

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

INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2010
TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

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

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2010

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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, 2010, comprising the interim condensed statement of financial position as at June 30, 2010 and the related interim condensed statement of income for the three and six month periods ended June 30, 2010, 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 International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") respectively, 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

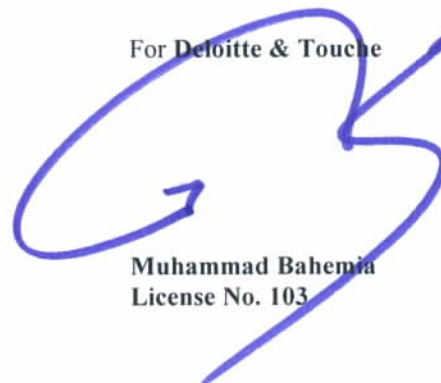
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim financial information consists of making inquiries, primarily of persons responsible for 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.

Doha – Qatar
July 11, 2010

For Deloitte & Touche



Muhammad Bahemia
License No. 103

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2010

	Note	June 30, 2010 (Reviewed) QR.'000	December 31, 2009 (Audited) QR.'000
ASSETS			
Cash and balances with Qatar Central Bank		717,423	642,377
Due from banks and financial institutions		2,898,322	3,864,102
Due from financing activities		11,805,304	10,136,446
Financial investments		1,818,342	657,877
Investment in associates		211,584	343,379
Investment properties held for leasing		24,064	20,578
Investment properties held for trading		304,575	304,223
Property and equipments		218,915	219,946
Other assets		405,995	362,018
TOTAL ASSETS		18,404,524	16,550,946
LIABILITIES, HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Current accounts for banks and financial institutions		14,505	22,090
Customers' current accounts		2,844,776	2,451,729
Other liabilities		1,259,980	1,176,215
TOTAL LIABILITIES		4,119,261	3,650,034
HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS		10,757,714	9,101,563
EQUITY			
Paid up share capital		1,387,546	1,387,546
Legal reserve	7	1,651,369	1,651,369
Fair value reserve		48,758	54,772
Risk reserve		126,869	126,869
Foreign currency translation reserve		(1,790)	(1,790)
Other reserve		20,787	20,787
Proposed cash dividends		--	529,791
Retained earnings		294,010	30,005
TOTAL EQUITY		3,527,549	3,799,349
TOTAL LIABILITIES, HOLDERS OF UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		18,404,524	16,550,946

These interim condensed financial statements were approved by the Board of Directors on July 11, 2010 and signed on its behalf by the following:

.....
Dr. Khaled Bin Thani Al Thani
Chairman and Managing Director

.....
Abdul Basit Ahmed Al Shaibei
Chief Executive Officer

The attached notes 1 to 10 form part of these interim condensed financial statements

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

INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2010

	Note	<u>Three Month Period Ended</u>		<u>Six Month Period Ended</u>	
		<u>June 30,</u>		<u>June 30,</u>	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		QR.'000	QR.'000	QR.'000	QR.'000
Income from financing activities		207,180	176,865	416,216	351,057
Income from investing activities		21,112	25,641	36,093	57,581
Total income from financing and investing activities		228,292	202,506	452,309	408,638
Commission and fee income		21,144	22,222	48,381	46,242
Commission and fee expense		(1,605)	(1,398)	(3,085)	(2,649)
Net commission and fee income		19,539	20,824	45,296	43,593
Gain from foreign exchange operations		420	4,404	2,147	918
NET OPERATING INCOME		248,251	227,734	499,752	453,149
General and administrative expenses		(52,533)	(32,773)	(82,363)	(62,915)
Depreciation and amortisation		(2,854)	(2,314)	(5,678)	(4,473)
Provision for impairment of financing activities		(5,000)	(5,000)	(5,000)	(5,000)
Other income	5	25,228	--	25,228	--
NET PROFIT FOR THE PERIOD BEFORE SHARE OF PROFIT OF HOLDERS IN UNRESTRICTED INVESTMENT DEPOSITS		213,092	187,647	431,939	380,761
Less: Share of holders of unrestricted investment accounts in the net profit		(81,716)	(69,171)	(159,592)	(125,551)
NET PROFIT FOR THE PERIOD DUE TO SHAREHOLDERS		131,376	118,476	272,347	255,210
BASIC EARNINGS PER SHARE (QR)		0.95	0.84	1.96	1.84

The attached notes 1 to 10 form part of these interim condensed financial statements

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

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2010

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, 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

The attached notes 1 to 10 form part of these interim condensed financial statements

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

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2010

	Share capital QR'000	Legal reserve QR'000	Fair value reserve QR'000	Risk reserve QR'000	Proposed dividends QR'000	Retained earnings QR'000	Total QR'000
Balance at January 1, 2009	1,261,408	850,246	(32,041)	114,369	504,562	81,746	2,780,290
Dividends paid	--	--	--	--	(504,562)	--	(504,562)
Proceeds from sale of share fractions	--	--	--	--	--	127	127
Net income for the year	--	--	--	--	--	255,210	255,210
Net movement in fair value reserve	--	--	67,084	--	--	--	67,084
Increase in share capital (special issuance)	63,069	400,498	--	--	--	--	463,567
Balance at June 30, 2009	1,324,477	1,250,744	35,043	114,369	--	337,083	3,061,716

The attached notes 1 to 10 form part of these interim condensed financial statements

QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)
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INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2010

	<u>Note</u>	<u>Six Months Ended June 30,</u>	
		<u>2010</u>	<u>2009</u>
		<u>(Reviewed)</u>	<u>(Reviewed)</u>
		<u>QR.'000</u>	<u>QR.'000</u>
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(1,080,803)	(1,570,854)
INVESTING ACTIVITIES			
Purchase of financial investments		(1,347,778)	(13)
Purchase of property and equipment		(4,427)	(13,283)
Proceeds from investments in associates		(9,800)	--
Proceeds from sale of financial investment		187,753	263,955
Proceeds from sale of investment properties		--	27,500
Proceeds from sale of investment portfolio		--	347,985
Proceeds from sale and property and equipment		--	30
Purchase in investment properties		(356)	(48,101)
Dividends received from investments in associates		855	--
Purchase and investments in associates		142,450	(41,125)
NET CASH FLOW (USED IN) FROM INVESTING ACTIVITIES		(1,031,303)	536,948
FINANCING ACTIVITIES			
Net increase in holders of unrestricted investment accounts		1,664,078	1,024,288
Dividends paid		(529,791)	(504,562)
Increase in share capital		--	463,567
Proceeds from sale of share fractions		--	127
Net cash flow from financing activities		1,134,287	983,420
DECREASE IN CASH AND CASH EQUIVALENTS		(977,819)	(50,486)
Cash and cash equivalents at the beginning of the period		4,055,415	2,297,773
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	8	3,077,596	2,247,287

The attached notes 1 to 10 form part of these interim condensed financial statements

QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)
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NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2010

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 (forteen) 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, Qatar Central Bank regulations and presented in accordance with the International Accounting Standard (IAS) 34 - Interim Financial Reporting. 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, 2009.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI"). In addition, the results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2010.

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 geographical distribution of the Bank's income is summarised as follows:

	<u>Six Months Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
	(Reviewed)	(Reviewed)
	QR.'000	QR.'000
Income and expenditure:		
International portfolio	36,648	47,124
Local portfolio	415,661	361,514
Other income	72,671	44,511
	<hr/>	<hr/>
Total income	524,980	453,149
Expenses and provisions	(93,041)	(72,388)
Depositors' share of profits	(159,592)	(125,551)
	<hr/>	<hr/>
Net profit for the period	272,347	255,210
	<hr/> <hr/>	<hr/> <hr/>

QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)
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NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2010

4 CASH DIVIDENDS

On March 10, 2010, the Bank's general assembly approved the board of directors recommendation to pay cash dividends for the year 2009 representing 40% of its paid up capital and amounting to QR 4 per share (except for the new shares issued on December 30, 2009).

5 OTHER INCOME

The Bank paid cash dividends to the Qatar Investment Authority in its capacity as a shareholder of 5% of the Bank's share capital. On April 22, 2010, the Qatar Investment Authority paid back to the Bank the full amount of QR. 22,258,124 representing the dividends received and exempted the Bank from paying any dividends for the year 2009. The Bank recorded this amount under other income as a grant towards Qatari government plan to support national banks.

6 SOCIAL & SPORTS ACTIVITIES SUPPORT

In compliance with Law No 13 of 2008, the Bank is required to transfer an amount equivalent to 2.5% of its net profit (QR. 12,783 thousand) to the Ministry of Finance and Economy. During the period, the Bank transferred a total amount of QR 8,342 Thousand of the total amount due.

7 LEGAL RESERVE

In accordance with Qatar Central Bank regulations, 10% of the profit for the period shall be taken to a legal reserve until this reserve equals 100% of the capital. No transfer has been made for the period ended June 30, 2010 as the bank will transfer the total amount by 31 December 2010.

8 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.

9 CONTINGENT LIABILITIES

	June 30, 2010	December 31, 2009
	(Reviewed)	(Audited)
	QR.'000	QR.'000
(a) Deferred or contingent commitments		
Documentary credits	342,939	340,299
Acceptances	16,773	7,799
Letters of guarantees	706,058	603,604
Collection notes	15,076	12,280
	1,080,846	963,982
(b) Other contracts and commitments		
Commitments and unused credit limits	302,760	233,626
Restricted investments balances	12,655	12,790
Istesna commitments	214,567	--
	529,982	246,416
	1,610,828	1,210,398

QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C.)
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NOTES TO THE INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2010

10 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:

	<u>June 30, 2010</u> (Reviewed)		<u>December 31, 2009</u> (Audited)	
	<u>Board of Directors</u> QR'000	<u>Others</u> QR'000	<u>Board of Directors</u> QR'000	<u>Others</u> QR'000
Balance sheet items				
Assets				
Murabaha	5,485	--	73,880	4,826
Musawama	138,324	--	33,194	169
Ijara	252	--	195,294	
	<u>144,061</u>	<u>--</u>	<u>302,368</u>	<u>4,995</u>
Liabilities				
Current account balances	20,736	--	20,908	1,036
Unrestricted investment deposits	157,696	--	42,512	1,085
	<u>178,432</u>	<u>--</u>	<u>63,420</u>	<u>2,121</u>
Off balance sheet items:				
Letter of credits, letter of guarantees and acceptances	36,157	--	291,370	112
	<u>36,157</u>	<u>--</u>	<u>291,370</u>	<u>112</u>
Six Months Ended June 30,				
	<u>2010</u> (Reviewed) QR.'000		<u>2009</u> (Reviewed) QR.'000	
Income statement elements				
Fees and commission income	18,000	--	21,166	350
	<u>18,000</u>	<u>--</u>	<u>21,166</u>	<u>350</u>