

Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

31 MARCH 2015

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Qatar International Islamic Bank (Q.S.C) ("QIIB" or the "Bank") and its subsidiary (together referred to as the "Group") as at 31 March 2015 and the related interim consolidated statement of income, interim consolidated statement of changes in shareholders' equity and interim condensed consolidated statement of cash flows for the three-month period then ended and the related explanatory notes.

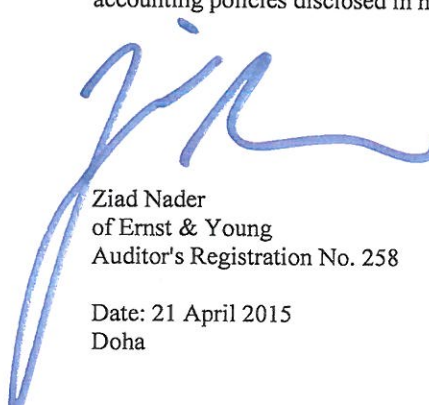
Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 21 April 2015
Doha



Qatar International Islamic Bank (Q.S.C)


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

		<i>31 March 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>31 March 2014 (Unaudited) QR'000</i>
	<i>Notes</i>			
Assets				
Cash and balances with Qatar Central Bank		1,517,296	1,622,112	1,675,835
Due from banks		3,442,527	7,514,208	3,960,160
Financing assets	6	23,162,841	21,839,280	19,951,686
Investment securities	7	6,893,004	5,597,786	6,304,776
Investment in associates		347,700	355,338	382,097
Investment in real estate		485,361	486,374	980,709
Fixed assets		586,857	515,856	422,409
Other assets		589,260	466,501	345,696
Total assets		37,024,846	38,397,455	34,023,368
Liabilities, equity of unrestricted investment account holders and shareholders' equity				
Liabilities				
Due to banks		3,727,919	3,338,715	1,017,341
Customers' current accounts		6,445,346	6,215,705	5,933,557
Sukuk financing		2,544,376	2,543,916	2,542,541
Other liabilities		596,893	508,321	549,746
Total liabilities		13,314,534	12,606,657	10,043,185
Equity of unrestricted investment account holders		18,735,307	20,422,635	19,031,950
Shareholders' equity				
Share capital		1,513,687	1,513,687	1,513,687
Legal reserve	8	2,452,360	2,452,360	2,452,360
Risk reserve	9	474,751	474,751	412,901
Fair value reserve		-	-	181,112
Other reserves	10	81,628	84,882	125,860
Proposed cash dividends	11	-	605,476	-
Retained earnings		452,579	237,007	262,313
Total shareholders' equity		4,975,005	5,368,163	4,948,233
Total liabilities, equity of unrestricted investment account holders and shareholders' equity		37,024,846	38,397,455	34,023,368

These interim condensed consolidated financial statements were approved by the Board of Directors on 21 April 2015 and were signed on its behalf by:


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


 Abdulbasit Ahmed Abdulrahman Al Shaibei
 Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements



Qatar International Islamic Bank (Q.S.C)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2015

	<i>Three months ended</i>	
	<i>31 March 2015 (Unaudited) QR'000</i>	<i>31 March 2014 (Unaudited) QR'000</i>
Net income from financing activities	261,136	237,678
Net income from investing activities	62,774	87,689
Total income from financing and investing activities	323,910	325,367
Fee and commission income	38,076	26,118
Fee and commission expense	(7,372)	(5,506)
Net fee and commission income	30,704	20,612
Net foreign exchange gains	1,447	5,653
Share of results of associates	(3,694)	10,561
Total income	352,367	362,193
Staff costs	(33,148)	(34,116)
Depreciation	(3,485)	(3,438)
Finance expense	(20,862)	(19,258)
Other expenses	(26,561)	(25,699)
Total expenses	(84,056)	(82,511)
Impairment recovered on investment securities	488	-
Impairment recovered on financing assets	2,505	-
Net impairment loss on investment securities	-	(4,671)
Foreign exchange loss on translation of investment in associate	(690)	-
Net profit for the period before return to unrestricted investment account holders	270,614	275,011
Share of unrestricted investment account holders of profit	(58,296)	(70,881)
Net profit for the period	212,318	204,130
Earnings per share		
Basic and diluted earnings per share (QAR per share)	1.40	1.35

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements

Qatar International Islamic Bank (Q.S.C)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended 31 March 2015

	<i>Note</i>	<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Risk reserve QR'000</i>	<i>Fair value reserve QR'000</i>	<i>Other reserves QR'000</i>	<i>Proposed cash dividends QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total QR'000</i>
Balance at 1 January 2015 (<i>Audited</i>)		1,513,687	2,452,360	474,751	-	84,882	605,476	237,007	5,368,163
Fair value reserve movement		-	-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	-	-	212,318	212,318
Total recognised income and expense for the period		-	-	-	-	-	-	212,318	212,318
Cash dividends paid to shareholders	11	-	-	-	-	-	(605,476)	-	(605,476)
Transfer to retained earnings		-	-	-	-	(3,254)	-	3,254	-
Balance at 31 March 2015 (Unaudited)		1,513,687	2,452,360	474,751	-	81,628	-	452,579	4,975,005

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements

Qatar International Islamic Bank (Q.S.C)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the three months ended 31 March 2015

	<i>Note</i>	<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Risk reserve QR'000</i>	<i>Fair value reserve QR'000</i>	<i>Other reserves QR'000</i>	<i>Proposed cash dividends QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total QR'000</i>
Balance at 1 January 2014 (<i>Audited</i>)		1,513,687	2,452,360	412,901	183,302	125,860	567,633	58,183	5,313,926
Fair value reserve movement		-	-	-	(2,190)	-	-	-	(2,190)
Net profit for the period		-	-	-	-	-	-	204,130	204,130
Total recognised income and expense for the period		-	-	-	(2,190)	-	-	204,130	201,940
Cash dividends paid to shareholders	11	-	-	-	-	-	(567,633)	-	(567,633)
Balance at 31 March 2014 (<i>Unaudited</i>)		<u>1,513,687</u>	<u>2,452,360</u>	<u>412,901</u>	<u>181,112</u>	<u>125,860</u>	<u>-</u>	<u>262,313</u>	<u>4,948,233</u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements

Qatar International Islamic Bank (Q.S.C)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2015

	<i>Three months ended</i>	<i>Year ended</i>	<i>Three months ended</i>
	31 March 2015 (Unaudited) QR'000	31 December 2014 (Audited)	31 March 2014 (Unaudited) QR'000
	<i>Notes</i>		
Cash flows from operating activities			
Net profit for the period	212,318	825,817	204,130
Net changes in operating assets and liabilities	1,711,276	(2,568,023)	(970,509)
Net cash flows from (used in) operating activities	1,923,594	(1,742,206)	(766,379)
Cash flows from investing activities			
Acquisition of investment securities	(1,915,540)	(3,336,739)	(1,179,310)
Proceed from sale of investment securities	627,789	4,544,616	1,634,700
Acquisition of fixed assets	(73,472)	(149,366)	(22,731)
Proceeds from sale of fixed assets	-	35,956	-
Acquisition of investment in real estate	-	(15,408)	919
Proceed from sale of investment in real estate	-	205,228	-
Advances for associate's capital increment	-	(54,965)	-
Dividends received from associate companies	3,254	9,971	-
Dividends income received	870	5,215	3,324
Net cash flows (used in) from investing activities	(1,357,099)	1,244,508	436,902
Cash flows from financing activities			
Change in equity of unrestricted investment account holders	(1,687,328)	1,616,864	25,197
Dividends paid to shareholders	(605,476)	(567,633)	(567,633)
Net cash flows (used in) from financing activities	(2,292,804)	1,049,231	(542,436)
Net (decrease) increase in cash and cash equivalents	(1,726,309)	551,533	(871,913)
Cash and cash equivalents at 1 January	5,537,532	4,985,999	4,985,999
Cash and cash equivalents at the end of the period /year	3,811,223	5,537,532	4,114,086

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar International Islamic Bank (Q.S.C) ("QIIB" or "the Bank") was incorporated under Amiri Decree No. 52 of 1990. The Bank operates through its head office located on Grand Hamad Street in Doha and 18 local branches. The Bank is listed and its shares are traded on the Qatar Exchange.

The commercial registration number of the Bank is 13023. The address of the Bank's registered office is Doha, State of Qatar, P.O.Box 664.

The Bank is engaged in banking, financing and investing activities in accordance with its Articles of Incorporation, Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and regulations of Qatar Central Bank.

The interim condensed consolidated financial statements of the Group for the period ended 31 March 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 21 April 2015.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Bank and its subsidiary (together referred to as the "Group") for the three months ended 31 March 2015 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014. In addition, results for the three month period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

The Group's financial risk management objectives are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the new standards and amendments listed below, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, related regulations of Qatar Central Bank and applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. For matters which are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards (the "IFRSs") as issued by the International Accounting Standards Board ("IASB").

New standards and amendments

The following new and amended standards have been adopted by the Group in preparation of these interim condensed consolidated financial statements whenever there is no applicable FAS Standards. The following standards and amendments became effective as of 1 January 2015 but do not have any material impact to the Group, but they will result in extensive additional disclosures:

Defined Benefit Plans: Employee Contributions (Amendment to IAS 19)
Annual Improvements 2010 - 2012 Cycle
Annual Improvements 2011 - 2013 Cycle

The adoption of the above did not result in any changes to previously reported net profit or equity of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and amendments (continued)

Standards issued but not yet effective

The below mentioned standards, interpretations and amendments to standards are not yet effective. The Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates if there is no equivalent FAS Standard.

IFRS 9 Financial Instruments (Effective 1 January 2018)

IFRS 14 Regulatory Deferral Accounts (Effective 1 January 2016)

IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2017)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests (Effective 1 January 2016)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective 1 January 2016)

Amendments to IAS 27: Equity Method in Separate Financial Statements (Effective 1 January 2016)

Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Bank and its following special purpose entity after elimination of intercompany balances and transactions:

	Country of incorporation	Principal business activity	Effective percentage of ownership	
			31 March 2015	31 December 2014
QIIB Sukuk Ltd (i)	Cayman Islands	Sukuk issuance	-	-

Note:

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

3 SEGMENT INFORMATION

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

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

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

3 SEGMENT INFORMATION (CONTINUED)

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

<i>Three months ended 31 March 2015 (Unaudited)</i>	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total income from financing and investing activities	171,222	89,914	62,774	323,910
Net fee and commission income	16,491	14,213	-	30,704
Net foreign exchange gains	-	-	1,447	1,447
Share of results of associates	-	-	(3,694)	(3,694)
Total segment income	187,713	104,127	60,527	352,367
Other material non-cash items:				
Impairment Recovered on investment securities	-	-	488	488
Impairment Recovered on financing assets	3,120	(615)	-	2,505
Foreign exchange loss	-	-	(690)	(690)
Reportable segment net profit before allocation of expenses	190,833	103,512	60,325	354,670
<i>Three months ended 31 March 2014 (Unaudited)</i>	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total income from financing and investing activities	157,508	80,039	87,820	325,367
Net fee and commission income	13,754	6,858	-	20,612
Net foreign exchange gains	-	-	5,653	5,653
Share of results of associates	-	-	10,561	10,561
Total segment income	171,262	86,897	104,034	362,193
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(4,671)	(4,671)
Reportable segment net profit before allocation of expenses	171,262	86,897	99,363	357,522

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

3 SEGMENT INFORMATION (CONTINUED)

	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
<i>31 March 2015 (Unaudited)</i>				
Reportable segment assets	<u>17,395,321</u>	<u>5,762,199</u>	<u>11,302,440</u>	<u>34,459,960</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>8,234,908</u>	<u>16,945,745</u>	<u>6,272,295</u>	<u>31,452,948</u>
<i>31 December 2014 (Audited)</i>				
Reportable segment assets	<u>16,091,909</u>	<u>5,747,370</u>	<u>14,101,900</u>	<u>35,941,179</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>10,442,181</u>	<u>16,196,159</u>	<u>5,882,631</u>	<u>32,520,971</u>

The table below provide reconciliation of reportable segment revenues, profit, assets, liabilities and equity of unrestricted investment account holders:

	<i>Three months ended</i>	
	<i>31 March 2015 (Unaudited) QR'000</i>	<i>31 March 2014 (Unaudited) QR'000</i>
Profit		
Total net profit for reportable segments before allocation of expenses	354,670	357,522
Staff costs, depreciation, finance cost, other expenses and share of unrestricted investment account holders	<u>(142,352)</u>	<u>(153,392)</u>
Consolidated net profit for the period	<u>212,318</u>	<u>204,130</u>
	<i>31 March 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>
Assets		
Total assets for reportable segments	34,459,960	35,941,179
Other unallocated amounts	<u>2,564,886</u>	<u>2,456,276</u>
Consolidated total assets	<u>37,024,846</u>	<u>38,397,455</u>
Liabilities and equity of unrestricted investment account holders		
Total liabilities and equity of unrestricted investment account holders for reportable segments	31,452,948	32,520,971
Other unallocated amounts	<u>596,893</u>	<u>508,321</u>
Consolidated total liabilities and equity of unrestricted investment account holders	<u>32,049,841</u>	<u>33,029,292</u>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
31 March 2015 (Unaudited)					
Cash and balances with Qatar					
Central Bank	-	-	1,517,296	1,517,296	1,517,296
Due from banks	-	-	3,442,527	3,442,527	3,442,527
Financing assets	-	-	23,162,841	23,162,841	23,162,841
Investment securities:					
- Measured at fair value	59,098	150,432	-	209,530	209,530
- Measured at amortised cost	-	-	6,683,474	6,683,474	6,681,619
Other assets	-	-	403,001	403,001	403,001
	59,098	150,432	35,209,139	35,418,669	35,416,814
Due to banks	-	-	3,727,919	3,727,919	3,727,919
Customers' current accounts	-	-	6,445,346	6,445,346	6,445,346
Sukuk financing	-	-	2,544,376	2,544,376	2,544,376
Other liabilities	-	-	596,893	596,893	596,893
	-	-	13,314,534	13,314,534	13,314,534
31 December 2014 (audited)					
	<i>Fair value through statement of income QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
Cash and balances with Qatar					
Central Bank	-	-	1,622,112	1,622,112	1,622,112
Due from banks	-	-	7,514,208	7,514,208	7,514,208
Financing assets	-	-	21,839,280	21,839,280	21,839,280
Investment securities:					
- Measured at fair value	135,667	130,461	-	266,128	266,128
- Measured at amortised cost	-	-	5,331,658	5,331,658	5,325,685
Other assets	-	-	372,107	372,107	372,107
	135,667	130,461	36,679,365	36,945,493	36,939,520
Due to banks	-	-	3,338,715	3,338,715	3,338,715
Customers' current accounts	-	-	6,215,705	6,215,705	6,215,705
Sukuk financing	-	-	2,543,916	2,543,916	2,543,916
Other liabilities	-	-	508,321	508,321	508,321
	-	-	12,606,657	12,606,657	12,606,657

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation of financial investments

The Group measures fair value using the following fair value hierarchy that reflects the significant the impacts used in making the measurement valuation technique:

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

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

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

Financial investments classification

The table below analyses investment securities measured at fair value at the end of the period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

<i>31 March 2015</i>	<i>Fair value measurement using</i>			
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
- Quoted debt-type investments classified as fair value through income statement	18,845	18,845	-	-
- Quoted equity-type investments classified as fair value through income statement	40,253	40,253	-	-
- Quoted equity-type investments classified as fair value through equity	30,562	30,562	-	-
- Unquoted equity-type investments classified as fair value through equity	119,870	-	-	119,870

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2014	<i>Fair value measurement using</i>			
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
- Quoted debt-type investments classified as fair value through income statement	18,189	18,189	-	-
- Quoted equity-type investments classified as fair value through income statement	117,478	117,478	-	-
- Quoted equity-type investments classified as fair value through equity	36,909	36,909	-	-
- Unquoted equity-type investments classified as fair value through equity	93,552	-	-	93,552

5 IMPAIRMENT

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

Equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity-type investments are subsequently reversed through equity. The Group has reversed QR 0.5 million (31 March 2014: QR 4.7 million provided as impairment on investment securities) which were recognised under "Impairment recovered on investment securities in the consolidated statement of income."

Financial assets carried at amortised cost (including investment in Sukuk instruments classified as amortised cost).

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated statement of income and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics. The Group has reversed QR 2.5 million (31 March 2014: nil as impairment on financing assets) which was recognised under "Impairment recovered on financing assets" and "Net impairment loss on financing assets" in the consolidated statement of income.

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5 IMPAIRMENT (CONTINUED)

Investment in associates

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the consolidated statement of income. The Group has provided QR 0.7 million (31 March 2014: nil) as foreign exchange loss on investment in associate which was recognised under "Foreign exchange loss on translation of investment in associate" in the consolidated statement of income.

6 FINANCING ASSETS

	<i>31 March 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>31 March 2014 (Unaudited) QR'000</i>
Total financing assets	24,775,162	23,466,251	21,358,033
Less: Deferred profit	(1,447,530)	(1,461,552)	(1,268,073)
Specific impairment of financing assets	(146,399)	(149,757)	(123,176)
Suspended profit	(18,392)	(15,662)	(15,098)
Net financing assets	23,162,841	21,839,280	19,951,686

Note:

The total non-performing financing assets including past dues but not impaired amounted to QR 237 million, representing 0.96 % of the gross financing assets as at 31 March 2015 (31 December 2014: amounted to QR 229 million, representing 0.98% of the gross financing assets).

7 INVESTMENT SECURITIES

	<i>31 March 2015 (Unaudited)</i>			<i>31 December 2014 (Audited)</i>		
	<i>Quoted QR'000</i>	<i>Unquoted QR'000</i>	<i>Total QR'000</i>	<i>Quoted QR'000</i>	<i>Unquoted QR'000</i>	<i>Total QR'000</i>
<i>Investments classified as fair value through income statement</i>						
• Equity-type investments	40,253	-	40,253	117,478	-	117,478
• Debt-type investments						
- Fixed Rate	18,845	-	18,845	18,189	-	18,189
	59,098	-	59,098	135,667	-	135,667
<i>Debt-type investments classified at amortised cost</i>						
- State of Qatar Sukuk	1,227,209	3,947,878	5,175,087	625,221	3,947,144	4,572,365
- Fixed rate	1,485,715	18,917	1,504,632	735,994	18,918	754,912
- Floating rate	-	3,755	3,755	-	4,381	4,381
	2,712,924	3,970,550	6,683,474	1,361,215	3,970,443	5,331,658
<i>Equity-type investments classified as fair value through equity</i>	30,562	119,870	150,432	36,909	93,552	130,461
	2,802,584	4,090,420	6,893,004	1,533,791	4,063,995	5,597,786

8 LEGAL RESERVE

In accordance with QCB Law No. 13 of 2012 as amended, 10% of net profit for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 5 of 2002 and after QCB approval. No appropriation was made as the legal reserve equal more than 100% of the paid up share capital.

9 RISK RESERVE

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to / or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. No transfer to risk reserve has been made during the period as the required amount will be transferred at year end (the year ended 31 December 2014: QAR 62 million was transferred to risk reserve).

10 OTHER RESERVES

Other reserves represent the undistributed share of associates profits after deducting the cash dividends received. The dividends received from associates during the period amounted to QAR 3.3 million (31 March 2014: nil).

11 CASH DIVIDENDS

On 15 March 2015, the shareholders of the Bank approved in the general assembly meeting 40% cash dividends for the year ended 31 December 2014 (QR 4 per share), (31 March 2014: 37.5% cash dividends (QR 3.75 per share) for the year ended 31 December 2013).

12 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	<i>31 March 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>31 March 2014 (Unaudited) QR'000</i>
Cash and balances with Central Banks (excluding restricted QCB reserve account)	368,696	390,300	518,076
Due from banks	3,442,527	5,147,232	3,596,010
Total	3,811,223	5,537,532	4,114,086

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13 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>31 March 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>
Contingent liabilities		
Unused cancellable facilities	4,078,273	4,741,613
Guarantees	2,266,254	1,385,697
Letters of credit	244,464	345,111
Acceptances	44,873	35,465
Others	7,475	17,681
	<u>6,641,339</u>	<u>6,525,567</u>

14 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant shareholders and entities over which the Group and the shareholders' exercise significant influence, directors and executive management of the Group.

The amount outstanding/transactions during the period / year with members of the Board or the companies in which they have significant interests were as follows:

	<u><i>31 March 2015 (Unaudited)</i></u>			<u><i>31 December 2014(Audited)</i></u>		
	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>
Assets:						
Financing assets	-	657,849	2,147,491	21,133	605,798	2,148,658
Equity of unrestricted investment account holders	<u>29,091</u>	<u>185,515</u>	<u>78,145</u>	<u>50,033</u>	<u>217,833</u>	<u>76,521</u>
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	-	737	35,966	-	333	36,709

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14 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Three months ended 31 March 2015</i>			<i>Three months ended 31 March 2014</i>		
	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
	<i>Associate companies</i>	<i>Board of Directors</i>	<i>Others</i>	<i>Associate companies</i>	<i>Board of Directors</i>	<i>Others</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Consolidated statement of income items:						
Net income from financing activities	-	9,045	29,528	244	7,216	26,998
Share of equity of unrestricted investment account holders	109	696	293	34	410	626

Key management personnel compensation for the period comprised:

	<i>Three months ended</i>	
	<i>31 March 2015</i>	<i>31 March 2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Short term benefits	3,823	3,111
Long term benefits	197	281
	<u>4,020</u>	<u>3,392</u>