

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

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

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2011

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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 financial statements of Qatar International Islamic Bank (Q.S.C.) (“the Bank”) as at June 30, 2011, comprising the interim condensed statement of financial position as at June 30, 2011 and the related interim condensed statement of income for the three and six month periods ended June 30, 2011, and statements of changes in shareholders’ equity, and cash flows for the six 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 and the basis of accounting mentioned in note (2) of 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.

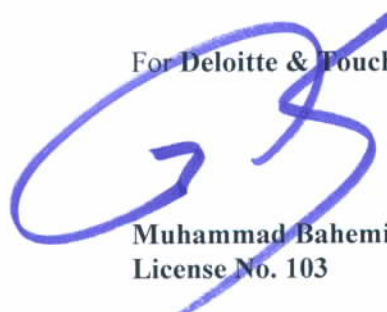
Scope of review

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 of the accompanying interim condensed financial statements and Qatar Central Bank regulations.

For Deloitte & Touche



Muhammad Bahemia
License No. 103

Doha – Qatar
July 24, 2011

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at June 30, 2011

	June 30, 2011	December 31, 2010
	(Reviewed)	(Audited)
	QR'000	QR'000
ASSETS		
Cash and balances with Qatar Central Bank	1,449,421	954,630
Balances and investments with banks and other financial institutions	5,626,580	5,148,012
Receivables and balances from financing activities	10,122,058	9,177,747
Financial investments	3,227,439	1,694,264
Investment in associates	388,594	227,864
Investment properties held for leasing	235,815	74,764
Investment properties held for trading	660,143	343,044
Property and equipment	189,036	216,147
Other assets	274,171	342,469
Total assets	22,173,257	18,178,941
LIABILITIES, HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY		
Liabilities		
Current accounts from banks and financial institutions	19,359	100,110
Customers' current accounts	3,706,110	2,836,131
Other liabilities	471,328	227,651
Total Liabilities	4,196,797	3,163,892
Holders of Unrestricted Investment Accounts	13,361,031	11,197,751
Shareholders' Equity		
Share capital	1,513,687	1,387,546
Legal reserve	2,452,362	1,651,369
Fair value reserve	135,074	66,074
Risk reserve	152,869	152,869
Foreign currency translation reserve	(1,866)	(1,866)
Other reserves	40,800	40,800
Proposed cash dividends	--	520,330
Retained earnings	322,503	176
Total Shareholders' Equity	4,615,429	3,817,298
Total Liabilities, Holders of Unrestricted Investment Accounts and Shareholders' Equity	22,173,257	18,178,941

These interim condensed financial statements were approved by the Board of Directors on July 24, 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 six month periods ended June 30, 2011

	<u>Three Month Period Ended</u>		<u>Six Month Period Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>QR.'000</u>	<u>QR.'000</u>	<u>QR.'000</u>	<u>QR.'000</u>
Income from financing activities	222,424	207,180	419,861	416,216
Income from investing activities	44,495	21,112	96,584	36,093
Total income from financing and investing activities	266,919	228,292	516,445	452,309
Commission and fee income	25,440	21,144	48,858	48,381
Commission and fee expense	(1,868)	(1,605)	(3,582)	(3,085)
Net commission and fee income	23,572	19,539	45,276	45,296
Gain from foreign exchange operations	2,933	420	4,517	2,147
Net operating income	293,424	248,251	566,238	499,752
General and administrative expenses	(47,874)	(52,533)	(82,169)	(82,363)
Depreciation and amortisation	(2,896)	(2,854)	(5,807)	(5,678)
Impairment of receivables and financing activities	(10,000)	(5,000)	(15,000)	(5,000)
Other income	--	25,228	--	25,228
Net profit for the period before share of profit of holders in unrestricted investment deposits	232,654	213,092	463,262	431,939
Less: Share of holders of unrestricted investment accounts in the net profit	(69,322)	(81,716)	(140,935)	(159,592)
Net profit for the period due to shareholders'	163,332	131,376	322,327	272,347
Earnings Per Share (Basic and Diluted) (QR.)	1.11	0.95	2.19	1.96

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

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended June 30, 2011

	Note	Share capital	Legal reserve	Fair value reserve	Risk reserve	Foreign currency reserve		Other reserves	Proposed cash dividends		Retained earnings	Total
						QR'000	QR'000		QR'000	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		--	--	--	--	--	--	--	322,327	322,327		
Net movement in fair value reserve		--	--	69,000	--	--	--	--	--	69,000		
Balance at June 30, 2011		1,513,687	2,452,362	135,074	152,869	(1,866)	40,800	--	322,503	4,615,429		

* 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 six month period ended June 30, 2011

	Share capital	Legal reserve	Fair value reserve	Risk reserve	Foreign currency reserve	Other reserves	Proposed cash dividends	Retained earnings	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	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	--	--	--	--	--	--	--	272,347	272,347
Net movement in fair value reserve	--	--	(6,014)	--	--	--	--	--	(6,014)
Social and sport activities support	--	--	--	--	--	--	--	(8,342)	(8,342)
Balance at June 30, 2010	1,387,546	1,651,369	48,758	126,869	(1,790)	20,787	--	294,010	3,527,549

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six month period ended June 30, 2011

	<u>Note</u>	<u>Six Months Ended June 30,</u>	
		<u>2011</u>	<u>2010</u>
		<u>(Reviewed)</u>	<u>(Reviewed)</u>
		<u>QR.'000</u>	<u>QR.'000</u>
NET CASH FLOWS GENERATED FROM / (USED IN) OPERATING ACTIVITIES		<u>220,076</u>	<u>(1,080,803)</u>
INVESTING ACTIVITIES			
Purchase of financial investments		(1,743,497)	(1,347,778)
Purchase of property and equipment		(2,426)	(4,427)
Movement in investments in associates		(167,164)	132,650
Proceeds from sale of financial investments		282,801	187,753
Purchase in investment properties		(205,703)	(356)
Dividends received from investments in associates		5,436	855
Net cash flow used in investing activities		<u>(1,830,553)</u>	<u>(1,031,303)</u>
FINANCING ACTIVITIES			
Net increase in holders of unrestricted investment accounts		2,085,721	1,664,078
Dividends paid		(520,330)	(529,791)
Increase in share capital		927,134	--
Net cash flow from financing activities		<u>2,492,525</u>	<u>1,134,287</u>
Net increase /(decrease) in cash and cash equivalents		<u>882,048</u>	<u>(977,819)</u>
Cash and cash equivalents at the beginning of the period		<u>5,480,675</u>	<u>4,055,415</u>
Cash and cash Equivalents – end of the period	5	<u><u>6,362,723</u></u>	<u><u>3,077,596</u></u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 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, 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 1 January 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 state that it is necessary that information, transaction and other events are accounted for and presented in accordance with its 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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2011

2 ACCOUNTING POLICIES (CONTINUED)

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 six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 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 only in 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

	June 30, 2011	December 31, 2010
	(Reviewed) QR.'000	(Audited) QR.'000
(a) Deferred or contingent commitments		
Documentary credits	326,621	290,928
Acceptances	70,427	19,663
Letters of guarantees	1,042,766	981,054
Collection notes	19,208	9,632
	<u>1,459,022</u>	<u>1,301,277</u>
(b) Other contracts and commitments		
Commitments and unused credit limits	394,031	395,415
Restricted investments balances	--	12,659
Istesna commitments	123,090	127,843
	<u>517,121</u>	<u>535,917</u>
	<u>1,976,143</u>	<u>1,837,194</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 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:

	June 30, 2011		December 31, 2010	
	Board of directors	Others	Board of directors	Others
	QR'000	QR'000	QR'000	QR'000
Financial Position items:				
Assets				
Murabaha	4,240	77,649	194,431	74,930
Musawama	33,134	47,136	115,460	134,750
Ijarah	64,562	--	--	--
	<u>101,936</u>	<u>124,785</u>	<u>309,891</u>	<u>209,680</u>
Liabilities				
Current account balances	53,718	--	49,268	82
Unrestricted investment deposits	390,487	1,219	159,112	91,001
	<u>444,205</u>	<u>1,219</u>	<u>208,380</u>	<u>91,083</u>
Off balance sheet items:				
Letter of credits, letter of guarantees and acceptances	6,645	--	4,987	--
Statement of income items				
Fees and commission income	<u>7,390</u>	<u>9,047</u>	<u>22,000</u>	<u>3,151</u>