

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

INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED
SEPTEMBER 30, 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

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

INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2011

<u>Index</u>	<u>Page</u>
Independent Auditor's Review Report	--
Interim Condensed Statement of Financial Position	1
Interim Condensed Statement of Income	2
Interim Condensed Statement of Changes in Shareholders' Equity	3 - 4
Interim Condensed Statement of Cash Flows	5
Notes to the Interim Condensed Financial Statements	6 - 8

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INDEPENDENT AUDITOR'S REVIEW REPORT

**To The Board of Directors
Qatar International Islamic Bank (Q.S.C.)
Doha – Qatar**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Qatar International Islamic Bank (Q.S.C.) (“the Bank”) as at September 30, 2011, and the related interim condensed statement of income for the three and nine month periods ended September 30, 2011, the interim condensed statements of changes in shareholders’ equity, and cash flows for the nine month period then ended, and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, Qatar Central Bank Regulations, the basis of accounting mentioned in note (2) to the accompanying interim condensed financial statements, and the Bank’s undertaking to operate in accordance with Islamic Shari’a rules and principles. Our responsibility is to express a conclusion on these interim condensed 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 the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with Note 2 to the accompanying interim condensed financial statements and Qatar Central Bank regulations.

For Deloitte & Touche

**Doha – Qatar
October 19, 2011**

**Muhammad Bahemia
License No. 103**

QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at September 30, 2011

	September 30, 2011	December 31, 2010
	(Reviewed)	(Audited)
	QR'000	QR'000
ASSETS		
Cash and balances with Qatar Central Bank	1,117,780	954,630
Balances and investments with banks and other financial institutions	4,429,979	5,148,012
Receivables and balances from financing activities	11,540,715	9,177,747
Financial investments	3,271,066	1,694,264
Investment in associates	388,594	227,864
Investment properties held for leasing	236,160	74,764
Investment properties held for trading	675,440	343,044
Property and equipment	187,526	216,147
Other assets	349,792	342,469
Total assets	22,197,052	18,178,941
LIABILITIES, HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY		
Liabilities		
Current accounts from banks and financial institutions	71,905	100,110
Customers' current accounts	3,410,673	2,836,131
Other liabilities	522,762	227,651
Total Liabilities	4,005,340	3,163,892
Holders of Unrestricted Investment Accounts	13,399,073	11,197,751
Shareholders' Equity		
Share capital	1,513,687	1,387,546
Legal reserve	2,452,362	1,651,369
Fair value reserve	130,160	66,074
Risk reserve	152,869	152,869
Foreign currency translation reserve	(1,261)	(1,866)
Other reserves	35,364	40,800
Proposed cash dividends	--	520,330
Retained earnings	509,458	176
Total Shareholders' Equity	4,792,639	3,817,298
Total Liabilities, Holders of Unrestricted Investment Accounts and Shareholders' Equity	22,197,052	18,178,941

These interim condensed financial statements were approved by the Board of Directors on October 19, 2011
and signed on its behalf by the following:

Dr. Khaled Bin Thani Al Thani
Chairman and Managing Director

Abdul Basit Ahmed Abdulrahman Al Shaibei
Chief Executive Officer

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

INTERIM CONDENSED STATEMENT OF INCOME

For the three and nine month period ended September 30, 2011

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011 QR.'000	2010 QR.'000	2011 QR.'000	2010 QR.'000
Income from financing activities	225,615	217,727	645,476	633,943
Income from investing activities	50,985	33,627	147,569	69,720
Total income from financing and investing activities	276,600	251,354	793,045	703,663
Commission and fee income	11,647	22,361	60,505	70,742
Commission and fee expense	(1,616)	(1,495)	(5,198)	(4,580)
Net commission and fee income	10,031	20,866	55,307	66,162
Gain from foreign exchange operations	688	4,880	5,205	7,027
NET OPERATING INCOME	287,319	277,100	853,557	776,852
General and administrative expenses	(41,882)	(32,163)	(124,051)	(114,526)
Depreciation and amortisation	(3,752)	(3,167)	(9,559)	(8,845)
Provision for impairment of financing activities	--	(5,000)	(15,000)	(10,000)
Other Income	--	--	--	25,228
NET PROFIT FOR THE PERIOD BEFORE SHARE OF PROFIT OF HOLDERS OF UNRESTRICTED INVESTMENT DEPOSITS	241,685	236,770	704,947	668,709
Less: Share of holders of unrestricted investment accounts in the net profit	(60,166)	(89,553)	(201,101)	(249,145)
NET PROFIT FOR THE PERIOD DUE TO SHAREHOLDERS	181,519	147,217	503,846	419,564
BASIC EARNINGS PER SHARE (QR)	1.22	1.06	3.32	3.02

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

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine month period ended September 30, 2011

	Note	Share capital QR'000	Legal reserve QR'000	Fair value reserve QR'000	Risk reserve QR'000	Foreign currency reserve QR'000	Other reserves QR'000	Proposed cash dividends QR'000	Retained earnings QR'000	Total QR'000
Balance at January 1, 2011		1,387,546	1,651,369	66,074	152,869	(1,866)	40,800	520,330	176	3,817,298
Dividends paid	4	--	--	--	--	--	--	(520,330)	--	(520,330)
Increase of share capital (special issuance*)		126,141	800,993	--	--	--	--	--	--	927,134
Net income for the period		--	--	--	--	--	--	--	503,846	503,846
Foreign currency reserve		--	--	--	--	605	--	--	--	605
Dividends received from investment in associates		--	--	--	--	--	(5,436)	--	5,436	--
Net movement in fair value reserve		--	--	64,086	--	--	--	--	--	64,086
Balance at September 30, 2011		<u>1,513,687</u>	<u>2,452,362</u>	<u>130,160</u>	<u>152,869</u>	<u>(1,261)</u>	<u>35,364</u>	<u>--</u>	<u>509,458</u>	<u>4,792,639</u>

* On January 17, 2011, the Bank received QR. 927,134 thousands representing the final payment of Qatar Investment Authority's contribution in the Bank's share capital (12,614,062 ordinary shares at par value QR. 10 and share premium of QR. 63.5 per share). The formal increase in the Bank's paid up capital has taken place after the Bank's Annual General Assembly Meeting held on March 1, 2011.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine month period ended September 30, 2010

	<u>Share capital</u> QR'000	<u>Legal reserve</u> QR'000	<u>Fair value reserve</u> QR'000	<u>Risk reserve</u> QR'000	<u>Foreign currency reserve</u> QR'000	<u>Other reserves</u> QR'000	<u>Proposed cash dividends</u> QR'000	<u>Retained earnings</u> QR'000	<u>Total</u> QR'000
Balance at January 1, 2010	1,387,546	1,651,369	54,772	126,869	(1,790)	20,787	529,791	30,005	3,799,349
Dividends paid	--	--	--	--	--	--	(529,791)	--	(529,791)
Net income for the period	--	--	--	--	--	--	--	419,564	419,564
Net movement in fair value reserve	--	--	(8,288)	--	--	--	--	--	(8,288)
Social and sport activities support	--	--	--	--	--	--	--	(8,342)	(8,342)
Balance at September 30, 2010	<u>1,387,546</u>	<u>1,651,369</u>	<u>46,484</u>	<u>126,869</u>	<u>(1,790)</u>	<u>20,787</u>	<u>--</u>	<u>441,227</u>	<u>3,672,492</u>

THE ATTACHED NOTES 1 TO 7 FORM AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the nine month period ended September 30, 2011

	<u>Note</u>	Nine Month Ended	
		September 30,	
		2011	2010
		(Reviewed)	(Reviewed)
		QR.'000	QR.'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(1,302,070)	(1,768,723)
INVESTING ACTIVITIES			
Purchase of financial investments		(1,954,761)	(1,408,983)
Purchase of property and equipment		(3,568)	(6,451)
Movement in investment in associates		(167,164)	700
Proceeds from sale of financial investments		440,897	204,475
Proceeds from sale of property and equipment		--	661
Purchase of investment properties		(222,445)	(22,076)
Dividends received from investment in associates		5,436	855
Net cash flow used in investing activities		(1,901,605)	(1,230,819)
FINANCING ACTIVITIES			
Net increase in holders of unrestricted investment accounts		2,123,316	1,316,491
Dividends paid		(520,330)	(529,791)
Increase in share capital		927,134	--
Net cash flow from financing activities		2,530,120	786,700
DECREASE IN CASH AND CASH EQUIVALENTS		(673,555)	(2,212,842)
Cash and cash equivalents at the beginning of the period		5,480,675	4,055,415
Cash and cash equivalents at end of the period	5	4,807,120	1,842,573

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2011

1. STATUS AND ACTIVITIES

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

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

2. ACCOUNTING POLICIES

These interim condensed financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and Qatar Central Bank regulations. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2010, except for the following:

New and amended accounting standard and framework

During 2010, the AAOFI amended its conceptual framework and issued a new Financial Accounting Standard (FAS 25) “Investment in sukuk, shares and similar instruments”, which is effective as of January 1, 2011.

Statement of financial accounting no.1: conceptual framework for the financial reporting by Islamic financial institutions.

The amended conceptual frame work provides the basis for the financial accounting standards issued by AAOFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework states that it is necessary for information, transactions and other events be accounted for and presented in accordance with their substance and economic reality as well as the legal form.

Financial accounting standard (FAS 25) “Investment in sukuk, shares and similar instruments”.

The Bank has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investments in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions.

As a result of the application of this new standard, the bank revisited the classification of its investment portfolio and made necessary changes in line with FAS 25.

The adoption of these standards did not have any material impact on the financial position or performance of the Bank other than certain classification changes

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with AAOIFI standards. In addition, the results for the nine months ended September 30, 2011 are not necessarily, indicative of the results that may be expected for the financial year ending December 31, 2011.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2011

3. SEGMENT INFORMATION

The Bank is organised into one main business segment, which comprises providing financing in accordance with the rules of the Islamic Sharia.

The Bank operates in state of Qatar.

4. CASH DIVIDENDS

On March 1, 2011, the Bank's general assembly approved the board of directors recommendation to pay cash dividends for the year 2010 representing 37.5% of its paid up capital and amounting to QR 3.75 per share (2009: QR 4 per share).

5. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents include cash and balances with Qatar Central Bank, excluding the cash reserve, and due from banks and other financial institutions.

6. CONTINGENT LIABILITIES

	September 30, 2011	December 31, 2010
	(Reviewed)	(Audited)
	QR.'000	QR.'000
(a) Deferred or contingent commitments		
Documentary credits	333,043	290,928
Acceptances	38,041	19,663
Letters of guarantees	982,822	681,054
Collection notes	12,986	9,632
	1,366,892	1,001,277
(b) Other contracts and commitments		
Commitments and unused credit limits	65,994	395,415
Restricted investments balances	--	12,659
	65,994	408,074
	1,432,886	1,409,351

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2011

7. RELATED PARTY TRANSACTIONS

The Bank carries out various transactions in the ordinary course of business with shareholders or with members of the Board of Directors and the companies in which they have significant interests, on terms similar to those carried out with unrelated third parties.

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:

	September 30, 2011		December 31, 2010	
	(Reviewed)		(Audited)	
	Board of Directors	Others	Board of Directors	Others
	QR'000	QR'000	QR'000	QR'000
Financial Position items				
Assets				
Murabaha	3,762	77,729	194,431	74,930
Musawama	31,247	41,756	115,460	134,750
Ijarah	62,582	--	--	--
	<u>97,591</u>	<u>119,485</u>	<u>309,891</u>	<u>209,680</u>
Liabilities				
Current account balances	37,840	--	49,268	82
Unrestricted investment deposits	462,565	2,781	159,112	91,001
	<u>500,405</u>	<u>2,781</u>	<u>208,380</u>	<u>91,083</u>
Off balance sheet items:				
Letter of credits, letter of guarantees and acceptances	6,346	--	4,987	--
	<u>6,346</u>	<u>--</u>	<u>4,987</u>	<u>--</u>
Income statement elements				
Fees and commission income	7,075	8,663	22,002	3,151
	<u>7,075</u>	<u>8,663</u>	<u>22,002</u>	<u>3,151</u>