

Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 September 2015

REPORT ON REVIEW OF UNAUDITED 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 30 September 2015, and the related interim consolidated statement of income for the three-month and nine-month periods ended 30 September 2015, and the related interim consolidated statement of changes in shareholders' equity and interim condensed consolidated statement of cash flows for the nine-month period then ended and the related explanatory notes.

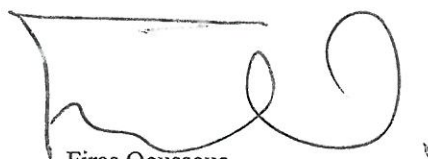
Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based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



Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 20 October 2015
Doha



Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

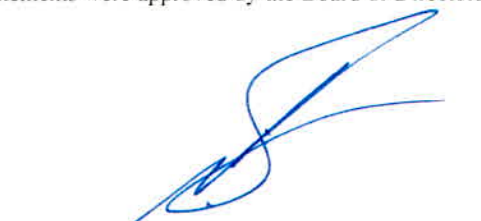
As at 30 September 2015

		30 September 2015 (Unaudited) QR'000	31 December 2014 (Audited) QR'000	30 September 2014 (Unaudited) QR'000
	Notes			
Assets				
Cash and balances with Qatar Central Bank		1,730,340	1,622,112	1,665,283
Due from banks		3,620,660	7,514,208	6,507,024
Financing assets "net"	6	24,360,707	21,839,280	20,934,742
Investment securities	7	7,015,774	5,597,786	6,641,095
Investment in associates		347,537	355,338	375,969
Investment in real estate		483,336	486,374	878,206
Fixed assets		670,283	515,856	428,668
Other assets		611,986	466,501	458,852
Total assets		38,840,623	38,397,455	37,889,839
Liabilities, equity of unrestricted investment account holders and shareholders' equity				
Liabilities				
Due to banks		5,379,055	3,338,715	3,325,862
Customers' current accounts		6,377,312	6,215,705	5,922,783
Sukuk financing		2,545,293	2,543,916	2,543,458
Other liabilities		479,073	508,321	364,525
Total liabilities		14,780,733	12,606,657	12,156,628
Equity of unrestricted investment account holders		18,639,746	20,422,635	20,369,056
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		938	-	176,307
Other reserves	10	81,628	84,882	125,860
Proposed cash dividends	11	-	605,476	-
Retained earnings		896,780	237,007	683,040
Total shareholders' equity		5,420,144	5,368,163	5,364,155
Total liabilities, equity of unrestricted investment account holders and shareholders' equity		38,840,623	38,397,455	37,889,839

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on 20 October 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 unaudited interim condensed consolidated financial statements



Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2015

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>
	<i>September</i>	<i>September</i>	<i>September</i>	<i>September</i>
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Net income from financing activities	289,778	253,405	829,853	741,717
Net income from investing activities	62,777	70,937	199,759	247,733
Total income from financing and investing activities	352,555	324,342	1,029,612	989,450
Fee and commission income	40,533	43,045	118,065	95,825
Fee and commission expense	(8,412)	(13,484)	(23,825)	(24,056)
Net fee and commission income	32,121	29,561	94,240	71,769
Net foreign exchange gains	5,070	4,203	10,333	14,853
Share of results of associates	-	9,524	(3,695)	10,416
Total income	389,746	367,630	1,130,490	1,086,488
Staff costs	(38,923)	(29,544)	(109,368)	(91,305)
Depreciation	(3,828)	(3,102)	(11,042)	(9,840)
Finance expense	(30,519)	(20,044)	(77,979)	(58,184)
Other expenses	(29,906)	(23,109)	(84,208)	(72,272)
Total expenses	(103,176)	(75,799)	(282,597)	(231,601)
Net impairment loss on investment securities	(1,545)	18	(2,235)	(10,238)
Impairment loss recovered / (provided) on financing assets	(8)	(76)	4,576	(2,302)
Foreign exchange loss on translation of investment in associate	(52)	-	(853)	(5,983)
Net profit for the period before return to unrestricted investment account holders	284,965	291,773	849,381	836,364
Share of unrestricted investment account holders of profit	(66,567)	(68,966)	(192,862)	(211,507)
Net profit for the period	218,398	222,807	656,519	624,857
Earnings per share				
Basic and diluted earnings per share (QR per share)	1.45	1.47	4.34	4.13

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

Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended 30 September 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>)		<u>1,513,687</u>	<u>2,452,360</u>	<u>474,751</u>	<u>-</u>	<u>84,882</u>	<u>605,476</u>	<u>237,007</u>	<u>5,368,163</u>
Fair value reserve movement		-	-	-	938	-	-	-	938
Net profit for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>656,519</u>	<u>656,519</u>
Total recognised income and expense for the period		-	-	-	938	-	-	656,519	657,457
Cash dividends paid to shareholders	11	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(605,476)</u>	<u>-</u>	<u>-</u>	<u>(605,476)</u>
Transfer to retained earnings		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,254)</u>	<u>-</u>	<u>3,254</u>	<u>-</u>
Balance at 30 September 2015 (<i>Unaudited</i>)		<u>1,513,687</u>	<u>2,452,360</u>	<u>474,751</u>	<u>938</u>	<u>81,628</u>	<u>-</u>	<u>896,780</u>	<u>5,420,144</u>

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

Qatar International Islamic Bank (Q.S.C)

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

For the nine months ended 30 September 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>)		<u>1,513,687</u>	<u>2,452,360</u>	<u>412,901</u>	<u>183,302</u>	<u>125,860</u>	<u>567,633</u>	<u>58,183</u>	<u>5,313,926</u>
Fair value reserve movement		-	-	-	(6,995)	-	-	-	(6,995)
Net profit for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624,857</u>	<u>624,857</u>
Total recognised income and expense for the period		-	-	-	(6,995)	-	-	624,857	617,862
Cash dividends paid to shareholders	11	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(567,633)</u>	<u>-</u>	<u>-</u>	<u>(567,633)</u>
Balance at 30 September 2014 (<i>Unaudited</i>)		<u><u>1,513,687</u></u>	<u><u>2,452,360</u></u>	<u><u>412,901</u></u>	<u><u>176,307</u></u>	<u><u>125,860</u></u>	<u><u>-</u></u>	<u><u>683,040</u></u>	<u><u>5,364,155</u></u>

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

Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2015

		<i>Nine months ended</i>	
		<i>30 September</i>	<i>30 September</i>
		<i>2015</i>	<i>2014</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>QR'000</i>	<i>QR'000</i>
	<i>Notes</i>		
Cash flows from operating activities			
Net profit for the period		656,519	624,857
Net changes in operating assets and liabilities		(475,767)	328,600
Net cash flows generated from operating activities		180,752	953,457
Cash flows from investing activities			
Purchase of investment securities		(4,571,612)	(2,647,314)
Proceed from sale of investment securities		3,174,055	2,783,718
Purchase of fixed assets		(162,505)	(33,439)
Additions to investment properties		-	(4,469)
Proceed from sale of investment properties		-	115,204
Proceed from sale of fixed assets		190	-
Dividends received from associate companies		3,254	-
Dividends income received		2,580	4,494
Net cash flows (used in) generated from investing activities		(1,554,038)	218,194
Cash flows from financing activities			
Change in equity of unrestricted investment account holders		(1,783,938)	1,349,830
Dividends paid to shareholders	11	(605,476)	(567,633)
Net cash flows (used in) generated from financing activities		(2,389,414)	782,197
Net (decrease) increase in cash and cash equivalents		(3,762,700)	1,953,848
Cash and cash equivalents at January 1		5,537,532	4,985,999
Cash and cash equivalents at 30 September	12	1,774,832	6,939,847

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

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 20 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 (QCB).

The unaudited interim condensed consolidated financial statements of the Group for the period ended 30 September 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 20 October 2015.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial statements of the Bank and its subsidiary (together referred to as the "Group") for the nine months ended 30 September 2015 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The unaudited 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 nine month period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

The preparation of the unaudited 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 unaudited 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").

During the period, a new Qatar Commercial Company's Law No. 11 of 2015 was issued in the State of Qatar. The new Law did not have any impact on the unaudited interim condensed consolidated financial statements.

New standards and amendments

The following new and amended IFRSs have been adopted by the Group in preparation of these unaudited 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 may result in additional disclosures at year end:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 unaudited 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:

	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>Effective percentage of ownership</i>	
			<i>30 September 2015</i>	<i>31 December 2014</i>
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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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>Treasury & Investments</i>	
	<i>Corporate</i>	<i>Retail</i>	<i>QR'000</i>	<i>Total</i>
<i>Nine months ended 30 September 2015</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<i>(Unaudited)</i>				
External revenue:				
Total income from financing and investing activities	544,886	284,967	199,759	1,029,612
Net fee and commission income	54,965	39,275	-	94,240
Net foreign exchange gains	-	-	10,333	10,333
Share of results of associates	-	-	(3,695)	(3,695)
Total segment income	599,851	324,242	206,397	1,130,490
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(2,235)	(2,235)
Impairment loss recovered on financing assets	5,199	(623)	-	4,576
Foreign exchange loss on translation of investment in associate	-	-	(853)	(853)
Reportable segment net profit before allocation of expenses	605,050	323,619	203,309	1,131,978
			<i>Treasury & Investments</i>	
	<i>Corporate</i>	<i>Retail</i>	<i>QR'000</i>	<i>Total</i>
<i>Nine months ended 30 September 2014</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<i>(Unaudited)</i>				
External revenue:				
Total income from financing and investing activities	489,376	252,210	247,864	989,450
Net fee and commission income	44,670	27,099	-	71,769
Net foreign exchange gains	-	-	14,853	14,853
Share of results of associates	-	-	10,416	10,416
Total segment income	534,046	279,309	273,133	1,086,488
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(10,238)	(10,238)
Impairment loss on financing assets	(2,302)	-	-	(2,302)
Foreign exchange loss on translation of investment in associate	-	-	(5,983)	(5,983)
Reportable segment net profit before allocation of expenses	531,744	279,309	256,912	1,067,965

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

3 SEGMENT INFORMATION (CONTINUED)

			<i>Treasury & Investments</i>	<i>Total</i>
	<i>Corporate</i>	<i>Retail</i>	<i>QR'000</i>	<i>QR'000</i>
<i>30 September 2015 (Unaudited)</i>	<i>QR'000</i>	<i>QR'000</i>		
Reportable segment assets	<u>18,385,725</u>	<u>5,971,740</u>	<u>11,592,778</u>	<u>35,950,243</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>7,839,223</u>	<u>17,177,834</u>	<u>7,924,349</u>	<u>32,941,406</u>
			<i>Treasury & Investments</i>	<i>Total</i>
	<i>Corporate</i>	<i>Retail</i>	<i>QR'000</i>	<i>QR'000</i>
<i>31 December 2014 (Audited)</i>	<i>QR'000</i>	<i>QR'000</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>
			<i>Treasury & Investments</i>	<i>Total</i>
	<i>Corporate</i>	<i>Retail</i>	<i>QR'000</i>	<i>QR'000</i>
<i>30 September 2014 (Unaudited)</i>	<i>QR'000</i>	<i>QR'000</i>		
Reportable segment assets	<u>15,382,276</u>	<u>5,544,976</u>	<u>14,619,314</u>	<u>35,546,566</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>9,878,867</u>	<u>16,163,496</u>	<u>5,869,321</u>	<u>31,911,684</u>

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

	<i>Nine months ended</i>	
	<i>30 September 2015 (Unaudited) QR'000</i>	<i>30 September 2014 (Unaudited) QR'000</i>
Profit		
Total net profit for reportable segments before allocation of expenses	1,131,978	1,067,965
Staff costs, depreciation, finance expense, other expenses and share of unrestricted investment account holders	<u>(475,459)</u>	<u>(443,108)</u>
Consolidated net profit for the period	<u>656,519</u>	<u>624,857</u>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

3 SEGMENT INFORMATION (CONTINUED)

	<i>30 September 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>30 September 2014 (Unaudited) QR'000</i>
Assets			
Total assets for reportable segments	35,950,243	35,941,179	35,546,566
Other unallocated amounts	2,890,380	2,456,276	2,343,273
Consolidated total assets	38,840,623	38,397,455	37,889,839
Liabilities and equity of unrestricted investment account holders			
Total liabilities and equity of unrestricted investment account holders for reportable segments	32,941,406	32,520,971	31,911,684
Other unallocated amounts	479,073	508,321	614,000
Consolidated total liabilities and equity of unrestricted investment account holders	33,420,479	33,029,292	32,525,684

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>
30 September 2015 (Unaudited)					
Cash and balances with Qatar Central Bank	-	-	1,730,340	1,730,340	1,730,340
Due from banks	-	-	3,620,660	3,620,660	3,620,660
Financing assets	-	-	24,360,707	24,360,707	24,360,707
Investment securities:					
- Measured at fair value	42,283	144,424	-	186,707	186,707
- Measured at amortised cost	-	-	6,829,067	6,829,067	6,619,098
Other assets	-	-	519,706	519,706	519,706
	42,283	144,424	37,060,480	37,247,187	37,037,218
Due to banks	-	-	5,379,055	5,379,055	5,379,055
Customers' current accounts	-	-	6,377,312	6,377,312	6,377,312
Sukuk financing	-	-	2,545,293	2,545,293	2,545,293
Other liabilities	-	-	479,073	479,073	479,073
	-	-	14,780,733	14,780,733	14,780,733

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<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>
<i>31 December 2014 (Audited)</i>					
Cash and balances with					
Qatar Central Banks	-	-	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
	<u>135,667</u>	<u>130,461</u>	<u>36,679,365</u>	<u>36,945,493</u>	<u>36,939,520</u>
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
	<u>-</u>	<u>-</u>	<u>12,606,657</u>	<u>12,606,657</u>	<u>12,606,657</u>

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.

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)**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>30 September 2015 (Unaudited)</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 equity-type investments classified as fair value through income statement	42,283	42,283	-	-
- Quoted equity-type investments classified as fair value through equity	25,218	25,218	-	-
- Unquoted equity-type investments classified as fair value through equity	119,206	-	-	119,206
<i>Fair value measurement using</i>				
<i>31 December 2014 (Audited)</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	18,189	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 provided QR 2.2 million (30 September 2014: QR 10.2 million) as impairment on investment securities which were recognised under "Net impairment loss on investment securities" in the interim 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 4.6 million (30 September 2014: QR 2.3 million provision) as impairment on financing assets which was recognised under "Impairment loss recovered / (provided) on financing assets" in the interim consolidated statement of income.

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 0.9 million (30 September 2014: QR 6 million) as foreign exchange loss on investment in associate which was recognised under "Foreign exchange loss on translation of investment in associate" in the interim consolidated statement of income.

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6 FINANCING ASSETS “NET”

	<i>30 September 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>30 September 2014 (Unaudited) QR'000</i>
Total financing assets	26,012,718	23,466,251	22,539,573
Less: Deferred profit	(1,486,571)	(1,461,552)	(1,464,344)
Specific impairment of financing assets	(144,122)	(149,757)	(123,838)
Suspended profit	(21,318)	(15,662)	(16,649)
Net financing assets	<u>24,360,707</u>	<u>21,839,280</u>	<u>20,934,742</u>

Note:

The total non-performing financing assets including past dues but not impaired amounted to QR 403.9 million, representing 1.6% of the gross financing assets as at 30 September 2015 (31 December 2014 amounted to QR 229 million, representing 0.98% of the gross financing assets)

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7 INVESTMENT SECURITIES

	<i>30 September 2015 (Unaudited)</i>			<i>31 December 2014 (Audited)</i>			<i>30 September 2014 (Unaudited)</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>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	42,283	-	42,283	117,478	-	117,478	101,067	-	101,067
• Debt-type investments									
- Fixed Rate	-	-	-	18,189	-	18,189	33,277	-	33,277
	<u>42,283</u>	<u>-</u>	<u>42,283</u>	<u>135,667</u>	<u>-</u>	<u>135,667</u>	<u>134,344</u>	<u>-</u>	<u>134,344</u>
<i>Debt-type investments classified at amortised cost</i>									
- State of Qatar Sukuk	1,943,623	3,600,000	5,543,623	625,221	3,947,144	4,572,365	2,029,727	3,448,866	5,478,593
- Fixed rate	1,264,021	18,919	1,282,940	735,994	18,918	754,912	909,152	18,918	928,070
- Floating rate	-	2,504	2,504	-	4,381	4,381	-	5,007	5,007
	<u>3,207,644</u>	<u>3,621,423</u>	<u>6,829,067</u>	<u>1,361,215</u>	<u>3,970,443</u>	<u>5,331,658</u>	<u>2,938,879</u>	<u>3,472,791</u>	<u>6,411,670</u>
<i>Equity-type investments classified as fair value through equity</i>									
	<u>25,218</u>	<u>119,206</u>	<u>144,424</u>	<u>36,909</u>	<u>93,552</u>	<u>130,461</u>	<u>-</u>	<u>95,081</u>	<u>95,081</u>
	<u>3,275,145</u>	<u>3,740,629</u>	<u>7,015,774</u>	<u>1,533,791</u>	<u>4,063,995</u>	<u>5,597,786</u>	<u>3,073,223</u>	<u>3,567,872</u>	<u>6,641,095</u>

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. 11 of 2015 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: QR 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 QR 3.3 million (30 September 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), (30 September 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:

	30 September 2015 (Unaudited) QR'000	31 December 2014 (Audited) QR'000	30 September 2014 (Unaudited) QR'000
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	412,316	390,300	432,823
Due from banks	1,362,516	5,147,232	6,507,024
Total	<u>1,774,832</u>	<u>5,537,532</u>	<u>6,939,847</u>

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13 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 September 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>
Contingent liabilities		
Unused cancellable facilities	3,956,158	4,741,613
Guarantees	3,424,155	1,385,697
Letters of credit	477,250	345,111
Acceptances	52,454	35,465
Others	9,105	17,681
	<u>7,919,122</u>	<u>6,525,567</u>

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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:

	<i>30 September 2015 (Unaudited)</i>			<i>31 December 2014 (Audited)</i>			<i>30 September 2014 (Unaudited)</i>		
	<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>	<i>Associate companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>
Assets:									
Financing assets	<u>10,532</u>	<u>688,832</u>	<u>2,834,753</u>	<u>21,133</u>	<u>605,798</u>	<u>2,148,658</u>	<u>16,505</u>	<u>606,156</u>	<u>2,118,704</u>
Equity of unrestricted investment account holders	<u>23,170</u>	<u>194,277</u>	<u>199,022</u>	<u>50,033</u>	<u>217,833</u>	<u>76,521</u>	<u>10,247</u>	<u>91,951</u>	<u>144,873</u>
Off balance sheet items:									
Contingent liabilities, guarantees and other commitments	<u>4,668</u>	<u>737</u>	<u>37,432</u>	<u>-</u>	<u>333</u>	<u>36,709</u>	<u>-</u>	<u>300</u>	<u>26,148</u>

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14 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Nine months ended 30 September 2015</i>			<i>Nine months ended 30 September 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	434	28,414	116,934	626	22,983	80,334
Share of equity of unrestricted investment account holders in profit	261	2,186	2,239	117	1,046	1,648

Key management personnel compensation for the period comprised:

	<i>Nine months ended</i>	
	<i>30 September 2015</i>	<i>30 September 2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Short term benefits	10,013	8,635
Long term benefits	592	556
	10,605	9,191