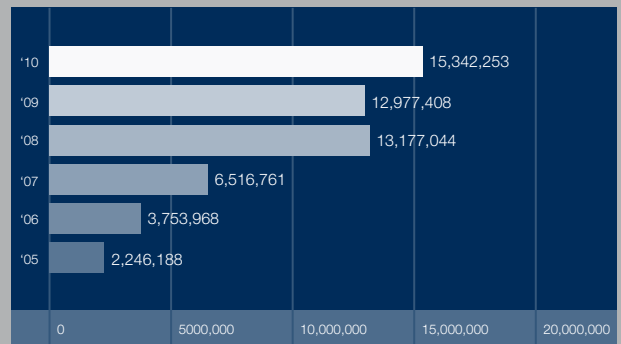
Total Assets (QAR 000's)



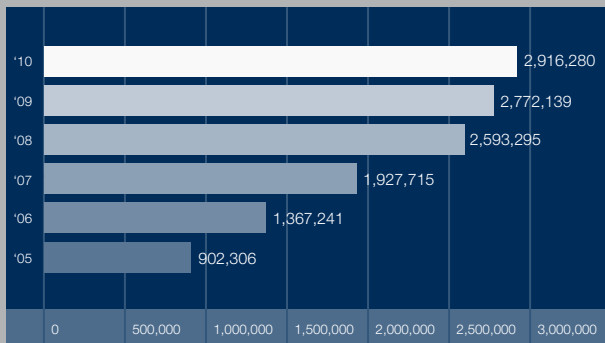
Total Deposits (QAR 000's)



Loans and Advances (QAR 000's)



Total Shareholders' Equity (QAR 000's)



**H. E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani**

Chairman

**Ibrahim Dabdoub**

Vice Chairman

**Sheikh Jabor Bin Hamad Bin Jassim Al-Thani**

Board Member

**Sheikh Sultan Bin Jassim Bin Mohammed Al-Thani**

Board Member

**Sheikh Abdulla Bin Hamad Bin Khalifa Al-Thani**

Board Member

**Sheikh Suhaim Bin Abdullah Bin Khalifa Al Thani**

Board Member

**Mohammad Al-Okar**

Board Member

**Sheikha Al Bahar**

Board Member

**George Nasra**

Board Member



*“IBQ posted a record financial performance in 2010. Net profit increased by 34% to QAR 458 million compared with QAR 342 million in 2009. Total deposits rose to QAR 16.0 billion, a 22% increase over the previous year, while the Bank’s loan portfolio grew 18% to QAR 24.1 billion.”*

On behalf of the Board of Directors, it is my privilege to present the annual report for the International Bank of Qatar (IBQ) for the year ended 31 December 2010.

I am pleased to report that this proved to be a year of exceptional growth for IBQ, highlighted by record financial results, robust operational performance and significant strategic progress.

Despite the continued global economic uncertainty and challenging regional market conditions, 2010 proved to be a year of significant progress for the State of Qatar. According to the IMF, the country has weathered the global crisis exceptionally well, reflecting the quick and strong policy response by the Government. A doubling of natural gas capacity, timely intervention in the banking system, and ongoing public sector investment, have combined to keep Qatar on a high growth path in the aftermath of the crisis. Real GDP growth, which rebounded to 16% in 2010 from 8.6% the previous year, is the highest in the GCC and one of the highest in the world.

In 2010, Qatar achieved a major production milestone of 77 million tonnes per annum of liquefied natural gas (LNG) and maintained its status as the world’s largest LNG exporter. Based on IMF stress tests, the banking system is resilient to credit and market risks, and ended the year on a strong footing. Qatari banks are well-capitalised and profitable, and have strong capital adequacy ratios and low non-performing loan (NPL) ratios. Total assets of the banking sector grew by 21% to QAR 572 billion

at the end of the year, while deposits rose by 24% to reach QAR 307 billion. At the same time, ongoing public investment in infrastructure projects, albeit slightly subdued, continued to support growth in the non-hydrocarbon sector.

Against this backdrop of improved but still highly challenging market conditions, I am delighted to report that IBQ posted a record financial performance for 2010. Net profits increased by 34% to QAR 458 million, compared with QAR 342 million for 2009. Total deposits rose to QAR 16.0 billion, a 22% increase over the previous year, while the Bank’s loan portfolio grew 18% to QR 15.3 billion. At the end of the year, total assets stood at QAR 24.1 billion, up by 5%, while shareholders’ equity grew by 5% to reach QAR 2.9 billion.

This performance continued the trend of strong and consistent growth by IBQ since 2004, which marked the beginning of our strategic partnership with National Bank of Kuwait (NBK) as shareholders and managers of the Bank. During this period, net profits have grown more than 12 times, equating to a compound annual growth rate (CAGR) of 52%. Loans have risen 15 times (CAGR 57%), deposits have grown 11 times (CAGR 48%), and assets increased 12 times (CAGR 51%).

As a result of the Bank’s exceptional financial performance in 2010, the Board of Directors is recommending to the General Assembly the distribution of a cash dividend of 34% of share capital or QAR 3.4 per share.

All business divisions contributed to the Bank's results in 2010, posting increased revenues and profits, and growing market share. The Bank's customer base grew by more than 40% during the year, and has quadrupled since 2004. Our success in increasing the number of Qatari nationals employed by the Bank was recognised by a letter of commendation from the Ministry of Labour during the year.

Product innovation and exceptional service remained the cornerstone of new initiatives introduced during 2010 along with further expansion of our network with the opening of a further two branches. I am also delighted to report that IBQ received The Banker Middle East award for Best Customer Service for the third successive year. This is a remarkable achievement, and highlights the continued success of the Bank's team in establishing enduring relationships with our customers.

IBQ is committed to making an enduring and sustainable contribution to the social well-being and economic development of Qatar. Accordingly, we continued to implement our corporate social responsibility programme in 2010, with a key focus on education and developing the potential of the country's youth. Our community engagement activities included road safety, sporting and cultural initiatives, together with financial and practical support for charitable and social organisations. We also sponsored and participated in a number of important business, financial, and economic-related conferences and events.

In a key strategic development, IBQ entered into proposed merger discussions with Al Khaliji Commercial Bank during the early part of 2010. By the end of the year, the proposed merger had entered the final stages of negotiations and due diligence, including formal discussions with relevant government and regulatory authorities. An integration steering committee, composed of senior executives from both banks, has subsequently been established to guide and manage the process. The new entity will provide multiple synergies and greater market competitiveness, and will benefit shareholders, customers and staff alike. The merger remains subject to final regulatory and shareholder approval.

Looking ahead, the Board and Management have an optimistic outlook for the future. The IMF is forecasting Qatar's growth to accelerate to 20% in 2011, driven by a planned expansion in LNG capacity, increased activity in the non-hydrocarbon sectors, and a strong and diversified projects pipeline estimated at US\$ 250 billion. Qatar's successful bid for the 2022 FIFA World Cup will undoubtedly have an overall beneficial impact on the economy – providing a further boost to project spending, encouraging greater participation by the private sector, and increasing the demand for credit. IBQ is strongly positioned to take advantage of all resulting new business opportunities.

On behalf of the Board of Directors, I would like to express my sincere gratitude and appreciation to His Highness the Emir, Sheikh Hamad Bin Khalifa Al-Thani, for his wise leadership of the State of Qatar and his support for the banking sector, and to His Highness the Heir Apparent, Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani, for his contributions to the well-being of the country. Grateful thanks are also due to His Excellency the Governor of the Qatar Central Bank, Sheikh Abdullah Saud Al-Thani, and his colleagues, for their support and guidance to IBQ during the year.

I also take this opportunity to thank our shareholders for their financial support and encouragement; our customers for their trust and loyalty, our business partners for their positive cooperation; and our management and staff for their commitment and professionalism. Together, they have contributed to another highly successful year for the Bank.



**Sheikh Hamad Bin Jassim Bin Jabor Al-Thani**  
Chairman



- 01** **George Nasra**  
Managing Director
- 02** **Muhannad W. Kamal**  
Deputy General Manager
- 03** **James Nelson-Parker**  
Chief Operating Officer
- 04** **Philip King**  
Head of Retail Banking
- 05** **Chaouki Daher**  
Head of Private Banking
- 06** **Bhupendra Jain**  
Head of Corporate Banking
- 07** **Hassan Al Mulla**  
Head of Islamic Banking



**08 Rakesh Kohli**  
Treasurer

**09 Anton Mallner**  
Chief Credit Officer

**10 Ashok Thirwani**  
Chief Financial Officer

**11 Tarek W. Kamal**  
Chief Internal Auditor

**12 Amal Al Sada**  
Head of Human Resources

**13 Chandramohan Pillai**  
Head of Administration and Facilities



*It gives me great pleasure to report that 2010 proved to be our most successful year to date, during which we continued to outperform market growth for the fifth consecutive year. This exceptional performance, achieved amidst extremely testing market conditions, once again demonstrates the soundness of IBQ's strategy and the underlying strength of Qatar's economy. It also reflects the continued success of the Bank's winning team to lead the way in product innovation and service excellence, which form the cornerstone of the winning partnerships we have established with all our stakeholders.*

### A winning team

The depth and breadth of our management and staff is a distinguishing feature of IBQ. Members of our highly-qualified management team have extensive experience of working with large regional and international financial institutions, while our staff are well-trained, multi-skilled and highly motivated. Working together in a spirit of partnership, and embracing the values of integrity, enthusiasm and collaboration, they constitute a winning team that lies at the heart of the Bank's continued success.

We maintained our investment in staff training and development during the year, with a continued focus on leadership, product knowledge, customer service and corporate governance. Key initiatives include a strategic leadership workshop for executive and senior managers; and completion of IBQ's innovative 'Learn to Lead' training programme, which is designed to prepare supervisory staff for management positions.

### Winning partnerships

A key success factor in the Bank's continued growth and development continues to be the development of winning partnerships with our various stakeholders. In our enduring relationships with our retail, private, corporate and Islamic banking customers, we constantly strive to anticipate their needs for new, innovative and value-added products, and to exceed their expectations for personalised service.

For example, in 2010 we established a new strategic partnership with Al Watany Bank of Egypt (AWB), a subsidiary of the National Bank of Kuwait (NBK) to launch the first-of-its-kind AWB Certificates of Deposits denominated in Egyptian pounds, for the Egyptian community in Qatar and other expatriates with business interests in Egypt.

IBQ has a long history of contributing to growth and diversification of Qatar's economy. Illustrating this special partnership in 2010 was the Bank's role as sole provider of project financing totalling QAR 350 million for the newly-inaugurated Doha Cables Company. Doha Cables is set to make an important contribution to the economic diversification of the country.

We also contribute to the social well-being of Qatar through our long standing corporate social responsibility programme. During 2010, IBQ partnered with the Traffic Department for the third consecutive year to sponsor the 'Schools without Accidents' Campaign, which forms part of the National Campaign for Road Accidents Prevention. We also continued our partnership with the Ministry of Labour to provide meaningful employment opportunities for the country's youth. Now in its fourth year, the IBQ Qatari Development Programme aims to attract, recruit, develop and retain enthusiastic and ambitious young Qatari nationals who are seeking a career in the financial services sector.

## Innovation and service

During 2010, we continued to develop new innovative, value-added products and services to meet the needs and aspirations of our customers, and to make banking simpler, easier, and more convenient. New products launched during the year include Al Watany Bank of Egypt certificates of deposits, a capital-protected note on Qatari shares for private banking clients; the Al Yusr Young Super Savings Account, and structured treasury products for private and corporate banking clients. In addition, new marketing campaigns included innovative offers such as instant free flights with Qatar Airways for customers transferring their salaries, and a FIFA World Cup prize draw for users of IBQ's credit cards.

New services introduced in 2010 include the opening of two new branches, Internet banking for corporate banking clients and customers of Al Yusr Islamic Banking, enhanced Call Centre functionality through interactive voice recognition, improved security for safer online shopping; real time credit card balance information – the first in Qatar; and a new daily treasury newsletter.

## Consistent results

These achievements underscore IBQ's record financial performance in 2010. Total operating income increased by 27 per cent to QAR 853 million, with net income rising by 34 per cent to reach QAR 458 million. Significantly, this increase in profitability came from real operating income generated by the Bank's core activities. Net interest income including Islamic financing and investment grew by 28 per cent to QAR 667 million, while net fees and commissions increased to QAR 123 million, up 10 per cent over the previous year. Total general and administrative expenditure, which includes staff expenses, rose by 19 per cent to QAR 287 million, reflecting the rise in headcount from 427 to 438, and the opening of two further branches during the year. The Bank's cost-to-income ratio improved to 37 per cent compared with 40 per cent in 2009.

As a result of improved trading conditions during the second half of 2010, especially in global and regional fixed income markets, coupled with a turnaround in GCC equity markets, income from investments including dividend totalled QAR 15 million compared with a loss of QAR 3 million for 2009. The Bank's investments in funds and equities rose by 15 per cent to QAR 126 million, while fixed income investments increased by 32 per cent to QAR 1.7 billion. It should be noted that IBQ made no provisions for impairments on investments during 2010.

The Bank's loan portfolio registered an 18 per cent growth to QAR 15.3 billion, without any compromise to quality. The Bank was successful in attracting total deposits including unrestricted investment accounts of QAR 16 billion during the year, a 22 per cent increase over 2009, with the customer base growing by 40 per cent.

As a concluding note to our financial performance, I would like to highlight that for the past six consecutive years, the Bank has consistently outperformed the average market growth rates for assets (IBQ CAGR 51% vs. market 36%), loans (57% vs. 36%) and deposits (48% vs. 31%).

## Continued recognition

Another important measure of the success of our achievements during 2010 was the receipt of continued industry recognition of IBQ for customer service and satisfaction. In this respect, I am particularly pleased to report that the Bank received – for the third consecutive year – the 'Best Customer Service in Middle East Award' from The Banker Middle East publication.

## The way forward

Based on the Bank's track record of sustainable profitability, and Qatar's continued strong economic growth, we are very positive about the prospects for IBQ in 2011.

Qatar's successful bid to host the FIFA World Cup in 2022 bid will act as an additional catalyst for business activity and economic growth.

In addition, our proposed merger with Al Khaliji Commercial Bank will present many benefits to all stakeholders. The combined entity will be better positioned to capture new growth opportunities, and compete more effectively through its increased size and scale. Such a merger, which is subject to regulatory and shareholder approval, underlines our view that Qatar's congested banking sector, with 18 domestic and foreign banks, is ripe for consolidation.

## Acknowledgements

Without doubt, our successful performance in 2010 was the result of the winning partnerships we have established with our stakeholders. In particular, I would like to thank our Board of Directors, our customers, our business partners, and our management and staff, for their respective guidance, support, collaboration, professionalism and commitment during the year.



**George Nasra**  
Managing Director



*IBQ's total commitment to the highest levels of customer service was recognised again in 2010 by the receipt of the "Best Customer Service in the Middle East" award for the third successive year.*

### Customer Service

The successful delivery of the highest levels of personalised customer service is a key competitive differentiator of the Bank. The dedicated efforts of IBQ in 2010 to lead the way in customer service was recognised by receipt of The Banker Middle East award for Best Customer Service for the third consecutive year.

IBQ adopts a holistic approach to customer service, recognising that there are multiple inter-related components to overall service excellence. The Bank strives to ensure that the full range of products and solutions that it offers through all its customer touch points as well as its feedback and complaints resolution processes, contribute to an all-encompassing, efficient and rewarding partnership with its customers. Accordingly, the new customer service initiatives introduced during 2010 embraced all areas of the Bank's front and back office operations.

In retail banking, IBQ opened an additional branch at Ras Laffan, and launched a number of new innovative solutions, including a new strategic partnership with Al Watany Bank of Egypt to meet the needs of the Egyptian community in Qatar. The Bank also continued to measure and monitor customer satisfaction levels through its Mystery Shopper programme, customer surveys and focus groups, and in-branch feedback machines. High ratings of 90 per cent and above were achieved in all categories, including staff, branches, ATMs, ibq Online, and Call Centre.

In corporate banking, IBQ launched a specialist Internet banking service, while its treasury department provided new structured products for private and corporate banking customers and introduced a new daily technical newsletter. In private banking,

IBQ launched new products and drew upon its strategic relationship with NBK to provide customers with non-financial services such as advice on accommodation, education and healthcare in Europe. Additionally, an independent survey confirmed the high level of satisfaction by private banking customers with the wealth management solutions and personalised service offered by the Bank. In Islamic banking, IBQ's Sharia-compliant subsidiary – Al Yusr Islamic Banking – launched its new website with Internet banking facilities, opened a second branch, and expanded its range of retail and corporate banking products and services.

Information and communications technology (ICT) plays a crucial role in enabling IBQ to offer more reliable, convenient, fast, simple and cutting-edge banking solutions, develop innovative new products, and deliver a higher quality service to its customers. Key ICT initiatives in 2010 included the further streamlining of back office processes and procedures, the introduction of e-Service requests in branches to replace paper-based systems, and safer online shopping in line with PIC data security standards. In addition, interactive voice response (IVR) facilities were introduced for IBQ's Call Centre, while new ibqOnline services were introduced, including real time credit card balance information – another first by IBQ in Qatar. A notable achievement during the year was the ranking of IBQ as number one for customer satisfaction with Internet banking in Qatar by an independent market research survey.

Investment in human capital is equally important in ensuring that IBQ continues to deliver the highest levels of customer service and satisfaction. The Bank's focus on selective



recruitment and continuous training and development is a vital element in enabling staff to develop enduring relationships with their customers. In 2010, priority was given to training and development in customer service, product knowledge, cross-selling and teamwork, while regular refresher sessions were conducted to update staff on the latest customer feedback and ensure their effective response.

These developments during 2010 continued to support IBQ's goal to be the 'bank of choice' in Qatar. This will be achieved by empowering the Bank's winning team to forge winning partnerships with customers based on greater choice and convenience and superior service and satisfaction.

### Retail Banking

The Bank's retail banking business posted another exceptional performance in 2010, highlighted by continued strong growth across all its operations.

The total customer base grew by 48 per cent, while the customer base of Elite Banking – IBQ's premium service for affluent customers – grew by 105 per cent. There was a 73 per cent increase in current accounts, with Super Saving Accounts – introduced in 2009 – registering a 98 per cent growth. Despite subdued market conditions, total loans grew by 7 per cents and assets by 9 per cent. The performance of the Bank's new suite of credit cards, which were launched last year, exceeded all targets. IBQ's share of the cards market increased five-fold, with a growth in accounts of 71 per cent and an increase in spend of 157 per cent.

Driving this remarkable performance were a series of customer acquisition campaigns that took place throughout 2010. These included innovative offers such as instant free flights with Qatar Airways for customers transferring their salaries, and a FIFA World Cup prize draw for users of credit cards. In addition, the Bank's ongoing Merchant Partner programme continued to offer a range of special offers and exclusive discounts.

In a new strategic partnership with Al Watany Bank of Egypt (AWB), an NBK subsidiary, IBQ launched AWB Certificates of Deposits (CDs) for the Egyptian community in Qatar and other expatriates with business interests in Egypt. The AWB CDs offer guaranteed investment opportunities at highly competitive rates, with a range of associated benefits. Also during the year, IBQ introduced a Salary Card product for employees of selected companies to support the Bank's corporate banking relationship managers and Bank@Work proposition.

These achievements during 2010 underline the success of the Bank's skilled and dedicated retail banking team in fostering a spirit of partnership with their customers and continuing to build long-lasting and rewarding relationships.

### Corporate Banking

Against a backdrop of sluggish business conditions and slowed economic activity, the Bank's corporate banking business produced strong results for 2010. Outperforming the market, IBQ posted a 15 per cent rise in revenues and grew its customer base by 15 per cent. The growth of the corporate portfolio was achieved without compromising credit quality.



*Throughout 2010, IBQ continued to place the highest priority on recruiting, developing, rewarding and retaining the best people in the industry, in order to support the Bank's aspiration of becoming the 'Bank of Choice' in Qatar.*

A key achievement during the year was the Bank's role as sole provider of project financing totalling QAR 350 million for the newly-inaugurated Doha Cables Company. As the first cable manufacturer in Qatar, producing a wide range of cables for energy, infrastructure, industrial, commercial and residential projects, Doha Cables will make an important contribution to the economic diversification of the country.

The Bank continued to expand its corporate portfolio during 2010, especially among government and semi-government institutions, with a significant increase in Sharia-compliant financing deals facilitated by Al Yusr Islamic Banking. In anticipation of the upturn in project activity in 2011 and beyond, IBQ expanded its corporate banking team by 25 per cent during the year and restructured the division into industry-focused units. The appointment of additional relationship managers, with specific industry experience and the ability to structure sophisticated transactions, will further enhance the team's partnership-based approach in supporting Qatar's economic development.

IBQ's treasury business also performed strongly in 2010, posting a 20 per cent increase in contributions to the bottom line of the Bank. New structured products were provided for the Bank's private and corporate banking customers, while a new daily technical newsletter was launched, with the distinction of being the first to appear every morning in Qatar and the GCC. This new publication, which complements the Bank's existing weekly market watch newsletter, was instrumental in generating new customers. Concurrently, the treasury team continued its successful management of the Bank's balance sheet enhancing already strong liquidity levels.

### Private Banking

IBQ's private banking business achieved another strong performance in 2010. Net income rose by 51 per cent and deposits increased by 26 per cent. With the customer base expanding by 10 per cent, the Bank consolidated its position as a leading provider of wealth management and investment solutions for high net worth individuals and institutions in Qatar.

A new Capital-protected Note on Qatari shares, offering a superior rate of return, was introduced during the year. This complements the Bank's distinctive range of innovative products – such as the exclusive IBQ Infinite Visa card – and financial and advisory services, which include investments and portfolio management, trusts and offshore accounts, and access to leading international fund managers. Through its partnership with NBK, the Bank also provides customers with personalised services – both financial and non-financial – around the world. For example, officers from NBK's London and Paris branches travelled to Qatar during the year to provide IBQ private banking customers with personal advice and assistance with their accommodation, education and healthcare requirements in the UK and Europe.

In order to meet the growing and increasingly sophisticated needs of its customers, IBQ expanded its wealth management team in 2010, appointing additional senior relationship managers with specialist investment experience at an international level. They join a winning team whose members average 15 years' service with IBQ, with some having spent more than 30 years with the Bank. Such experience underlines the unique pedigree of IBQ as the country's oldest private bank. Since 1956, the Bank



has earned a reputation for successfully partnering tradition with innovation and prudence with active portfolio management. This reputation lies at the heart of the enduring relationships that IBQ has developed with its private banking customers in a winning partnership for over half a century.

### Islamic Banking

IBQ's Sharia-compliant banking platform – Al Yusr Islamic Banking – continued to perform strongly during 2010, with its retail, private and corporate banking activities all far exceeding their targets for business growth. In its second full year of operations, Al Yusr achieved a 154 per cent growth in profitability and expanded its customer base by 226 per cent, with a 165 per cent increase in corporate customers.

New retail products launched in 2010 included Ijara Home Finance, further expanding the Bank's existing product line which includes the Al Yusr Super Savings Account and personal finance solutions such as Car Murabaha. In addition, there was a soft launch of the Al Yusr Young Super Savings Accounts for young savers from birth to 17 years of age. For corporate customers, the Bank introduced new trade financing solutions such as LCs and LGs, which complement existing products such as Murabaha, Istisna'a, Ijara and Sharia-compliant treasury services. There was also a significant increase in Sharia-compliant project financing deals facilitated by Al Yusr Islamic Bank.

During the year, Al Yusr opened its second branch, located in the Al Rayyan area and finalised plans to relocate the C Ring Road branch to new, larger premises at IBQ's head office building, which will provide enhanced facilities for private banking customers. In

addition, the Bank's new Islamic website was launched, which provides customers with the option of Internet banking facilities.

To support the Bank's rapid growth, the number of staff was increased during the year, with Qatari nationals now comprising 50 per cent of all employees. The remarkable success of Al Yusr Islamic Banking in just over two years of operations is a testament to the ability of the Bank's dedicated team to address the Sharia-compliant banking needs of its customers through new partnerships based on mutual trust and respect and superior personal service.

### People

Investment in people is a critical success factor in the successful implementation of the Bank's strategy and the achievement of its business goals. Accordingly, throughout 2010, IBQ continued to place the highest priority on recruiting, developing, rewarding and retaining the best people in the industry.

At the end of the year, the total number of staff had grown to 438, with a further increase in the number of Qatari nationals employed. This was particularly the case with the Bank's Sharia-compliant subsidiary, Al Yusr Islamic Banking, where Qataris now comprise 50 per cent of the team. IBQ's efforts in providing employment for Qatari nationals were recognised by a Letter of Commendation from the Ministry of Labour for the Bank's 'active participation'.

IBQ maintained its substantial investment in training and development during 2010. Key initiatives included a Strategic Executive Leadership workshop for 24 senior executives and managers, which was organised by the Olayan Business



*Through its continued investment in technology, the Bank's team is able to offer more reliable, convenient, fast, simple and cutting edge banking solutions, and deliver the highest possible level of service to customers.*

School of the American University of Beirut, and completion of the first phase of the Bank's innovative Learn to Lead: Leadership Evolution programme, which is designed to prepare supervisory staff for management positions.

Special focus continued to be placed on product knowledge, customer service, cross-selling, teamwork, corporate governance, risk management and compliance, while staff were provided with every assistance to gain professional qualifications. Specific training and development needs of individual employees were identified through a training needs analysis that forms part of the Bank's performance management system, which was reviewed and revised in 2010. The level of employee satisfaction was measured by a staff engagement survey during the year.

The Bank's continued investment in its people is a crucial element in the successful development of a highly motivated and winning team that is committed to establishing and maintaining winning partnerships with all IBQ stakeholders.

### Technology

IBQ views the implementation of a highly developed information and communications technology (ICT) system as critical strategic driver and business enabler. Through its continued investment in ICT, the Bank's team is able to offer more reliable, convenient, fast, simple and cutting-edge banking solutions, and to deliver a higher quality service to its customers. ICT supports the Bank's product differentiation which is driven by tailor-made solutions; and also empowers customers through better access to information, and greater choice in conducting their day-to-day banking transactions.

At an operational level, key ICT developments during 2010 included further automation and process streamlining to handle increased transaction volumes. The introduction of e-Service requests in branches to replace paper-based centralised operations with electronic versions, resulted in faster turnaround times and reduced errors. In addition, compliance with PCI (payment card industry) data security standards was enhanced, and improved online shopping security in association with the authentication services of Visa and MasterCard was introduced.

In terms of customer service, new ICT initiatives included the implementation of IVR (interactive voice response) to enable customers to obtain instant balance and transactions information without the need to speak with a Call Centre agent and enhancements to ibqOnline such as the availability of real time credit card balance information for the first time in Qatar. Additionally, new Internet banking services were introduced for IBQ corporate banking customers of Al Yusr Islamic banking service. The successful take up of ibqOnline services was underlined by the findings of an independent research survey conducted in 2010, which ranked IBQ as number one for customer satisfaction with Internet banking in Qatar.

These achievements during 2010 illustrate the continued importance of ICT in helping the Bank's front and back office teams to foster a spirit of partnership with customers, and in providing a bedrock for longstanding and stable banking relationships.



As a leading Qatar-based financial institution and responsible corporate citizen, IBQ is committed to making an enduring and sustainable contribution to the social well-being and economic growth of the country. This commitment is rooted in the Bank's core values of integrity, enthusiasm and collaboration.

The Bank implements an annual corporate social responsibility (CSR) programme that is based on three principal pillars. First: educational and awareness programmes for the welfare of the community at large, with a particular interest in the development of young people. Second: business-related activities that align IBQ's activities with Qatar's vision to create a knowledge-based economy. And third: community engagement in areas such as health and safety, environment, culture, sports, arts, music and charitable endeavours.

Through its partnerships with government and non-government institutions, various charitable and social organisations, and like-minded business entities, the Bank provides a wide range of sponsorship, financial assistance, and practical support. IBQ also encourages its staff to actively participate in community-related activities. During 2010, two of the Bank's CSR initiatives entered their sixth successive year, with another four having been in place for three years or more, illustrating the enduring and sustainable nature of IBQ's contribution. The progress of these, and many other initiatives, is covered in this annual review.

## Education and Careers

Now in its fourth year, the IBQ Qatari Development Programme seeks to attract, recruit, develop and retain enthusiastic and ambitious young Qatari nationals. It is an integral part of Bank's commitment to support and encourage young Qataris, especially those seeking to develop a career in financial services sector. In 2010, IBQ provided academic scholarships to 10 students enrolling at local universities in majors of Accounting, Legal Studies, IT and Statistics. Upon graduation, the students will receive the opportunity of working for the Bank.

In 2010, IBQ further increased its employment of Qatari nationals, who now comprise over 50 per cent of the staff of the Bank's Sharia-compliant subsidiary, Al Yusr Islamic Banking. The Bank's efforts were recognised by a Letter of Commendation from the Ministry of Labour for IBQ's 'active participation'.

Through its Summer Internship Programme, IBQ provides high school and undergraduate students from various social backgrounds in Qatar, with valuable working experience during the summer months. In its sixth consecutive year, the 2010 programme enrolled 25 students, who spent time in different parts of the Bank, including Retail and Corporate Banking, Treasury and credit, and Corporate Communications and Human Resources.

Also during 2010, IBQ continued its active participation in a number of Careers Fairs, held both in Qatar and abroad, to promote careers in Qatar's banking and financial services sector.



*IBQ's community engagement activities in 2010 – embracing government, business and society – illustrate the deep and enduring partnership that the Bank has developed with the people of Qatar over the past 55 years.*

### Knowledge-based Economy

IBQ was the Platinum Sponsor of the 7th Annual MEED Qatar Projects Conference in 2010 for the third consecutive year. This major event brought together regional and international decision-makers, and key stakeholders of Qatar's energy and non-energy sectors, to discuss project opportunities in the country – estimated at over US\$ 200 billion of which more than 42 per cent is in non-construction sectors – as well as topical business and economic issues. It featured a panel of leading finance and banking professionals alongside IBQ Managing Director, Mr George Nasra, who took part in a discussion on 'The role of Qatari banks in economic development and project finance in Qatar'.

Mr Nasra was also invited to participate in the CEO Panel of the MEED Middle East Retail Banking 2010 Conference in Abu Dhabi. He opened the panel with a presentation entitled 'Consolidation of the regional banking sector – creation of a regional megabank: a dream or possibility' in which he reviewed the prevailing regional banking scene and explored the different globally successful M&A models which could lead to the creation of a super-regional financial powerhouse in the Middle east.

These examples of the Bank's involvement in important annual business and financial-related events, together with its regular Money Market Reports and periodic GCC Economic Briefs in association with NBK, serve to strengthen IBQ's reputation as a prominent and informed commentator on financial and economic issues related to Qatar and the region.

In addition, IBQ took part in consultations with the Qatar Central Bank on major planned initiatives such as QATCH – the country's new local payment clearing system, the new Credit Bureau, and enhanced regulatory reporting. At a business level, IBQ initiated the Qatar Human Resources Banking Forum, which now meets regularly to discuss HR issues and trends relating to the country's banking sector.

### Community Engagement

Al Yusr Islamic Banking – the Sharia-compliant subsidiary of IBQ – organised its third 'Do Good Deeds in the Month of Charity' campaign in 2010. This initiative comprises a number of community-serving endeavours during the Holy Month of Ramadan, aimed at encouraging and supporting various sectors of society. The Al Yusr Ramadan Tent, organised in partnership with W Hotel & Residences, served over 4,500 underprivileged people with Iftar meals. The Bank delivered 500 gifts to the Dreimah Children's Foundation, while the proceeds of an IBQ staff donation drive were donated to special needs children's unit at Rumallah Hospital. Bank staff participated in various activities during the month, including helping out in the Ramadan Tent, and visiting local hospitals and social organisations.

IBQ sponsored the 'Schools without Accidents' Campaign for the third consecutive year. Organised by Qatar's Traffic Department, and forming part of the National Campaign for Road Accidents Prevention, this initiative seeks to raise awareness of the importance of road safety among school students across the country. The 2010 campaign focused on promoting appropriate high road good manners and



behaviour, and was rolled out in three phases, starting with live demonstrations and seminars, moving to workshops for school advisors and practical sessions for students, and ending with a schools competition and awards ceremony.

The IBQ Communicator Awards, a popular one-of-its-kind annual public speaking competition, celebrated its fifth year in 2010. The aim of this competition, organised by ICC-One Toastmasters, the Qatar chapter of the renowned Toastmasters International, is to encourage communication, leadership, personal development and community spirit, especially among the country's youth.

In support of enhancing Qatar's reputation for cultural excellence, IBQ sponsored the Friends of the American School of Doha Chamber Music Series 2009-2010. Incorporating classical music, opera and operetta, and traditional folk music, this series of seven diversely-themed concerts featured both locally-based and international musicians.

Also during the year, the Bank continued its sponsorship of the IBQ Masters Cricket Tournament for the sixth year running; launched the new IBQ Artists Series, which is designed to encourage and showcase Qatar-based artists; and supported community-oriented activities by the Indian Women's Association, among others.

IBQ's diverse CSR activities in 2010 – embracing different areas of government, business and society – serve to illustrate the deep and enduring partnership that the Bank has developed with the people of Qatar for the past 55 years.

## Corporate Governance

IBQ considers that sound corporate governance is a critical factor in protecting the rights and interests of all stakeholders, and achieving business integrity and efficiency. In 2010, the Bank continued to strengthen its corporate governance and risk management framework in line with international standards and global best practice and in compliance with the rules and regulations of the Qatar Central Bank.

Key developments during the year include Board approval for IBQ's Corporate Governance Charter, revised terms of reference for the Board of Directors and Board committees, the signing of a declaration of independence by relevant Board members and the publication of a new training manual for Directors. IBQ also consolidated its management level committees, reviewed and revised its risk limits manual, issued a corporate governance training pack for new staff, and introduced health, safety and environmental guidelines. In addition, the Bank reviewed and updated its policies for operational risk, investment, credit, treasury, compliance, "speak-up", and conflicts of interest.

## Ownership Structure and Board Composition

IBQ is privately owned by six entities. National Bank of Kuwait owns a 30% share and the remaining percentage is shared by five Qatari Companies. The Bank is governed by the Board which consists of nine members, comprising the Chairman, Vice-Chairman and seven members. The entities as shareholders appoint their representative as directors, who can be changed by shareholders only by written notice. The Chairman is elected every three years by the Board.

## Terms of Reference for The Board of Directors

The Board provides oversight, with the prime responsibility for ensuring effective governance over IBQ's key affairs, including the review and approval of short and long term business strategies and credit, treasury and investment policies. The Board fulfills its responsibilities in accordance with the provisions and requirements of the Articles of Association of IBQ.

## Board Meetings

Board meetings are held six times each year and are attended by a minimum of 6 members as a quorum. Resolutions may be passed in writing by circulation to the Board members, and they are effective as having been passed at a board meeting duly convened and held.

## Board Remuneration

The Board of Directors, and members of the various committees, are paid a fixed annual remuneration. For the year 2010, a total amount of QAR 4,625,000 was paid to the Board members.

## Board Training & Development

Board Members are provided with a training and development package for the purpose of enhancing and maintaining their ability to meet all of their professional responsibilities and duties. This is done on an annual basis.

## Board Committees

Currently, the Board committees appointed by the Board with their own written Terms of Reference are: (i) Board Executive Committee, (ii) Board Audit Committee, (iii) Board Risk and Compliance Committee, (iv) Board Remuneration Committee and (v) Board Corporate Governance & Nominations Committee.

## Terms of Reference of the Board Executive Committee

The Board Executive Committee consists of five Board members including the Vice Chairman of the Board acting as the Chairman. The Managing Director attends all meetings without voting power. The committee reviews credit and investment portfolios, and approves all credit facilities above delegated management limits.

## Terms of Reference of the Board Risk and Compliance Committee

The Board Risk and Compliance Committee consists of 4 members and meets, at least, on a quarterly basis. Under its Terms of Reference, its responsibilities include ensuring that risk and compliance issues are properly identified, managed, monitored and reported; that policies and procedures are in place, and that risk is maintained at levels within the approved risk appetite and limits established by the Board. The committee is charged with promoting a risk and compliance culture across the organization and to developing an appropriate database for the ongoing management and monitoring of risk.

### **Terms of Reference of the Board Audit Committee**

The Audit Committee consists of 3 Board Members, who are all independent. The main responsibility of the committee is to review the quality, adequacy and integrity of internal controls surrounding IBQ operations, the performance and coverage of Internal Audit and the adequacy and effectiveness of all financial reporting practices. The committee is also responsible for appointing the external auditors and reviewing their performance on an annual basis, and any reports or findings arising either internally or externally.

### **Terms of Reference of the Board Remuneration Committee**

The Board Remuneration Committee is responsible for overseeing policies and structures in relation to remuneration and benefits of the Bank as they pertain to the Managing Director and senior management. The committee also oversees any major changes to the Bank's employee benefits structure. The committee meets at least twice a year and consists of 3 members of the Board.

### **Terms of Reference of The Board Corporate Governance & Nominations Committee**

The Board Corporate Governance & Nominations Committee is responsible for overseeing any major changes to policies and structures in relation to the Bank's Corporate Governance structure, Board and Board Committee Terms of Reference and the Board and Board Committees composition. The committee meets at least twice a year and consists of 3 members of the Board.

### **Executive Management Team**

Day-to-day management of IBQ is delegated to the Managing Director, who is aided by a talented and experienced executive management team. The team consists of the Assistant General Manager - Wholesale, Assistant General Manager - Retail, Assistant General Manager - Chief Operating Officer, Chief Risk Officer, Chief Credit Officer, Chief Financial Officer and the Head of Human Resources.

### **Management Committees**

The following main committees are operative for effective corporate governance at IBQ, operating within, and guided by, recently enhanced Terms of Reference for each committee:

Management Executive Committee  
Asset Liability & Investment Committee  
Risk Management Committee  
Executive Credit Committee  
Human Resources Committee

### **Risk Management**

Risk is inherent in the Bank's activities and it is managed at various levels of the Bank, including the Board level. The Board's sub-committees, the executive team, and management committees manage risk through a process of ongoing identification, measurement, monitoring and reporting, all the while being subjected to approved risk limits and other internal controls. Documented policies, procedures and risk appetites provide the parameters within which risk is ultimately controlled. These policies provide for forward looking risk management and for stressing activities to identify any potential risks or threats.

Risk Management is primarily responsible for the effective management of credit, market, operational, liquidity, legal, compliance/regulatory and reputational risks. Risk is reported using the internationally recognized Basel II standard policies and procedures where appropriate. Risk management includes the identification, analysis, evaluation of risks, and the appropriate response, tracking and reporting of risks in the aim of providing assurance regarding the achievement of IBQ's objectives.

### **Internal Audit**

The Internal Audit function reports to the Board Audit Committee. The function carries out independent and comprehensive reviews of activities in all the areas of IBQ using a risk-based approach, and assists IBQ in assessing its operations and identifying any potential vulnerabilities.

### **Compliance**

The Compliance function reports to the Managing Director of IBQ. The function ensures that IBQ procedures and activities meet statutory requirements and regulations where appropriate. It also ensures and reports that the activities of the Bank are in compliance with Qatar Central Bank's regulations and laws. The Compliance function operates in accordance with an approved policy and compliance manual, updated to reflect current requirements.

# Financial Statements and Auditors' Report

Year ended 31 December 2010

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# Independent Auditors' Report to the Shareholders of International Bank of Qatar (Q.S.C.)

Year ended 31 December 2010

## Report on the Financial Statements

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

## Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Central Bank regulations, and for such internal control as Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Central Bank regulations.

## Report on other legal and regulatory requirements

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 contravention by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank Law No.33 of 2006 and amendments thereto and of the Qatar Commercial Companies Law No. 5 of 2002 during the financial year that would materially affect its activities or its financial position.



**Firas Qoussous**  
of Ernst & Young

Auditor's Registration No. 236  
Date: 13 January 2011  
Doha

# Statement of Financial Position

Year ended 31 December 2010

	Notes	2010 QAR '000	2009 QAR '000
<b>ASSETS</b>			
Cash and balances with Qatar Central Bank	4	6,030,701	1,571,234
Due from banks and other financial institutions	5	625,649	6,704,589
Loans, advances and financing activities to customers	6	15,342,253	12,977,408
Financial investments	7	1,784,515	1,368,993
Property, furniture and equipment	8	176,175	155,778
Other assets	9	164,746	157,445
<b>Total Assets</b>		<b>24,124,039</b>	<b>22,935,447</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	10	4,975,819	6,874,087
Customer deposits	11	15,353,917	12,466,782
Other liabilities	12	255,083	222,428
<b>Total liabilities excluding unrestricted investment accounts</b>		<b>20,584,819</b>	<b>19,563,297</b>
Unrestricted investment accounts	13	622,940	600,011
<b>Total liabilities including unrestricted investment accounts</b>		<b>21,207,759</b>	<b>20,163,308</b>
<b>Equity</b>			
Share capital	14	1,000,000	1,000,000
Legal reserve	14	1,125,884	1,125,884
Risk reserve	14	300,324	190,498
Cumulative changes in fair value	14	1,290	(4,789)
Proposed dividends	14	340,000	320,000
Retained earnings		148,782	140,546
<b>Total equity</b>		<b>2,916,280</b>	<b>2,772,139</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24,124,039</b>	<b>22,935,447</b>

The financial statements for the year ended 31 December 2010 were authorized for issue in accordance with a resolution of the Board of Directors on 13 January 2011



H.E. Sheikh Hamad Bin Jassim Bin Jabor Al Thani  
Chairman



George Nasra  
Managing Director

The accompanying notes 1 to 28 form an integral part of these financial statements.

# Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 QAR '000	2009 QAR '000
Interest income	15	962,514	1,018,724
Interest expense	16	(395,211)	(534,699)
<b>Net interest income</b>		<b>567,303</b>	<b>484,025</b>
Income from Islamic financing and investment activities	17	122,321	45,093
Less: Unrestricted investment accounts holders' share of profit		(22,589)	(6,678)
<b>Net income from Islamic financing and investment activities</b>		<b>99,732</b>	<b>38,415</b>
Fee and commission income		147,458	134,285
Fee and commission expense		(24,433)	(22,754)
<b>Net fee and commission income</b>	18	<b>123,025</b>	<b>111,531</b>
Dividend Income		2,408	21,834
Net gain from foreign exchange	19	47,905	38,760
Net gain / (loss) on sale of investments		12,964	(24,518)
<b>NET OPERATING INCOME</b>		<b>853,337</b>	<b>670,047</b>
General and administrative expenses	20	(286,720)	(241,655)
Depreciation	8	(30,585)	(24,557)
Net allowance for impairment on loans, advances and financing to customers		(77,970)	(36,365)
Impairment loss on financial investments		-	(25,226)
<b>PROFIT FOR THE YEAR</b>		<b>458,062</b>	<b>342,244</b>
<b>Other comprehensive income</b>			
Net movement in fair value of available for sale investments	14 (e)	6,079	106,600
<b>Other comprehensive income for the year</b>		<b>6,079</b>	<b>106,600</b>
<b>Total comprehensive income for the year</b>		<b>464,141</b>	<b>448,844</b>
<b>Earnings per share</b>			
Basic and diluted – (QAR)	21	4.58	3.42

The accompanying notes 1 to 28 form an integral part of these financial statements.

# Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 QAR '000	2009 QAR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		458,062	342,244
<b>Adjustments for:</b>			
Allowance for impairment on loans, advances and financing to customers		97,873	55,334
Recoveries of allowance for impairment on loans, advances and financing to customers		(19,903)	(18,969)
Depreciation	8	30,585	24,557
Amortisation of premium on financial investments		2,351	4,005
Loss on sale of property, furniture & equipment		12	515
Provision for employees' end of service benefits	12a	4,979	3,540
Net (gain) / loss on sale of financial investments		(12,964)	24,518
Impairment loss on financial investments		-	25,226
<b>Cash flows from operations before changes in operating assets and liabilities</b>		<b>560,995</b>	<b>460,970</b>
<b>Net decrease (increase) in operating assets</b>			
Cash reserve with Qatar Central Bank		(79,891)	(122,622)
Due from banks and other financial institutions		(4,611)	466,380
Loans, advances and financing activities to customers (net)		(2,442,815)	163,271
Other assets		(7,301)	(17,376)
<b>Net increase (decrease) in operating liabilities</b>			
Due to banks and other financial institutions		(1,898,268)	(1,260,045)
Customer deposits		2,887,135	1,078,375
Other liabilities		29,362	1,836
Unrestricted investment accounts		22,929	523,827
<b>Cash (used in) / generated from operations</b>		<b>(932,465)</b>	<b>1,294,616</b>
Employees' end of service benefits paid	12a	(1,686)	(2,156)
<b>Net cash (used in) / from operating activities</b>		<b>(934,151)</b>	<b>1,292,460</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial investments		(1,658,123)	(584,181)
Proceeds from sale / redemption of financial investments		1,259,293	841,862
Proceeds from disposal of property, furniture & equipment		10	224
Purchase of property, furniture & equipment	8	(51,004)	(43,125)
<b>Net cash (used) / from in investing activities</b>		<b>(449,824)</b>	<b>214,780</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid during the year	14f	(320,000)	(270,000)
<b>Net cash used in financing activities</b>		<b>(320,000)</b>	<b>(270,000)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		7,633,760	6,396,520
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	26	<b>5,929,785</b>	<b>7,633,760</b>
<b>Operational cash flow from interest and dividend</b>			
Interest paid		416,309	557,806
Interest received		1,025,976	1,013,467
Dividend received		2,408	21,834

The accompanying notes 1 to 28 form an integral part of these financial statements.

# Statement of Changes In Equity

Year ended 31 December 2010

	Notes	Share capital QAR '000	Legal reserve QAR '000	Risk reserve QAR '000	Cumulative changes in fair value QAR '000	Proposed dividends QAR '000	Retained earnings QAR '000	Total QAR '000
<b>Balance at 1 January 2010</b>		1,000,000	1,125,884	190,498	(4,789)	320,000	140,546	2,772,139
Total comprehensive income for the year		-	-	-	6,079	-	458,062	464,141
Transfer to risk reserve during the year	14d	-	-	109,826	-	-	(109,826)	-
Dividends paid during the year	14f	-	-	-	-	(320,000)	-	(320,000)
Proposed Dividends	14f	-	-	-	-	340,000	(340,000)	-
<b>Balance at 31 December 2010</b>		<b>1,000,000</b>	<b>1,125,884</b>	<b>300,324</b>	<b>1,290</b>	<b>340,000</b>	<b>148,782</b>	<b>2,916,280</b>
<b>Balance at 1 January 2009</b>		1,000,000	1,125,884	176,555	(111,389)	270,000	132,245	2,593,295
Total comprehensive income for the year		-	-	-	106,600	-	342,244	448,844
Transfer to risk reserve during the year	14d	-	-	13,943	-	-	(13,943)	-
Dividends paid during the year	14f	-	-	-	-	(270,000)	-	(270,000)
Proposed dividends	14f	-	-	-	-	320,000	(320,000)	-
<b>Balance at 31 December 2009</b>		<b>1,000,000</b>	<b>1,125,884</b>	<b>190,498</b>	<b>(4,789)</b>	<b>320,000</b>	<b>140,546</b>	<b>2,772,139</b>

The accompanying notes 1 to 28 form an integral part of these financial statements.

# Notes to the Financial Statements

Year ended 31 December 2010

## 1 CORPORATE INFORMATION

The International Bank of Qatar Q.S.C. (the "Bank") was established in the State of Qatar on 1 November 1956 as Ottoman Bank, on 31 July 2000 the Bank was incorporated as Grindlays Qatar Bank under Emiri Decree Number 4 of 2000. The principal shareholders were four Qatari incorporated companies with limited liability (W.L.L.) holding 60% of the Bank's share capital and Standard Chartered Grindlays Bank Ltd. holding 40%.

Standard Chartered Grindlays Bank Ltd. sold its shareholding to Qatari shareholders on 31 May 2003.

On 30 August 2004, National Bank of Kuwait S.A.K ("NBK") acquired 20% of the shareholding in the Bank and the name of the Bank was changed to International Bank of Qatar (Q.S.C.) effective 1 September 2004 and the Bank entered into a Management Service Agreement with NBK which was renewed in 2009 for a period of ten years. Subsequently, the shareholding of NBK was increased to 30% effective 1 August 2007.

The Bank is engaged in commercial banking activities and Islamic banking services and operates through its Head Office at Suhaim Bin Hamad Street and Al Yusr Islamic Banking Branches located in Doha (postal address P.O. Box 2001, Doha, Qatar) and fourteen branches established in the State of Qatar.

## 2 ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for measurement at fair value of derivatives financial instruments and financial investments – available-for-sale. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risk that are being hedged in effective hedge relationships. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the applicable provisions of Qatar Central Bank regulations.

The Bank presents its statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date ("current") and more than 12 months of statement of financial position date ("non-current") is presented in note 3.2.3.

The financial statements are presented in Qatari Riyals (QAR) and all values are rounded to the nearest QAR thousand except when otherwise indicated.

### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following standards effective for the annual period beginning on or after 1 January 2010.

IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'

The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Bank's financial statements.

#### Changes to income statement presentation

Based on the clarifications received from Qatar Central Bank, the Bank has elected to present one single statement of comprehensive income. This change does not affect the Bank's financial position or its financial performance.

#### Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Bank.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2 ACCOUNTING POLICIES (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

#### Improvements to IFRSs (continued)

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives

The following standards, amendments and interpretations became effective in 2010, but were not relevant for the Bank's operations.

Standard / Interpretation	Content
IFRS 1	First time Adoption of IFRS – Additional Exemption
IFRS 2	Group Cash-settled Share-based Payment Arrangements
IFRIC 17	Distributions of Non-cash Assets to Owners
IAS 19	Employee Benefits
IFRS 3	Business Combinations (Revised)
IAS 27	Consolidated and Separate Financial Statements (Amended)

### 2.3 IASB Standards and Interpretations issued but not adopted

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

Standard / Interpretation	Content	Effective date for the Bank
IFRIC 14	Prepayments of a minimum funding requirement (Amendment)	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2011
IAS 24	Related Party Disclosures (Revised)	1 January 2011
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues (Amendment)	1 January 2011
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013
Improvements issued in May 2010	Various standards and interpretations including IAS 1, IFRS 7 and IFRIC 13.	1 January 2011

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

### 2.4 Significant accounting policies

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

#### (a) Islamic Banking

Islamic branch carry out Islamic banking services. The activities of the Islamic branch are conducted in accordance with the Islamic Shari'ah, as determined by the Shari'ah Control Board.

#### (b) Foreign currency transactions

The financial statements are presented in Qatari Riyals which is the functional and presentational currency of the Bank.

Transactions in foreign currencies are translated into the functional currency at the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rates ruling at the statement of financial position date. Exchange gains and losses resulting therefrom appear in the statement of comprehensive income under 'Net gain from foreign exchange'.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined and the differences are included in equity as part of the fair value adjustment of the respective assets, unless part of an effective hedging strategy.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2 ACCOUNTING POLICIES (continued)

### 2.4 Significant accounting policies (continued)

#### (c) Financial instruments – initial recognition and subsequent measurement

##### (i) Date of recognition of financial transactions

All financial assets and liabilities are recognized using the settlement date. Any changes in the fair value of the asset between the trade date and the settlement date is not recognized for assets carried at cost or amortised cost and is recognized in equity for assets classified as available for sale.

##### (ii) Derivatives recorded at fair value through profit or loss

Derivatives include interest rate swaps and forward foreign exchange contracts. Derivatives are recorded at fair value and are included in other assets when their fair value is positive and other liabilities when their fair value is negative.

Changes in the fair value of derivatives held for trading are included in the statement of comprehensive income.

##### (iii) Financial investments – held-to-maturity

After initial measurement, financial investments – held-to-maturity investments are measured at amortized cost using the effective interest rate method, less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the effective interest rate. The amortization is included in 'Interest income' in the statement of comprehensive income. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

##### (iv) Financial investments – available-for-sale

Financial investments – available-for-sale are those which are designated as such or do not qualify to be classified as, held-to-maturity or loans, advances and financing activities to customers. These include equity investments, investments in mutual funds and other debt instruments.

After initial measurement, financial investments - available-for-sale are subsequently measured at fair value. Unrealized gains or losses arising from a change in the fair value are recognized directly in the Cumulative changes in fair value reserve under equity until the investment is sold, at which time the cumulative gain or loss previously recognized in equity is included in the statement of comprehensive income. Interest earned whilst holding Financial investments – available-for-sale is reported as interest income using the effective interest rates. Dividends earned, whilst holding Financial investments - available-for-sale are recognized in the statement of comprehensive income under 'dividend income' when the right of payment has been established. The impairment losses arising from such investments are recognized in the statement of comprehensive income in 'Impairment loss on financial investments'.

##### (v) Due from banks and loans and advances and financing to customers

After initial measurement, amounts due from banks and loans and advances to customers are stated at amortized cost using the effective interest rate method, less any allowance for impairment. The amortisation is included in 'Interest income' in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in 'Net allowance for impairment on loans, advances and financing activities to customers'.

Islamic financing activities such as Murabaha which is a sale of goods with an agreed upon profit mark up, Ijara which is the transfer of ownership of services or leased assets for an agreed upon consideration, are stated at their gross principal amounts less any amount received, allowance for impairment loss and unearned profit. Financing activities are written off and charged against allowance for impairment only in circumstances where all reasonable restructuring and collection activities have been exhausted, and recoveries from previously written off financing activities are written back to the specific provision.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2 ACCOUNTING POLICIES (continued)

### 2.4 Significant accounting policies (continued)

#### (d) Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Bank has transferred its contractual rights to receive cash flows from the assets.

Financial liabilities are derecognized when they are extinguished, which is when the obligation is discharged or cancelled or expires.

#### (e) Unrestricted Investment Accounts' Share of Profit

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

The profit arrived at after taking into account all income and expenses at the end of the financial year is distributed between unrestricted investment account holders and shareholders. The share of profit of the unrestricted account holders is calculated on the basis of their daily deposit balances over the year, after reducing the agreed and declared Mudaraba fee against the statement of comprehensive income.

In case of any expense or loss, which arise out of misconduct on the part of the Bank due to non-compliance with Qatar Central Bank's regulations and instructions, then such expenses or losses are not to be borne by the unrestricted investment account holders. Such matter is subject to Qatar Central Bank's decision. Where the Islamic branch results at the end of a financial year is a net loss, the unrestricted investment account holders are not charged with any share of such loss, except as approved by Qatar Central Bank in its capacity as the regulator having responsibility of assessing the Bank's management for such losses and compliance with Islamic Sharia rules and principles. The unrestricted investment accounts carry preferential rights over others in respect of utilization of funds towards financing and investment activities.

#### (f) Fair value

The fair value of financial investment traded in active financial markets is determined by reference to quoted market bid prices on regulated exchange at the close of business on the statement of financial position date.

For all other financial investment not traded in an active market, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is similar or based on expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The fair value of liabilities with a demand feature is the amount payable on demand.

#### (g) Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss events has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

##### (i) Financial investments – held-to-maturity

For financial investments – held-to-maturity, the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced by using a provision account and the impairment loss is recognized in the statement of comprehensive income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment loss was recognized, any amounts previously charged to statement of comprehensive income are credited to the statement of comprehensive income.

##### (ii) Financial investments – available-for-sale

For financial investments – available-for-sale, the Bank assesses individually whether there is objective evidence of impairment.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2 ACCOUNTING POLICIES (continued)

### 2.4 Significant accounting policies (continued)

#### (g) Impairment of financial assets (continued)

In case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income – is removed from other comprehensive income and recognized in the statement of comprehensive income. Impairment losses on debt instruments are charged to the statement of comprehensive income through a provision account, while impairment losses on equity instruments are treated as direct write-offs. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income. Impairment losses on debt instruments are reversed through the statement of comprehensive income.

#### (iii) Due from banks and loans and advances and financing to customers

If there is objective evidence that an impairment loss has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized in the statement of comprehensive income.

Impairment allowance for loans and advances and financing to customers are calculated based on the difference between the carrying value of the loans and advances and their recoverable amount, being the net present value of the expected future cash flows, discounted at the original effective interest rates. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of assets being evaluated.

Loans and advances and financing to customers are written off and charged against impairment allowance only in circumstances where all reasonable restructuring and collection activities have been exhausted.

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

#### (iv) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2 ACCOUNTING POLICIES (continued)

### 2.4 Significant accounting policies (continued)

#### (h) Hedge accounting

The Bank makes use of derivatives to manage exposures to interest rate and foreign currency risks including exposures arising from forecast highly probable transactions.

In order to manage particular risks, the Bank applies hedge accounting for transactions which meets the specified criteria. For the purpose of hedge accounting, hedges are classified as either fair value or cash flow hedges. Fair value hedges hedge the exposure to change in the fair value of a recognized asset or liability. Cash flow hedges hedge exposure to the variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted highly probable transactions.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of comprehensive income for the year.

#### Discontinuation of hedge accounting

Hedge accounting is discontinued when the hedging instrument expires, is terminated or exercised, or no longer qualifies for hedge accounting. For effective fair value hedges of financial instruments with fixed maturities any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognized in equity is held therein until the forecasted transaction occurs.

If a hedge transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income.

#### (i) Fair value hedges

For designated and qualifying fair value hedges, any gain or loss from remeasuring the hedging instrument to fair value is recognized immediately in the statement of comprehensive income. The related aspect of the hedged item is adjusted against the carrying amount of the hedged item and is also recognized in the statement of comprehensive income.

For fair value hedges of financial instruments with fixed maturities any adjustment arising from hedge accounting is amortised over the remaining term to maturity.

#### (ii) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized in equity. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the statement of comprehensive income under 'Net trading income'.

The gains or losses on cash flow hedges initially recognized in equity are transferred to the statement of comprehensive income in the period in which the hedged transaction impacts the statement of comprehensive income. Any cumulative gain or loss on the hedging instrument recognized in equity is held therein until the forecasted transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income. Where the hedged transaction results in the recognition of an asset or a liability, the associated gains or losses that had initially been recognized in the equity are included in the initial measurement of the cost of the related asset or liability.

#### (i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

# Notes to the Financial Statements

Year ended 31 December 2010

## 2 ACCOUNTING POLICIES (continued)

### 2.4 Significant accounting policies (continued)

#### (i) Revenue recognition (continued)

##### (i) Interest income and expense

For all financial instruments measured at amortised cost and debt instruments classified as available-for-sale financial investments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, payment options) including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on original effective interest rate. The change in carrying amount is recorded as interest income.

##### (ii) Profit on Islamic financing activities

Revenues on Islamic financing transactions are recognised on accrual basis using the reducing installment method.

##### (iii) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

##### *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate of the loan.

##### *Fee income from providing transaction services*

Fees arising from negotiation or participating in the negotiation of a transaction for a third party – such as the arrangement of acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, and brokerage fees. Loan syndication fees are recognized in the statement of comprehensive income when the syndication has been completed and the Bank retains no part of the loans for itself or retains part of the loan at the same effective rate as for the other participants.

##### (iv) Dividend income

Revenue is recognized when the Bank's right to receive the payment is established.

#### (j) Properties acquired against settlement of debts

Properties acquired against settlement of debts appear under other assets at their net acquired values. Unrealized losses due to diminution in the value of these assets appear in the statement of comprehensive income. Future unrealized gains on these properties are recognized in the statement of comprehensive income to the extent of unrealized losses previously recognized.

In accordance with Qatar Central Bank regulations, all properties acquired against settlement of debts must be sold within three years. Any extension or transfer to property and equipment must be with Qatar Central Bank approval.

#### (k) Property, furniture and equipment

Property, furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Freehold land is not depreciated. All other property, furniture and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

# Notes to the Financial Statements

Year ended 31 December 2010

## 2 ACCOUNTING POLICIES (continued)

### 2.4 Significant accounting policies (continued)

#### (k) Property, furniture and equipment (continued)

Leasehold improvements	5-7 years
Computer equipment	3 years
Furniture and equipment	5-7 years
Vehicles	5 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income / expenses in the statement of comprehensive income.

#### (l) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (m) Employees' termination benefits

The Bank provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment. The provision for employees' end of service benefits is disclosed under 'Other liabilities'.

With respect to Qatari employees, the Bank makes contributions to the Qatari Pension Fund calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions. The cost is considered as part of general and administrative expenses.

#### (n) Provisions

Provisions are recognized when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### (o) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

#### (p) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and balances with Qatar Central Bank other than mandatory cash reserve and balances with banks and other financial institutions with an original maturity of three months or less as disclosed in note 26.

#### (q) Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

#### (r) Contingent liabilities and other commitments

As at statement of financial position date, contingent liabilities and other commitments do not represent actual assets or liabilities of the Bank.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2 ACCOUNTING POLICIES (continued)

### 2.4 Significant accounting policies (continued)

#### (s) Financial guarantees

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance statement of financial position. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

## 3 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

### 3.1 Financial Instruments

#### (a) Definition and classification

Financial instruments cover all financial assets and financial liabilities of the Bank. Financial assets include cash and balances with Qatar Central Bank, due from banks and other financial institutions, loans and advances and financing to customers and financial investments. Financial liabilities include customer deposits and due to banks and other financial institutions. Financial instruments also include certain contingent liabilities and commitments.

The significant accounting policies adopted by the Bank in respect of recognition and measurement of the key financial instruments and their related income and expenses are disclosed in note (2) "significant accounting policies".

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

Set out below is a comparison by class, of the carrying amounts and fair values of the Bank's financial instruments. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2010 QAR'000	Fair value 2010 QAR'000	Carrying value 2009 QAR'000	Fair value 2009 QAR'000
<b>Financial assets</b>				
Cash and balances with Qatar Central Bank	6,030,701	6,030,701	1,571,234	1,571,234
Due from banks and other financial institutions	625,649	625,649	6,704,589	6,704,589
Loans, advances and financing activities to customers	15,342,253	15,352,549	12,977,408	13,020,611
Financial investments	1,784,515	1,776,649	1,368,993	1,379,163
Derivative financial instruments	17,310	17,310	22,031	22,031
	<b>23,800,428</b>	<b>23,802,858</b>	<b>22,644,255</b>	<b>22,697,628</b>
<b>Financial liabilities</b>				
Due to banks and other financial institutions	4,975,819	4,975,819	6,874,087	6,874,087
Customer deposits and unrestricted investment accounts	15,976,857	15,976,857	13,066,793	13,066,793
Derivative financial instruments	25,321	25,321	35,784	35,784
	<b>20,977,997</b>	<b>20,977,997</b>	<b>19,976,664</b>	<b>19,976,664</b>

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

### 3.1 Financial Instruments (continued)

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

##### Financial instruments for which fair values approximates carrying values

For financial assets including due from banks and financial institutions, loans and advances and financing activities for customers and financial investments and financial liabilities including due to banks and financial institutions and customers deposits that are liquid or having short term maturities (less than three months), the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

##### Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those instruments issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

##### Fair value hierarchy

As at 31 December 2010, the Bank held the following financial instruments measured at fair value:

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

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

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

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

#### 31 December 2010

##### Financial assets

*Financial assets at fair value through profit and loss*

Foreign exchange contracts

*Available-for-sale financial assets*

Equity shares

Mutual funds

Debt securities

##### Financial Liability

Foreign exchange contracts

Interest rate swap

	Total QAR '000	Level 1 QAR '000	Level 2 QAR '000	Level 3 QAR '000
Foreign exchange contracts	17,310	-	17,310	-
Equity shares	252	252	-	-
Mutual funds	126,179	83,178	-	43,001
Debt securities	178,721	178,721	-	-
Foreign exchange contracts	15,025	-	15,025	-
Interest rate swap	10,296	-	10,296	-

#### 31 December 2009

##### Financial assets

*Financial assets at fair value through profit and loss*

Foreign exchange contracts

*Available-for-sale financial assets*

Equity Shares

Mutual funds

Debt securities

##### Financial Liability

Foreign exchange contracts

Interest rate swap

	Total QAR '000	Level 1 QAR '000	Level 2 QAR '000	Level 3 QAR '000
Foreign exchange contracts	22,031	-	22,031	-
Equity Shares	278	278	-	-
Mutual funds	109,760	73,360	-	36,400
Debt securities	23,136	23,136	-	-
Foreign exchange contracts	18,565	-	18,565	-
Interest rate swap	17,219	-	17,219	-

During the year ending 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

### 3.1 Financial Instruments (continued)

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

##### Classes of financial instruments

Financial assets such as balances with Qatar Central Bank, due from banks and other financial institutions, loans, advances and financing activities to customers, and certain other assets totaling to QAR 22,007,541 thousand (2009: QAR 21,277,523 thousand) are reported at amortized cost (as "loans and receivables" under IAS-39).

Financial investments include QAR 305,152 thousand (2009: QAR 133,174 thousand) of investments reported at fair value (as "available for sale" under IAS-39) and QAR 1,479,363 thousand (2009: QAR 1,235,819 thousand) of investments reported at amortized cost (as "held to maturity" under IAS-39).

Financial assets amounting to QAR 17,310 thousand (2009: QAR 22,031 thousand) and financial liabilities amounting to QAR 15,025 thousand (2009: QAR 18,565 thousand), resulting from derivative financial instruments held for trading are reported at fair value.

Financial liabilities amounting to QAR 10,296 thousand (2009: QAR 17,219 thousand) resulting from fair value hedges are reported at fair value.

All other financial liabilities, such as due to banks and other financial institutions, customer deposits, and unrestricted investment accounts and certain other liabilities, totaling to QAR 21,103,088 thousand (2009: QAR 20,051,202 thousand) are reported at amortized cost.

## 3.2 Risk Management

### 3.2.1 Risk management framework

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 risk, liquidity risk, operating risk and market risk, which include trading and non-trading risks.

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

#### Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks, and for establishing and disseminating an appropriate risk appetite; however, there are separate independent bodies responsible for managing and monitoring risks. The Bank has 5 Management Level committees which are responsible for managing risk and report into the 5 Board Level committees.

**Risk Management Committee (RMC)**, constituted at the managerial level, has been established to oversee the risk and compliance issues currently arising from these business activities now and potentially in the future. The RMC oversees market, credit, operational, legal, reputation and enterprise risks to IBQ. The RMC oversees the implementation and adherence to the approved policies of IBQ across its business lines to ensure that risk and compliance with these policies and with regulatory requirements is properly managed, monitored, measured and reported. Generally the RMC is charged amongst other things, with encouraging a risk aware culture within IBQ at all levels.

#### Other committees

The Board of Directors evaluates the specific risks faced by the Bank through the following committees:

- The Board Risk and Compliance Committee is responsible to ensure that risk and compliance issues are properly identified, managed, monitored and reported; that policies and procedures are in place; and that risk is maintained at levels within the approved risk appetite and limits established by the Board. The committee is charged with promoting a risk and compliance culture across the organization, and to developing an appropriate database for the ongoing management and monitoring of risk.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

### 3.2 Risk Management (continued)

#### 3.2.1 Risk management framework (continued)

##### Other committees (continued)

- The Board Audit Committee is responsible to review the quality, adequacy and integrity of internal controls surrounding IBQ operations, the performance and coverage of Internal Audit, and the adequacy and effectiveness of all financial reporting practices.
- A management level Executive Credit Committee (ECC) is responsible to exercise the power and authority delegated to it by the Board of Directors (BOD) and the Board Executive Committee (BEC). It is entrusted to ensure that the quality of IBQ's credit portfolio remains within approved risk limits. This is in terms of both qualitative and quantitative parameters and credit policies approved by the BOD.
- An Asset Liability and Investment Committee (ALICO) is responsible to monitor and manage specific elements of the balance sheet; capital structure, funding and liquidity requirements, market and regulatory aspects of the trading and non-trading portfolios as well as developing IBQ's investment portfolio thereby assisting the Bank to manage investments, optimize returns and oversee risk.

##### Internal audit

Risk management processes throughout the Bank are audited annually by the internal audit function, which 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.

##### Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Board. These limits reflect the business strategy of the Board and the market environment as well as the level of risk that the Board is willing to accept, with additional emphasis on selected industries.

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

##### Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of authority within the Bank. The effectiveness of all hedge relationships are monitored by the Risk management monthly. In situations of ineffectiveness, the Bank will enter into a new hedge relationship to mitigate risk on a continuous basis.

#### 3.2.2 Credit risk

Credit risk is the risk that a customer or counterparty of the Bank will be unable or unwilling to meet a commitment entered into with the Bank. It arises from lending, trade finance, treasury and other activities undertaken by the Bank. The Bank has in place standards, policies and procedures for the control and monitoring of all such risks.

The Bank seeks to manage its credit risks exposure through diversification of its lending, investing and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific businesses. It also obtains security when appropriate. The types of collateral obtained include cash, mortgages over real estate properties and pledge over equity instruments.

The Bank uses the same credit risk procedures when entering into derivative transactions that it does for traditional lending products.

Note 6(b) discloses the distribution of loans and advances and financing to customers by industrial sector. Note 23 discloses the geographical distribution of the Bank's assets and liabilities at the statement of financial position date.

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

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

### 3.2 Risk Management (continued)

#### 3.2.2 Credit risk (continued)

	Gross maximum exposure	
	Total 2010 QAR '000	Total 2009 QAR '000
Balances with Qatar Central Bank	5,930,897	1,508,962
Due from banks and other financial institutions	625,649	6,704,589
Loans, advances and financing activities to customers	15,342,253	12,977,408
Financial investments	1,658,084	1,258,955
Other assets	138,803	129,170
<b>Total statement of financial position</b>	<b>23,695,686</b>	<b>22,579,084</b>
Contingent liabilities	6,452,762	5,716,927
Unutilized facilities	2,394,276	1,977,742
<b>Total contingent liabilities and other commitments</b>	<b>8,847,038</b>	<b>7,694,669</b>
<b>Total exposure</b>	<b>32,542,724</b>	<b>30,273,753</b>

(i) Risk concentration for maximum exposure to credit risk by industry sector

	Gross maximum exposure 2010 QAR '000	Net maximum exposure 2010 QAR '000	Gross maximum exposure 2009 QAR '000	Net maximum exposure 2009 QAR '000
	Government	7,644,004	7,462,004	3,101,803
Government agencies	3,285,704	3,045,520	547,814	547,814
Industry / Manufacturing	210,520	210,520	357,659	225,661
Commercial	1,845,768	1,759,663	2,612,716	2,067,278
Financial / Services	2,814,923	1,713,294	9,256,973	9,155,223
Contracting	833,637	830,906	1,299,274	1,169,596
Real estate	3,486,529	71,781	1,253,174	22,986
Personal	3,572,147	1,938,195	4,146,315	1,643,640
Others	2,454	2,454	3,356	3,356
Contingent liabilities	8,847,038	6,421,212	7,694,669	7,463,239
<b>Total</b>	<b>32,542,724</b>	<b>23,455,549</b>	<b>30,273,753</b>	<b>25,372,556</b>

The main types of collaterals obtained are cash, mortgage, equity and debt securities, government guarantees and other eligible securities.

(ii) Credit risk exposure for each internal risk rating

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

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

### 3.2 Risk Management (continued)

#### 3.2.2 Credit risk (continued)

##### (ii) Credit risk exposure for each internal risk rating (continued)

(a) The following table sets out the credit qualities of its loans and advances portfolio as per the Bank's internal grading.

	Neither past due nor impaired QAR '000	Past Due but not impaired QAR '000	Impaired QAR '000	Total QAR '000
<b>31 December 2010</b>				
<b>Risk Grading</b>				
Low risk- Excellent	7,956,432	-	-	7,956,432
Standard-Satisfactory	7,314,084	52,845	-	7,366,929
Sub standard-watch	-	-	16,916	16,916
Doubtful	-	-	15,688	15,688
Bad debts	-	-	135,961	135,961
<b>Gross</b>	<b>15,270,516</b>	<b>52,845</b>	<b>168,565</b>	<b>15,491,926</b>
Less : allowance for impairment	-	(1,750)	(147,923)	(149,673)
<b>Net</b>	<b>15,270,516</b>	<b>51,095</b>	<b>20,642</b>	<b>15,342,253</b>

	Neither past due nor impaired QAR '000	Past Due but not impaired QAR '000	Impaired QAR '000	Total QAR '000
<b>31 December 2009</b>				
<b>Risk Grading</b>				
Low risk- Excellent	3,342,995	-	-	3,342,995
Standard-Satisfactory	9,064,826	536,787	-	9,601,613
Sub standard-watch	-	-	37,041	37,041
Doubtful	-	-	12,007	12,007
Bad debts	-	-	49,383	49,383
<b>Gross</b>	<b>12,407,821</b>	<b>536,787</b>	<b>98,431</b>	<b>13,043,039</b>
Less : allowance for impairment	-	(1,750)	(63,881)	(65,631)
<b>Net</b>	<b>12,407,821</b>	<b>535,037</b>	<b>34,550</b>	<b>12,977,408</b>

(b) Due from banks and financial institutions are either of Low Risk (grade A) or Standard risk (grade B). There are no past due or impaired balances in the portfolio as at 31 December 2010 (2009: QAR Nil).

(c) Financial investments:

<b>Investment</b>	2010 QAR '000	2009 QAR '000
Held to Maturity	1,479,363	1,235,819
Available for sale	178,721	23,136
<b>Total</b>	<b>1,658,084</b>	<b>1,258,955</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 3.2 Risk Management (continued)

#### 3.2.2 Credit risk (continued)

##### (iii) Credit quality by class of financial asset

The table below summarizes the credit quality by class of financial asset, based on the Bank's credit rating system:

31 December 2010	High Grade QAR '000	Standard Grade QAR '000	Low Grade QAR '000	Unrated QAR '000	Total QAR '000
Balances with Qatar Central Bank	5,930,897	-	-	-	5,930,897
Due from banks and other financial institutions	333,542	200,357	-	91,750	625,649
Loans, advances and financing activities to customers	7,956,432	7,365,179	20,642	-	15,342,253
Financial investments	1,402,880	255,204	-	-	1,658,084
Other assets	-	-	-	138,803	138,803
<b>Total statement of financial position</b>	<b>15,623,751</b>	<b>7,820,740</b>	<b>20,642</b>	<b>230,553</b>	<b>23,695,686</b>
Contingent liabilities	4,022,801	2,429,961	-	-	6,452,762
Other commitments	1,240,830	1,153,446	-	-	2,394,276
<b>Total contingent liabilities and other commitments</b>	<b>5,263,631</b>	<b>3,583,407</b>	<b>-</b>	<b>-</b>	<b>8,847,038</b>
<b>Total</b>	<b>20,887,382</b>	<b>11,404,147</b>	<b>20,642</b>	<b>230,553</b>	<b>32,542,724</b>

31 December 2009	High Grade QAR '000	Standard Grade QAR '000	Low Grade QAR '000	Unrated QAR '000	Total QAR '000
Balances with Qatar Central Bank	1,508,962	-	-	-	1,508,962
Due from banks and other financial institutions	3,270,587	2,041,952	-	1,392,050	6,704,589
Loans, advances and financing activities to customers	3,342,995	9,599,863	34,550	-	12,977,408
Financial investments	1,155,468	23,136	-	80,351	1,258,955
Other assets	-	-	-	129,170	129,170
<b>Total statement of financial position</b>	<b>9,278,012</b>	<b>11,664,951</b>	<b>34,550</b>	<b>1,601,571</b>	<b>22,579,084</b>
Contingent liabilities	2,104,048	3,612,879	-	-	5,716,927
Other commitments	519,308	1,458,434	-	-	1,977,742
<b>Total contingent liabilities and other commitments</b>	<b>2,623,356</b>	<b>5,071,313</b>	<b>-</b>	<b>-</b>	<b>7,694,669</b>
<b>Total</b>	<b>11,901,368</b>	<b>16,736,264</b>	<b>34,550</b>	<b>1,601,571</b>	<b>30,273,753</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 3.2 Risk Management (continued)

#### 3.2.2 Credit risk (continued)

##### (iv) Aging analysis of past due but not impaired loans and advances

	Less than 30 days QAR '000	31 to 60 days QAR '000	61 to 90 days QAR '000	Over 90 days QAR '000	Total QAR '000
<b>31 December 2010</b>					
Loans, advances and financing activities to customers					
Personal	22,749	10,504	7,019	-	40,272
Real Estate	6,178	4,628	1,767	-	12,573
<b>Total</b>	<b>28,927</b>	<b>15,132</b>	<b>8,786</b>	<b>-</b>	<b>52,845</b>

	Less than 30 days QAR '000	31 to 60 days QAR '000	61 to 90 days QAR '000	Over 90 days QAR '000	Total QAR '000
<b>31 December 2009</b>					
Loans, advances and financing activities to customers					
Corporate	39,351	2,178	116,299	297,765	455,593
Personal	41,390	16,763	12,634	-	70,787
Real Estate	8,369	-	2,038	-	10,407
<b>Total</b>	<b>89,110</b>	<b>18,941</b>	<b>130,971</b>	<b>297,765</b>	<b>536,787</b>

#### 3.2.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its funding requirements. Liquidity risk arises from fluctuations in cash flows due to market disruptions or credit down grades, which may cause certain sources of funding to cease immediately. The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains a statutory deposit with the Qatar Central Bank. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 3.2 Risk Management (continued)

#### 3.2.3 Liquidity risk (continued)

The table below set out the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

As at 31 December 2010	Up to 1 month QAR'000	1 – 3 months QAR'000	3 – 12 months QAR'000	Subtotal 1 Year QAR'000	1 – 5 Years QAR'000	Over 5 years QAR'000	Total QAR'000
Cash and balances with Qatar Central Bank	6,030,701	-	-	6,030,701	-	-	6,030,701
Due from banks and other financial institutions	621,038	-	4,611	625,649	-	-	625,649
Loans, advances and financing activities to customers	2,660,328	2,848,931	1,040,949	6,550,208	6,027,197	2,764,848	15,342,253
Financial investments	-	-	126,431	126,431	290,816	1,367,268	1,784,515
Property, furniture and equipment	-	-	-	-	-	176,175	176,175
Other assets	111,197	-	43,253	154,450	10,296	-	164,746
<b>Total assets</b>	<b>9,423,264</b>	<b>2,848,931</b>	<b>1,215,244</b>	<b>13,487,439</b>	<b>6,328,309</b>	<b>4,308,291</b>	<b>24,124,039</b>
Due to banks and other financial institutions	4,848,718	127,101	-	4,975,819	-	-	4,975,819
Customer deposits	9,986,204	4,729,032	602,781	15,318,017	35,900	-	15,353,917
Unrestricted investment accounts	216,017	402,433	4,490	622,940	-	-	622,940
Other liabilities	75,417	14,626	165,040	255,083	-	-	255,083
Equity	-	340,000	-	340,000	-	2,576,280	2,916,280
<b>Total liabilities and equity</b>	<b>15,126,356</b>	<b>5,613,192</b>	<b>772,311</b>	<b>21,511,859</b>	<b>35,900</b>	<b>2,576,280</b>	<b>24,124,039</b>
<b>Net liquidity gap</b>	<b>(5,703,092)</b>	<b>(2,764,261)</b>	<b>442,933</b>	<b>(8,024,420)</b>	<b>6,292,409</b>	<b>1,732,011</b>	<b>-</b>
<b>Cumulative liquidity gap</b>	<b>(5,703,092)</b>	<b>(8,467,353)</b>	<b>(8,024,420)</b>	<b>(8,024,420)</b>	<b>(1,732,011)</b>	<b>-</b>	<b>-</b>

#### As at 31 December 2009

Cash and balances with Qatar Central Bank	1,571,234	-	-	1,571,234	-	-	1,571,234
Due from banks and other financial institutions	6,704,589	-	-	6,704,589	-	-	6,704,589
Loans, advances and financing activities to customers	1,688,613	575,939	3,945,022	6,209,574	4,184,622	2,583,212	12,977,408
Financial investments	-	-	888,732	888,732	251,515	228,746	1,368,993
Property, furniture and equipment	-	-	-	-	-	155,778	155,778
Other assets	81,032	-	59,194	140,226	17,219	-	157,445
<b>Total assets</b>	<b>10,045,468</b>	<b>575,939</b>	<b>4,892,948</b>	<b>15,514,355</b>	<b>4,453,356</b>	<b>2,967,736</b>	<b>22,935,447</b>
Due to banks and other financial institutions	6,274,087	600,000	-	6,874,087	-	-	6,874,087
Customer deposits	9,899,744	2,343,419	223,122	12,466,285	497	-	12,466,782
Unrestricted investment accounts	391,059	204,342	4,610	600,011	-	-	600,011
Other liabilities	-	-	222,428	222,428	-	-	222,428
Equity	-	320,000	-	320,000	-	2,452,139	2,772,139
<b>Total liabilities and equity</b>	<b>16,564,890</b>	<b>3,467,761</b>	<b>450,160</b>	<b>20,482,811</b>	<b>497</b>	<b>2,452,139</b>	<b>22,935,447</b>
<b>Net liquidity gap</b>	<b>(6,519,422)</b>	<b>(2,891,822)</b>	<b>4,442,788</b>	<b>(4,968,456)</b>	<b>4,452,859</b>	<b>515,597</b>	<b>-</b>
<b>Cumulative liquidity gap</b>	<b>(6,519,422)</b>	<b>(9,411,244)</b>	<b>(4,968,456)</b>	<b>(4,968,456)</b>	<b>(515,597)</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 3.2 Risk Management (continued)

#### 3.2.3 Liquidity risk (continued)

The table below summarizes the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	Up to 1 month QAR'000	1 – 3 months QAR'000	3 – 12 months QAR'000	1 – 5 years QAR'000	Over 5 years QAR'000	Total QAR'000
<b>As at 31 December 2010</b>						
Due to banks and other financial institutions	4,852,145	127,808	-	-	-	4,979,953
Customer deposits	10,008,154	4,745,257	610,074	35,900	-	15,399,385
Unrestricted investment accounts	221,467	412,091	4,606	-	-	638,164
Derivative financial instruments						
Contractual amounts payable	3,727,033	118,627	561,120	13,323	-	4,420,103
Contractual amounts receivable	(3,737,305)	(118,678)	(560,747)	(649)	-	(4,417,379)
<b>Total undiscounted financial liabilities 2010</b>	<b>15,071,494</b>	<b>5,285,105</b>	<b>615,053</b>	<b>48,574</b>	<b>-</b>	<b>21,020,226</b>

#### As at 31 December 2009

Due to banks and other financial institutions	6,278,968	601,534	-	-	-	6,880,502
Customer deposits	9,930,448	2,373,004	265,145	519	-	12,569,116
Unrestricted Investment Accounts	392,752	207,309	4,759	-	-	604,820
Derivative financial instruments						
Contractual amounts payable	1,948,632	262,716	981,280	359	-	3,192,987
Contractual amounts receivable	(1,941,270)	(262,755)	(981,749)	(8,406)	-	(3,194,180)
<b>Total undiscounted financial liabilities 2009</b>	<b>16,609,530</b>	<b>3,181,808</b>	<b>269,435</b>	<b>(7,528)</b>	<b>-</b>	<b>20,053,245</b>

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments:

	Up to 1 month QAR '000	1 - 3 months QAR '000	3 - 12 months QAR '000	1 - 5 years QAR '000	Over 5 years QAR '000	Total QAR '000
<b>At 31 December 2010</b>						
Contingent liabilities	2,028,838	1,396,011	1,812,396	1,215,517	-	6,452,762
Unutilized facilities	1,906,453	25,482	318,497	64,644	79,200	2,394,276
<b>Total</b>	<b>3,935,291</b>	<b>1,421,493</b>	<b>2,130,893</b>	<b>1,280,161</b>	<b>79,200</b>	<b>8,847,038</b>

#### At 31 December 2009

Contingent liabilities	1,065,431	275,206	1,822,042	2,544,495	9,753	5,716,927
Unutilized facilities	197,774	197,774	593,322	988,872	-	1,977,742
<b>Total</b>	<b>1,263,205</b>	<b>472,980</b>	<b>2,415,364</b>	<b>3,533,367</b>	<b>9,753</b>	<b>7,694,669</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 3.2 Risk Management (continued)

#### 3.2.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

##### (a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates might affect the future cash flow or the fair value of financial instruments. Exposure to interest rate risk is managed by the Bank using, where appropriate, various hedge instruments, primarily interest rate swaps. Maturities of assets and liabilities have been determined on the basis of contractual reprising or maturity dates, whichever date is earlier.

The following table summarizes the reprising profile of the Bank assets, liabilities, contingent liabilities and other commitments exposures:

	Up to 1 months QAR'000	1-3 months QAR'000	3-12 months QAR'000	Over 1 year QAR'000	Non-interest sensitive QAR'000	Total QAR'000
<b>As at 31 December 2010</b>						
Cash and balances with Qatar Central Bank	5,190,000	-	-	-	840,701	6,030,701
Due from banks and other financial institutions	576,751	4,611	-	-	44,287	625,649
Loans, advances and financing activities to customers	9,095,114	4,410,649	1,447,765	182,000	206,725	15,342,253
Financial investments	-	-	94,272	1,563,812	126,431	1,784,515
Property, furniture and equipment	-	-	-	-	176,175	176,175
Other assets	-	-	-	-	164,746	164,746
<b>Total assets</b>	<b>14,861,865</b>	<b>4,415,260</b>	<b>1,542,037</b>	<b>1,745,812</b>	<b>1,559,065</b>	<b>24,124,039</b>
Due to banks and other financial institutions	4,824,670	127,101	-	-	24,048	4,975,819
Customer deposits	7,190,897	4,729,032	602,781	-	2,831,207	15,353,917
Unrestricted Investment Accounts	216,017	402,433	4,490	-	-	622,940
Other liabilities	-	-	-	-	255,083	255,083
Equity	-	-	-	-	2,916,280	2,916,280
<b>Total liabilities and equity</b>	<b>12,231,584</b>	<b>5,258,566</b>	<b>607,271</b>	<b>-</b>	<b>6,026,618</b>	<b>24,124,039</b>
Statement of financial position gap	2,630,281	(843,306)	934,766	1,745,812	(4,467,553)	-
Contingent liabilities and other commitments gap	-	148,649	-	(148,649)	-	-
<b>Interest rate sensitivity gap</b>	<b>2,630,281</b>	<b>(694,657)</b>	<b>934,766</b>	<b>1,597,163</b>	<b>(4,467,553)</b>	<b>-</b>
<b>Cumulative interest sensitivity gap</b>	<b>2,630,281</b>	<b>1,935,624</b>	<b>2,870,390</b>	<b>4,467,553</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 3.2 Risk Management (continued)

#### 3.2.4 Market risk (continued)

##### (a) Interest rate risk (continued)

As at 31 December 2009	Up to 1 month QAR'000	1-3 months QAR'000	3-12 months QAR'000	Over 1 year QAR'000	Non-interest sensitive QAR'000	Total QAR'000
Cash and balances with Qatar Central Bank	858,000	-	-	-	713,234	1,571,234
Due from banks and other financial institutions	6,686,096	-	-	-	18,493	6,704,589
Loans, advances and financing activities to customers	9,144,115	1,688,644	1,554,645	-	590,004	12,977,408
Financial investments	-	-	832,940	426,015	110,038	1,368,993
Property, furniture and equipment	-	-	-	-	155,778	155,778
Other assets	-	-	-	-	157,445	157,445
<b>Total assets</b>	<b>16,688,211</b>	<b>1,688,644</b>	<b>2,387,585</b>	<b>426,015</b>	<b>1,744,992</b>	<b>22,935,447</b>
Due to banks and other financial institutions	6,183,493	600,000	-	-	90,594	6,874,087
Customer deposits	8,147,848	1,765,281	791,967	271	1,761,415	12,466,782
Unrestricted Investment Accounts	391,059	204,342	4,610	-	-	600,011
Other liabilities	-	-	-	-	222,428	222,428
Equity	-	-	-	-	2,772,139	2,772,139
<b>Total liabilities and equity</b>	<b>14,722,400</b>	<b>2,569,623</b>	<b>796,577</b>	<b>271</b>	<b>4,846,576</b>	<b>22,935,447</b>
On the statement of financial position gap	1,965,811	(880,979)	1,591,008	425,744	(3,101,584)	-
Contingent liabilities and other commitments gap	-	196,948	-	(196,948)	-	-
<b>Interest rate sensitivity gap</b>	<b>1,965,811</b>	<b>(684,031)</b>	<b>1,591,008</b>	<b>228,796</b>	<b>(3,101,584)</b>	<b>-</b>
<b>Cumulative interest sensitivity gap</b>	<b>1,965,811</b>	<b>1,281,780</b>	<b>2,872,788</b>	<b>3,101,584</b>	<b>-</b>	<b>-</b>

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

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at the statement of financial position date, including the effect of hedging instruments. There is no impact on the Bank's equity. The effect of decreases in basis points is expected to be equal and opposite to the effect of the increases shown.

Currency	Increase in basis points	Sensitivity of net interest income	
		2010 QAR '000	2009 QAR '000
QAR	+10	1,673	2,962
USD	+10	2,508	721
EUR	+10	(967)	(347)
GBP	+10	(174)	(207)
Others	+10	140	154
		<b>3,180</b>	<b>3,283</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 3.2 Risk Management (continued)

#### 3.2.4 Market risk (continued)

##### (b) 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 on exposure to the effect of fluctuation in prevailing foreign currency exchange rate on its financial position. The Bank has set limits on the level of currency exposure, which are monitored daily. The Bank had the following net open long (short) positions as of 31 December:

As at 31 December 2010	Qatari Riyals QAR'000	US Dollars QAR'000	Euro QAR'000	Sterling Pound QAR'000	Kuwaiti Dinar QAR'000	Other Currencies QAR'000	Total QAR'000
Assets	15,149,462	7,674,141	183,982	2,934	1,016,839	96,681	24,124,039
Liabilities and equity	15,422,606	7,400,575	192,556	4,470	1,015,671	88,161	24,124,039
<b>Net currency position</b>	<b>(273,144)</b>	<b>273,566</b>	<b>(8,574)</b>	<b>(1,536)</b>	<b>1,168</b>	<b>8,520</b>	<b>-</b>

As at 31 December 2009	Qatari Riyals QAR'000	US Dollars QAR'000	Euro QAR'000	Sterling Pound QAR'000	Kuwaiti Dinar QAR'000	Other Currencies QAR'000	Total QAR'000
Assets	14,725,001	6,840,611	727,042	278,620	336,802	27,371	22,935,447
Liabilities and equity	14,962,468	6,616,039	727,227	285,706	335,941	8,066	22,935,447
<b>Net currency position</b>	<b>(237,467)</b>	<b>224,572</b>	<b>(185)</b>	<b>(7,086)</b>	<b>861</b>	<b>19,305</b>	<b>-</b>

##### Effect in change in fair value of currency

The table below indicates the effect of a reasonable possible movement of the currency rate against the QAR on the statement of comprehensive income.

Currency	Change in currency rate in %	Effect on statement of comprehensive income 2010	Effect on statement of comprehensive income 2009
USD	+3	8,207	6,737
EUR	+3	(257)	(6)
GBP	+3	(46)	(213)
KWD	+3	35	26
Other currencies	+3	256	579
USD	-3	(8,207)	(6,737)
EUR	-3	257	6
GBP	-3	46	213
KWD	-3	(35)	(26)
Other currencies	-3	(256)	(579)

##### (c) Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. At 31 Dec 2010 the Bank had no equity securities subject to equity price risk (2009: Nil).

# Notes to the Financial Statements

Year ended 31 December 2010

## 3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 3.2 Risk Management (continued)

#### 3.2.5 Operational and other risks

Operational risk refers to the loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank endeavors to minimize operational losses by ensuring that effective infrastructure, controls, systems and individuals are in place throughout the organisation. Regulatory, legal and reputation risks are controlled through a set of internal policies and procedures. External legal advice is obtained from lawyers to confirm legal and regulatory requirements, where required.

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

#### 3.2.6 Capital management and capital adequacy

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong ratings and healthy capital ratios in order to support its business and to maximize shareholders value. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders or issue additional capital securities. No changes were made in the objectives, policies and process from the previous years.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by Qatar Central Bank in supervising the Bank.

	2010 QAR'000	2009 QAR'000
Tier 1 capital	2,274,666	2,266,430
Tier 2 capital	225,460	185,709
<b>Total capital</b>	<b>2,500,126</b>	<b>2,452,139</b>
Credit risk	16,565,805	19,348,247
Market risk	455,881	258,481
Operational risk	968,659	683,798
<b>Total risk weighted assets</b>	<b>17,990,345</b>	<b>20,290,526</b>
<b>Basel – II Tier 1 capital ratio</b>	<b>12.64%</b>	<b>11.17%</b>
<b>Basel – II Total capital ratio</b>	<b>13.90%</b>	<b>12.09%</b>

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

Tier 2 capital includes risk reserve, 45% of positive component of cumulative changes in fair value and 100% of negative component of cumulative changes in fair value.

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

# Notes to the Financial Statements

Year ended 31 December 2010

## 4 CASH AND BALANCES WITH QATAR CENTRAL BANK

	2010 QAR '000	2009 QAR '000
Cash	99,804	62,272
Cash reserve with Qatar Central Bank	721,954	642,063
Deposit with Qatar Central Bank	5,190,000	858,000
Other balances with Qatar Central Bank	18,943	8,899
<b>Total</b>	<b>6,030,701</b>	<b>1,571,234</b>

The cash reserve with Qatar Central Bank is a mandatory reserve and is not available for the Bank's day-to-day operations.

## 5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010 QAR '000	2009 QAR '000
Current accounts	44,287	18,493
Placements	576,751	6,686,096
Loans	4,611	-
<b>Total</b>	<b>625,649</b>	<b>6,704,589</b>

## 6 LOANS, ADVANCES AND FINANCING ACTIVITIES TO CUSTOMERS

### (a) By type:

	2010 QAR '000	2009 QAR '000
<b>Conventional banking loans and advances</b>		
Loans, advances and receivables	13,076,662	10,304,081
Overdrafts	1,004,578	1,254,060
Bills discounted	178,045	41,779
<b>Total conventional banking loans and advances</b>	<b>14,259,285</b>	<b>11,599,920</b>
<b>Islamic financing activities</b>		
Murabaha	1,118,886	1,415,707
Ijarah	113,755	27,412
<b>Total Islamic financing activities</b>	<b>1,232,641</b>	<b>1,443,119</b>
<b>Gross loans, advances and financing to customers</b>	<b>15,491,926</b>	<b>13,043,039</b>
Less: Allowance for impairment losses	(149,673)	(65,631)
<b>Net loans, advances and financing activities to customers</b>	<b>15,342,253</b>	<b>12,977,408</b>

During the year 2009, the Bank sold certain loans and advances to the Government of Qatar as part of the Government assistance programme for Qatari Banks, in consideration for state of Qatar Bonds.

Islamic financing is carried net of deferred profits of QAR 39,977 thousand (2009: 75,251 thousand).

The aggregate amount of non-performing loans and advances and financing activities to customers as of 31 December 2010 amounted to QAR 168,565 thousand representing 1.08% of the gross loans, advances and financing activities to customers (2009: QAR 98,431 thousand representing 0.75% of the gross loans, advances and financing to customers).

The fair value of collateral that the Bank holds relating to loans individually determined to be impaired at 31 December 2010 amounts to QAR 15,366 thousand (2009: QAR 5,565 thousand). The collateral consists of cash, securities, letters of guarantee and properties.

# Notes to the Financial Statements

Year ended 31 December 2010

## 6 LOANS, ADVANCES AND FINANCING TO CUSTOMERS (continued)

### (b) By industry before impairment:

	Loans & advances QAR '000	Overdrafts QAR '000	Bills discounted QAR '000	Islamic finance QAR '000	Total QAR '000
<b>31 December 2010</b>					
Government	182,000	112,530	-	-	294,530
Government agencies	2,804,818	16,050	-	444,894	3,265,762
Industry / Manufacturing	169,211	29,874	-	17,157	209,242
Commercial	1,479,922	339,642	7,764	7,656	1,834,984
Services	1,740,174	61,622	168,696	-	1,970,492
Contracting	699,939	127,054	1,584	-	828,577
Real estate	2,686,885	44,691	-	668,130	3,399,706
Personal	3,320,714	273,115	-	94,804	3,688,633
<b>Total</b>	<b>13,083,663</b>	<b>1,004,578</b>	<b>178,044</b>	<b>1,232,641</b>	<b>15,491,926</b>

	Loans & advances QAR'000	Overdrafts QAR'000	Bills discounted QAR'000	Islamic finance QAR'000	Total QAR'000
<b>31 December 2009</b>					
Government	350,000	70,475	-	-	420,475
Government agencies	541,864	2,945	-	-	544,809
Industry / Manufacturing	209,620	146,077	-	-	355,697
Commercial	1,771,192	468,696	35,608	323,789	2,599,285
Services	1,427,396	95,501	-	953,085	2,475,982
Contracting	1,122,818	165,409	3,921	-	1,292,148
Real estate	1,059,628	-	-	107,400	1,167,028
Personal	3,821,563	304,957	2,250	58,845	4,187,615
<b>Total</b>	<b>10,304,081</b>	<b>1,254,060</b>	<b>41,779</b>	<b>1,443,119</b>	<b>13,043,039</b>

The total loans, advances and financing activities to customers represent gross figures before subtracting allowance for impairment of loans, advances and financing to customers.

### (c) Credit quality per sector of loans, advances and financing to customers:

	Neither impaired nor past due		Past due but not impaired	Individually impaired QAR '000	Total QAR '000
	High grade QAR '000	Standard grade QAR '000			
<b>31 December 2010</b>					
Corporate	4,675,262	3,728,325	-	-	8,403,587
Personal	1,192,331	2,302,526	40,272	153,504	3,688,633
Real estate	2,088,839	1,283,233	12,573	15,061	3,399,706
<b>Total</b>	<b>7,956,432</b>	<b>7,314,084</b>	<b>52,845</b>	<b>168,565</b>	<b>15,491,926</b>

	Neither impaired nor past due		Past due but not impaired	Individually impaired QAR '000	Total QAR '000
	High grade QAR '000	Standard grade QAR '000			
<b>31 December 2009</b>					
Corporate	3,061,702	4,168,187	455,593	897	7,686,379
Personal	246,460	3,779,864	70,787	90,504	4,187,615
Real estate	34,833	1,116,775	10,407	7,030	1,169,045
<b>Total</b>	<b>3,342,995</b>	<b>9,064,826</b>	<b>536,787</b>	<b>98,431</b>	<b>13,043,039</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 6 LOANS AND ADVANCES AND FINANCING TO CUSTOMERS (continued)

### (d) Movement in allowance for impairment of loans, advances and financing to customers

	31 December 2010			31 December 2009		
	Corporate QAR'000	Personal QAR'000	Total QAR'000	Corporate QAR'000	Personal QAR'000	Total QAR'000
Balance at 1 January	900	62,981	63,881	10,188	25,138	35,326
Charge for the year	28	107,925	107,953	8,428	59,291	67,719
Recoveries	(453)	(22,370)	(22,823)	(8,315)	(21,072)	(29,387)
Net (recovery) / charges for the year	(425)	85,555	85,130	113	38,219	38,332
Recovery of bad debts previously written off	-	-	-	-	78	78
Amounts written off	(475)	(613)	(1,088)	(9,401)	(454)	(9,855)
Individual impairment	-	147,923	147,923	900	62,981	63,881
Collective Impairment	-	1,750	1,750	375	1,375	1,750
<b>Allowance for impairment losses</b>	<b>-</b>	<b>149,673</b>	<b>149,673</b>	<b>1,275</b>	<b>64,356</b>	<b>65,631</b>

Interest in suspense of QAR 13,926 thousand as on 31 December 2010 (2009: QAR 7,510 thousand) is for the purpose of Qatar Central Bank regulation requirements, effectively included in the above provision for credit losses. Movement in interest in suspense during the year amounted to net charge of QAR 7,160 thousand (2009: net recovery of QAR 3,717 thousand).

## 7 FINANCIAL INVESTMENTS

	2010 QAR '000	2009 QAR '000
(a) Available-for-sale investments	305,152	133,174
(b) Held-to-maturity investments	1,479,363	1,235,819
<b>Total</b>	<b>1,784,515</b>	<b>1,368,993</b>

### (a) Available-for-sale investments

	2010			2009		
	Listed QAR'000	Not-listed QAR'000	Total QAR'000	Listed QAR'000	Not-listed QAR'000	Total QAR'000
Fixed income Debt securities	178,721	-	178,721	23,136	-	23,136
Shares	252	-	252	278	-	278
Mutual funds	83,178	43,001	126,179	73,360	36,400	109,760
<b>Total</b>	<b>262,151</b>	<b>43,001</b>	<b>305,152</b>	<b>96,774</b>	<b>36,400</b>	<b>133,174</b>

Impairment losses on the financial investments as of 31 December 2010 amounted to QAR: Nil (2009: QAR 25,226 thousand).

# Notes to the Financial Statements

Year ended 31 December 2010

## 7 FINANCIAL INVESTMENTS (continued)

### (b) Held to maturity investments

	2010			2009		
	Listed QAR'000	Not-listed QAR'000	Total QAR'000	Listed QAR'000	Not-listed QAR'000	Total QAR'000
State of Qatar bonds	-	1,402,880	1,402,880	-	1,155,468	1,155,468
Other debt securities	76,483	-	76,483	80,351	-	80,351
<b>Total</b>	<b>76,483</b>	<b>1,402,880</b>	<b>1,479,363</b>	<b>80,351</b>	<b>1,155,468</b>	<b>1,235,819</b>
Fixed rate	-	1,402,880	1,402,880	-	402,880	402,880
Floating rate	76,483	-	76,483	80,351	752,588	832,939
<b>Total</b>	<b>76,483</b>	<b>1,402,880</b>	<b>1,479,363</b>	<b>80,351</b>	<b>1,155,468</b>	<b>1,235,819</b>

The fair value of the held to maturity investments as of 31 December 2010 was QAR 1,471,497 thousand (2009: QAR 1,245,989 thousand).

## 8 PROPERTY, FURNITURE AND EQUIPMENT

	Land QAR'000	Leasehold improvements QAR'000	Computer equipment QAR'000	Furniture and equipment QAR'000	Vehicles QAR'000	Work in progress QAR'000	Total QAR'000
<b>Cost:</b>							
Balance at 1 January 2010	49,012	43,429	75,192	12,876	1,691	25,959	208,159
Additions / Transfers during the year	-	5,845	6,151	4,172	-	34,836	51,004
Disposal during the year	-	(16)	-	-	(69)	-	(85)
<b>Balance at 31 December 2010</b>	<b>49,012</b>	<b>49,258</b>	<b>81,343</b>	<b>17,048</b>	<b>1,622</b>	<b>60,795</b>	<b>259,078</b>
<b>Accumulated depreciation:</b>							
Balance at 1 January 2010	-	11,308	35,506	4,964	603	-	52,381
Depreciation charged during the year	-	7,147	20,352	2,748	338	-	30,585
Disposal during the year	-	-	-	-	(63)	-	(63)
<b>Balance at 31 December 2010</b>	<b>-</b>	<b>18,455</b>	<b>55,858</b>	<b>7,712</b>	<b>878</b>	<b>-</b>	<b>82,903</b>
<b>Net book value at 31 December 2010</b>	<b>49,012</b>	<b>30,803</b>	<b>25,485</b>	<b>9,336</b>	<b>744</b>	<b>60,795</b>	<b>176,175</b>

	Land QAR'000	Leasehold improvements QAR'000	Computer equipment QAR'000	Furniture and equipment QAR'000	Vehicles QAR'000	Work in progress QAR'000	Total QAR'000
<b>Cost:</b>							
Balance at 1 January 2009	49,012	34,237	39,806	10,339	1,535	31,281	166,210
Additions / Transfers during the year	-	9,192	35,800	3,103	249	(5,219)	43,125
Disposal during the year	-	-	(414)	(566)	(93)	(103)	(1,176)
<b>Balance at 31 December 2009</b>	<b>49,012</b>	<b>43,429</b>	<b>75,192</b>	<b>12,876</b>	<b>1,691</b>	<b>25,959</b>	<b>208,159</b>
<b>Accumulated depreciation:</b>							
Balance at 1 January 2009	-	5,471	19,176	3,345	269	-	28,261
Depreciation charged during the year	-	5,837	16,488	1,885	347	-	24,557
Disposal during the year	-	-	(158)	(266)	(13)	-	(437)
<b>Balance at 31 December 2009</b>	<b>-</b>	<b>11,308</b>	<b>35,506</b>	<b>4,964</b>	<b>603</b>	<b>-</b>	<b>52,381</b>
<b>Net book value at 31 December 2009</b>	<b>49,012</b>	<b>32,121</b>	<b>39,686</b>	<b>7,912</b>	<b>1,088</b>	<b>25,959</b>	<b>155,778</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 9 OTHER ASSETS

	2010 QAR '000	2009 QAR '000
Interest receivable	94,843	71,984
Prepaid expenses and advances	25,943	28,275
Positive fair value of derivatives (Note 24)	17,310	22,031
Qatar Central Bank clearing receivables	13,899	14,580
Fair valuation of hedged items	10,296	17,219
Others	2,455	3,356
<b>Total</b>	<b>164,746</b>	<b>157,445</b>

## 10 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010 QAR '000	2009 QAR '000
Current accounts	24,520	91,476
Deposits	4,951,299	6,782,611
<b>Total</b>	<b>4,975,819</b>	<b>6,874,087</b>

## 11 CUSTOMER DEPOSITS

### (a) By type

	2010 QAR '000	2009 QAR '000
Current and call accounts	4,089,825	3,035,245
Saving accounts	974,455	506,455
Term deposits	10,289,637	8,925,082
<b>Total</b>	<b>15,353,917</b>	<b>12,466,782</b>

The total amount of customer deposits pledged against loans and advances and financing to customers was QAR 2,885,435 thousand as of 31 December 2010 (2009: QAR 443,396 thousand).

### (b) By sector:

	2010 QAR '000	2009 QAR '000
Government	1,119,512	1,216,218
Government agencies	308,650	27,540
Personal	8,879,097	6,780,609
Corporate	5,046,658	4,442,415
<b>Total</b>	<b>15,353,917</b>	<b>12,466,782</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 12 OTHER LIABILITIES

	2010 QAR '000	2009 QAR '000
Deferred income	48,985	47,494
Accrued expenses	50,323	31,476
Interest payable	45,528	55,490
Payables	44,515	13,729
Negative fair value of derivatives (Note 24)	25,321	35,784
Provision for end-of-service benefits (a)	19,799	16,506
Cash margin	12,391	9,627
Others	8,221	12,322
<b>Total</b>	<b>255,083</b>	<b>222,428</b>

### (a) Provision for end-of-service benefits

	2010 QAR'000	2009 QAR'000
Balance at the beginning of the year	16,506	15,122
Provision made during the year (Note 20)	4,979	3,540
Provision utilized during the year	(1,686)	(2,156)
<b>Balance at the end of the year</b>	<b>19,799</b>	<b>16,506</b>

## 13 UNRESTRICTED INVESTMENT ACCOUNTS

### (a) By Type

	2010 QAR '000	2009 QAR'000
Saving	93,584	11,075
Special term investment accounts	5,857	-
Term deposits	523,499	588,936
<b>Total</b>	<b>622,940</b>	<b>600,011</b>

### (b) By Sector

	2010 QAR '000	2009 QAR'000
Personal	73,047	71,286
Corporate	549,893	528,725
<b>Total</b>	<b>622,940</b>	<b>600,011</b>

Following are the profit distribution rates for the investment account holders'

	2010 %	2009 %
1 month term	2.25	3.00
3 months term	2.40	4.75
6 months term	2.55	5.00
1 Year term	2.95	5.00
Saving	1.00	1.00
Super Saver	4.00	5.00
Special term investment accounts	1.00	-

# Notes to the Financial Statements

Year ended 31 December 2010

## 14 EQUITY

### (a) Share capital

	Number of shares			
	Class A 2010 thousand	Class B 2010 thousand	Class A 2009 thousand	Class B 2009 thousand
<b>Authorized</b> Shares of QAR 10 each	<b>70,000</b>	<b>30,000</b>	<b>70,000</b>	<b>30,000</b>
	Share class A		Share class B	
	Number of shares thousand	QAR'000	Number of shares thousand	QAR'000

### Issued and fully paid

At 31 December 2009	70,000	700,000	30,000	300,000
<b>At 31 December 2010</b>	<b>70,000</b>	<b>700,000</b>	<b>30,000</b>	<b>300,000</b>

Share capital comprises class (A) ordinary shares, held by the local shareholders and class (B) shares held by foreign shareholders. Both class (A) and Class (B) shares carry equal rights and have the same voting powers.

### (b) Share premium

On 31 August 2004 National Bank of Kuwait (S.A.K.) acquired 20% shareholding in the Bank at a premium of QAR 181,478 thousand. In addition, in May 2005 and 2006, the premium was increased by QAR 281,250 thousand each year, and in August 2007, the premium was further increased by QAR 361,620 thousand arising from the increase in capital. In accordance with the provisions of Qatar Commercial Companies Law no 5 of 2002, the share premium has been transferred to legal reserve.

### (c) Legal reserve

In accordance with the Bank's Articles of Association, at least 10% of the net profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of the paid up capital. The minimum required percentage of transfer to legal reserve as per Qatar Central Bank rules and regulations is 10%. The balance of legal reserve is currently in excess of issued share capital. There is no requirement to appropriate additional amounts to the legal reserve from the current year profit. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 5 of 2002 and with the approval of Qatar Central Bank.

### (d) Risk reserve

In accordance with Qatar Central Bank rules and regulations, a risk reserve is made to cover contingencies on loans and advances, with a minimum requirement of 2% (2009: 1.5%) of the total direct credit facilities granted, net of allowance for impairment of loans, cash secured facilities and facilities to or guaranteed by Ministry of Finance.

# Notes to the Financial Statements

Year ended 31 December 2010

## 14 EQUITY (continued)

### (e) Cumulative changes in fair value

	Positive fair value 2010 QAR '000	Negative fair value 2010 QAR '000	Total 2010 QAR '000
<b>Available-for-sale investments</b>			
At 1 January	163	(4,952)	(4,789)
Realized during the year	-	354	354
Net movement in unrealized fair value during the year	6,610	(885)	5,725
<b>At 31 December</b>	<b>6,773</b>	<b>(5,483)</b>	<b>1,290</b>

	Positive fair value 2009 QAR '000	Negative fair value 2009 QAR '000	Total 2009 QAR '000
<b>Available-for-sale investments</b>			
At 1 January	15,956	(127,345)	(111,389)
Realized during the year	-	95,988	95,988
Net movement in unrealized fair value during the year	(15,793)	26,405	10,612
<b>At 31 December</b>	<b>163</b>	<b>(4,952)</b>	<b>(4,789)</b>

### (f) Proposed dividends

A cash dividend of QAR 3.4 per share amounting to QAR 340,000 thousand has been proposed by the Board of directors for the year ended 31 December 2010 (2009: QAR 3.2 per share amounting to QAR 320,000 thousand).

During the year, the Bank has paid an amount of QAR 3.2 per share totaling to QAR 320,000 thousand (2009: QAR 2.70 per share totaling to QAR 270,000 thousand) as cash dividends for the year 2009.

## 15 INTEREST INCOME

	2010 QAR '000	2009 QAR '000
Loans, advances and financing to customers	777,243	865,773
Due from banks and other financial institutions	36,169	76,033
Debt securities	91,717	66,220
Balances with Qatar Central Bank	57,385	10,698
<b>Total</b>	<b>962,514</b>	<b>1,018,724</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 16 INTEREST EXPENSE

	2010 QAR '000	2009 QAR '000
Customer deposits	352,933	452,126
Due to banks and other financial institutions	33,589	70,768
Interest Rate Swaps (net)	8,689	11,805
<b>Total</b>	<b>395,211</b>	<b>534,699</b>

## 17 INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES

	2010 QAR '000	2009 QAR '000
Financing to customers	126,301	51,822
Balances with banks and financial institutions (net)	(3,980)	(6,729)
<b>Total</b>	<b>122,321</b>	<b>45,093</b>

## 18 NET FEE AND COMMISSION INCOME

	2010 QAR '000	2009 QAR '000
Commission on loans, advances and financing to customers	81,506	79,662
Commission on trade finance operations	37,271	37,723
Commission on other banking services	28,681	16,900
<b>Total fee and commission income</b>	<b>147,458</b>	<b>134,285</b>
Fee and commission expense	(24,433)	(22,754)
<b>Net fee and commission income</b>	<b>123,025</b>	<b>111,531</b>

## 19 NET GAIN FROM FOREIGN EXCHANGE

	2010 QAR '000	2009 QAR '000
Net gain on dealings in foreign currencies	48,859	30,502
Net gain on forward exchange derivatives revaluation	2,285	3,466
Net (loss) / gain on revaluation of assets and liabilities	(3,239)	4,792
<b>Total</b>	<b>47,905</b>	<b>38,760</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 20 GENERAL AND ADMINISTRATIVE EXPENSES

	2010 QAR '000	2009 QAR '000
Staff costs	157,052	149,246
Occupancy and rent	37,617	33,456
Strategic initiative	24,194	5,039
Marketing expense	16,995	15,862
Legal and professional fees	14,120	6,222
Computer expense	6,294	5,301
Communication expense	5,757	4,974
Staff end of service benefit costs	4,979	3,540
Management fees	4,627	3,457
Director's remuneration	4,625	4,775
Contribution to retirement and pension authority	776	686
Others	9,684	9,097
<b>Total</b>	<b>286,720</b>	<b>241,655</b>

## 21 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares in issue during the year.

	2010	2009
Profit for the year – QAR'000	458,062	342,244
Weighted average number of shares	100,000,000	100,000,000
<b>Earnings per share (in QAR)</b>	<b>4.58</b>	<b>3.42</b>

The weighted average number of shares has been calculated as follows:

	2010	2009
Qualifying shares at the beginning of the year	100,000,000	100,000,000
<b>Total</b>	<b>100,000,000</b>	<b>100,000,000</b>

There were no potentially dilutive shares outstanding at any time during the year, and therefore, the dilutive earnings per share are equal to the basic earnings per share.

# Notes to the Financial Statements

Year ended 31 December 2010

## 22 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

### (a) Contingent liabilities

	2010 QAR '000	2009 QAR'000
Letters of credit (import and export)	769,183	1,000,088
Acceptances	91,119	101,602
Guarantees	5,592,460	4,615,237
	<b>6,452,762</b>	<b>5,716,927</b>

### (b) Other undertakings and commitments

	2010 QAR '000	2009 QAR'000
Unutilized facilities	2,394,276	1,977,742
Forward foreign exchange contracts	4,416,679	3,192,604
Option contracts	35,900	-
Interest rate swaps	148,649	196,948
	6,995,504	5,367,294
<b>Total</b>	<b>13,448,266</b>	<b>11,084,221</b>

#### (i) Acceptances, guarantees and letters of credit

Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract. Guarantees and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credit, advance payment guarantees and endorsement liabilities from bills rediscounted.

#### (ii) Unutilized facilities

Commitments to extend credit represent contractual commitments to fund loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. The commitments generally have expiry dates of less than one year.

#### (iii) Options

Options are contractual agreement under which the seller (writer) grants the purchaser (holder) the right, to exercise an interest rate based on certain indices with a predetermined cap and a floor at the end of the option life. These options are entered into to hedge the bank commitments to specific customer deposits. Related risks and rewards are fully passed onto the customers.

#### (iv) Capital commitments

During the year ending 31 December 2010, the Bank paid QAR 35 million as part of Phase 1 of the ibq Tower construction. Phase 1 is expected to be completed by first quarter of 2011 and included mainly design, project management, supervision and enabling work. Phase 2 of the project, construction of the tower, will start during 2011 to complete by third quarter of 2013. No estimation of future commitments can be made until the contract is signed with the main contractor.

# Notes to the Financial Statements

Year ended 31 December 2010

## 23 GEOGRAPHICAL DISTRIBUTION

	Qatar QAR'000	GCC Countries QAR'000	Europe QAR'000	North America QAR'000	Others QAR'000	Total QAR'000
<b>As of 31 December 2010</b>						
Cash and balances with Qatar Central Bank	6,030,701	-	-	-	-	6,030,701
Due from banks and other financial institutions	295,760	116,238	184,756	26,537	2,358	625,649
Loans, advances and financing to customers	13,038,886	2,215,482	-	-	87,885	15,342,253
Financial investments	1,516,679	260,983	120	6,733	-	1,784,515
Property, furniture and equipment	176,175	-	-	-	-	176,175
Other assets	164,746	-	-	-	-	164,746
<b>Total assets</b>	<b>21,222,947</b>	<b>2,592,703</b>	<b>184,876</b>	<b>33,270</b>	<b>90,243</b>	<b>24,124,039</b>
Due to banks and other financial institutions	1,275,297	2,122,681	80,005	1,437,810	60,026	4,975,819
Customer deposits	12,621,009	44,644	2,673,847	-	14,417	15,353,917
Other liabilities	255,083	-	-	-	-	255,083
Unrestricted Investment accounts	622,940	-	-	-	-	622,940
Equity	2,041,396	874,884	-	-	-	2,916,280
<b>Total liabilities and equity</b>	<b>16,815,725</b>	<b>3,042,209</b>	<b>2,753,852</b>	<b>1,437,810</b>	<b>74,443</b>	<b>24,124,039</b>

### As of 31 December 2009

Cash and balances with Qatar Central Bank	1,571,234	-	-	-	-	1,571,234
Due from banks and other financial institutions	6,478,616	156,100	60,566	8,229	1,078	6,704,589
Loans, advances and financing to customers	11,312,064	1,533,395	-	-	131,949	12,977,408
Financial investments	1,204,709	164,006	-	163	115	1,368,993
Property, furniture and equipment	155,778	-	-	-	-	155,778
Other assets	157,445	-	-	-	-	157,445
<b>Total assets</b>	<b>20,879,846</b>	<b>1,853,501</b>	<b>60,566</b>	<b>8,392</b>	<b>133,142</b>	<b>22,935,447</b>
Due to banks and other financial institutions	3,438,019	1,666,081	37,268	1,643,796	88,923	6,874,087
Customer deposits	10,290,400	213,263	1,952,809	-	10,311	12,466,783
Other liabilities	222,311	117	-	-	-	222,428
Unrestricted Investment accounts	600,011	-	-	-	-	600,011
Equity	1,940,497	831,642	-	-	-	2,772,139
<b>Total liabilities and equity</b>	<b>16,491,238</b>	<b>2,711,103</b>	<b>1,990,077</b>	<b>1,643,796</b>	<b>99,234</b>	<b>22,935,447</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 24 DERIVATIVE INSTRUMENTS

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analyzed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of the Bank's exposure to credit risk, which is generally limited to the positive or negative fair value of the derivatives.

	Positive fair value QAR'000	Negative fair value QAR'000	Total notional amount QAR'000	Up to 3 months QAR'000	3-12 months QAR'000	1-5 years QAR'000	Over 5 years QAR'000
<b>31 December 2010</b>							
<b>(a) Held for trading</b>							
Forward foreign exchange contracts	17,310	15,025	4,416,679	3,855,981	560,698	-	-
Options	-	-	35,900	-	-	35,900	-
	<b>17,310</b>	<b>15,025</b>	<b>4,452,579</b>	<b>3,855,981</b>	<b>560,698</b>	<b>35,900</b>	<b>-</b>
<b>(b) Held as fair value hedge</b>							
Interest rate swaps	-	10,296	148,649	9,520	38,348	100,781	-

## 31 December 2009

### (a) Held for trading

Forward foreign exchange contracts	22,031	18,565	3,192,604	2,211,347	981,257	-	-
	<b>22,031</b>	<b>18,565</b>	<b>3,192,604</b>	<b>2,211,347</b>	<b>981,257</b>	<b>-</b>	<b>-</b>

### (b) Held as fair value hedge

Interest rate swaps	-	17,219	196,948	23,718	25,045	148,185	-
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### Fair value hedges

Fair value hedges are used to protect it against changes in the fair value of financial assets and liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include loans and advances and financing activities to customers. As the fair value hedges were fully effective, the negative fair value of interest rate swaps was offset by an equivalent amount of fair value adjustment to the underlying hedged assets recorded under other assets with no impact on the statement of comprehensive income. The Bank uses forward foreign exchange contracts to hedge against specifically identified currency risks and interest rate swaps to hedge interest rate risk.

# Notes to the Financial Statements

Year ended 31 December 2010

## 25 RELATED PARTY DISCLOSURES

The Bank enters into transactions with major shareholders, directors and key management personnel of the Bank, and entities controlled, jointly controlled, or significantly influenced by such parties. All the loans and advances and financing activities to related parties are given at market rates and these are performing and free of any provision for possible loan losses.

The year-end balances in respect of related parties included in the financial statements are as follows:

	2010 QAR'000	2010 QAR'000	2010 QAR'000	2009 QAR'000	2009 QAR'000	2009 QAR'000
	Board of Directors	Shareholders	Others	Board of Directors	Shareholders	Others
<b>Assets</b>						
Loans and advances and financing to customers	121,904	87,452	409,302	255,069	228,241	258,417
Deposit with banks	-	34,870	-	-	24,761	-
<b>Liabilities</b>						
Customer deposits	1,229,719	48,240	1,301,442	1,472,354	90,832	1,607,335
Due to banks	-	3,572,914	-	-	3,128,146	-
<b>Contingent liabilities and other commitments items</b>						
Letters of guarantee, letters of credit, expected commitments and indirect credit facilities	151,406	83,074	169,057	135,572	77,981	91,759
<b>Statement of comprehensive income items</b>						
Interest and Commission Income	10,361	2,995	28,755	5,267	27,038	49,696
Interest and Commission expense	56,155	28,396	21,841	32,424	50,030	40,553

A portion of the above advances is secured against tangible collateral or personal guarantees.

Apart from the above, the transactions during the year with related parties include the Management Services fee payable to National Bank of Kuwait (SAK) amounting to QAR 4,627 thousand (2009: QAR 3,457 thousand) as per the terms of the Management Services Agreement. An amount of QAR 14,993 thousand (2009: QAR 13,438 thousand) represents rental expense paid for the use of premises belonging to a related party.

Board of Directors remuneration amounted to QAR 4,625 thousand. (2009: QAR 4,775 thousand).

Compensation of key management personnel is as follow:

	2010 QAR '000	2009 QAR '000
Salaries and other benefits	11,531	6,492
Staff indemnity	350	294
<b>Total</b>	<b>11,881</b>	<b>6,786</b>

# Notes to the Financial Statements

Year ended 31 December 2010

## 26 CASH AND CASH EQUIVALENTS

	2010 QAR '000	2009 QAR '000
Cash and balances with Qatar Central Bank (a)	5,308,747	929,171
Due from banks and other financial institutions maturing in 3 months or less	621,038	6,704,589
<b>Total</b>	<b>5,929,785</b>	<b>7,633,760</b>

(a) Cash and balances with Qatar Central Bank does not include the mandatory reserve.

## 27 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

### Classification of investments

Management decides, upon acquisition of a financial investment, whether it should be classified as held-to-maturity or available-for-sale.

For those deemed to be financial investments – held-to-maturity, management ensures that the requirements of IAS 39 are met and in particular the Bank has the intention and ability to hold these to maturity. All other financial investments are classified as available-for-sale.

### Allowance for impairment of loans and advances and financing to customers

The Bank reviews its problem loans and advances and financing to customers at each reporting date to assess whether a provision for credit loss should be recorded in the statement of comprehensive income. In particular, considerable judgment by the management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are necessarily based on the assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to the provision.

### Impairment of equity investments

The Bank treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Bank evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Furthermore the Bank considers, on a case by case basis, certain qualitative and other quantitative factors in determining whether objective evidence of impairment exists for available for sale equity investments.

### Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## 28 EVENT AFTER REPORTING PERIOD

International Bank of Qatar and Al Khaliji are in discussions for a proposed merger. The merger is now entering final stages of negotiations and due diligence, including formal discussions with key regulators. The merger remains subject to approval from the relevant government and regulatory authorities in Qatar, as well as the Board and shareholders of the both banks.

# Supplementary Information to the Financial Statements

Year ended 31 December 2010

## AL YUSR ISLAMIC BANKING

Islamic branch accounts are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Qatar Central Bank regulations.

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	2010 QAR '000	2009 QAR '000
<b>ASSETS</b>		
Cash Balances	4,723	2,896
Due from banks and other financial institutions	254,600	923,043
Due from customers for financing activities	1,232,179	1,443,119
Property, furniture and equipment	5,830	5,009
Other assets	3,956	2,366
<b>Total assets</b>	<b>1,501,288</b>	2,376,433
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Due to banks and other financial institutions	462,133	1,689,670
Customers Current Account	67,067	23,237
Other liabilities	17,761	10,833
<b>Total liabilities excluding unrestricted investment accounts</b>	<b>546,961</b>	1,723,740
Unrestricted investment accounts	622,940	600,011
<b>Total liabilities and unrestricted investment accounts</b>	<b>1,169,901</b>	2,323,751
<b>Equity</b>		
Share capital	226,000	18,000
Retained earnings	105,387	34,682
<b>Total equity</b>	<b>331,387</b>	<b>52,682</b>
<b>Total liabilities and equity</b>	<b>1,501,288</b>	<b>2,376,433</b>

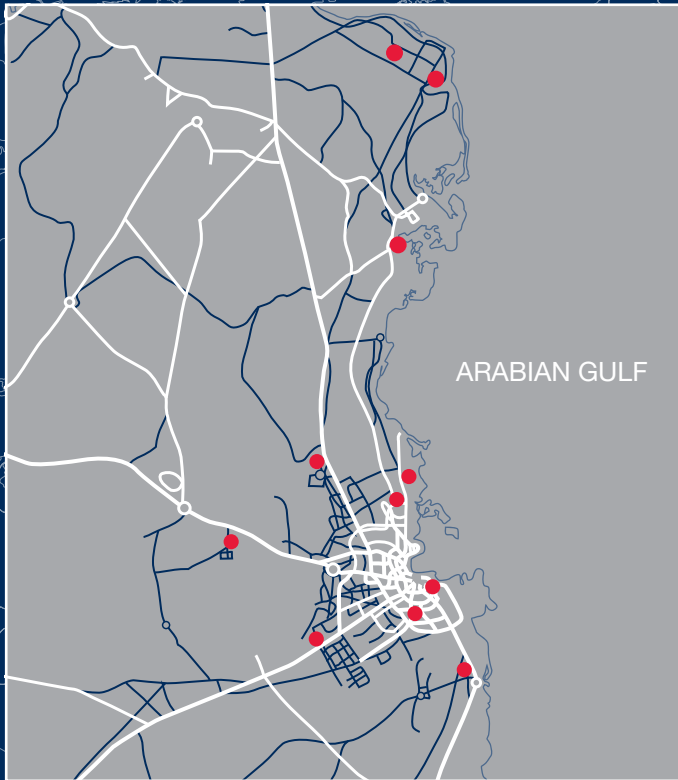
# Supplementary Information to the Financial Statements

Year ended 31 December 2010

## AL YUSR ISLAMIC BANKING – STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2010

	2010 QAR '000	2009 QAR '000
Income from financing activities	126,301	51,822
Income from investment activities	(3,980)	(6,729)
<b>Total income from financing and investment activities</b>	<b>122,321</b>	<b>45,093</b>
Fee and commission income	21,434	5,650
Fee and commission Expense	(294)	(149)
<b>Net fee and commission Income</b>	<b>21,140</b>	<b>5,501</b>
Net gains from dealing foreign currencies	-	152
<b>OPERATING INCOME</b>	<b>143,461</b>	<b>50,746</b>
General and administrative expenses	(13,214)	(8,734)
Depreciation	(2,087)	(929)
Net allowance for impairment on financing activities	(461)	-
<b>PROFIT FOR THE YEAR</b>	<b>127,699</b>	<b>41,083</b>
Less: Unrestricted investment account holder's share of profit	(22,589)	(6,678)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS</b>	<b>105,110</b>	<b>34,405</b>

# Corporate Directory



## Head Office

P.O. Box 2001  
Doha  
Qatar  
Tel +974 4447 8000  
Fax +974 4447 3710  
E-mail [enquiries@ibq.com.qa](mailto:enquiries@ibq.com.qa)  
Website [www.ibq.com.qa](http://www.ibq.com.qa)

## Branches

### Main Branch

At IBQ Head Office  
Suhaim bin Hamad Street  
Near Al Saad Street

### Salwa Road Branch

Near Qatar Decoration Roundabout  
Salwa Road

### Al - Markhiya Road Branch

Bin Tower Centre  
Fariq Al Khulaib (Near TV Roundabout)

### C-Ring Road Branch

Tatweer Building,  
C-Ring Road

### West Bay Branch

Al - Fardan Residential Towers  
West Bay

### Airport Road Branch

Airport Road

## Q-Post Branch

General Post Office  
Corniche Road  
West Bay

## Ras Laffan Pearl Village Branch

GTL Project – Pearl Village  
Industrial City  
Ras Laffan

## Ras Laffan Branch

Ras Laffan Complex  
Ras Laffan

## Al Wakra Branch

Near Abdul Ghanni Roundabout  
Al Wakra

## Al Yusr Islamic Banking Main Branch

At IBQ Head Office, Suhaim Bin Hamad  
Street, Near Al Sadd Road

## Al Yusr Islamic Banking Al Rayyan Branch

Al Shaffi Street  
Al Rayyan

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