

**Qatar International Islamic Bank (Q.S.C)**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS**

**30 JUNE 2016**

## 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 June 2016, and the related interim consolidated statement of income for the three-month and six-month periods ended 30 June 2016, and the related interim consolidated statement of changes in shareholders' equity and interim condensed consolidated statement of cash flows for the six-month period then ended and the related explanatory notes.

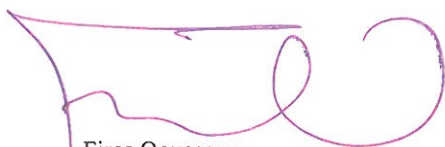
Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based 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: 19 July 2016  
Doha



**Qatar International Islamic Bank (Q.S.C)**


**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2016

		<b>30 June 2016 (Unaudited) QR'000</b>	<b>31 December 2015 (Audited) QR'000</b>	<b>30 June 2015 (Unaudited) QR'000</b>
	<i>Notes</i>			
<b>Assets</b>				
Cash and balances with Qatar Central Bank		1,966,536	1,919,039	2,302,394
Due from banks		4,684,953	4,612,256	3,098,827
Financing assets	6	26,692,222	24,978,073	23,857,273
Investment securities	7	6,802,193	7,043,423	7,103,355
Investment in associates		347,892	348,758	347,588
Investment properties		432,614	434,640	484,349
Fixed assets		671,110	673,175	641,210
Intangible assets		19,209	16,589	12,504
Other assets		648,883	514,092	648,267
<b>Total assets</b>		<b>42,265,612</b>	<b>40,540,045</b>	<b>38,495,767</b>
<b>Liabilities, equity of unrestricted investment account holders and shareholders' equity</b>				
<b>Liabilities</b>				
Due to banks and financial institutions		5,429,576	4,986,561	4,637,097
Customers' current accounts		6,810,881	6,585,877	6,603,301
Sukuk financing		2,546,670	2,545,751	2,544,835
Other liabilities		568,169	814,710	464,240
<b>Total liabilities</b>		<b>15,355,296</b>	<b>14,932,899</b>	<b>14,249,473</b>
<b>Equity of unrestricted investment account holders</b>		<b>21,533,064</b>	<b>20,078,034</b>	<b>19,043,306</b>
<b>Shareholders' equity</b>				
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	548,401	548,401	474,751
Fair value reserve		12,400	1,877	2,180
Other reserves	10	84,477	84,477	81,628
Proposed cash dividends	11	-	605,476	-
Retained earnings		765,927	322,834	678,382
<b>Total shareholders' equity</b>		<b>5,377,252</b>	<b>5,529,112</b>	<b>5,202,988</b>
<b>Total liabilities, equity of unrestricted investment account holders and shareholders' equity</b>		<b>42,265,612</b>	<b>40,540,045</b>	<b>38,495,767</b>

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on 19 July 2016 and were signed on its behalf by:



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



Abdulbasit Ahmad Abdulrahman Al Shaibei  
Chief Executive Officer

The attached notes 1 to 15 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 six months ended 30 June 2016

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2016 (Unaudited) QR'000</i>	<i>30 June 2015 (Unaudited) QR'000</i>	<i>30 June 2016 (Unaudited) QR'000</i>	<i>30 June 2015 (Unaudited) QR'000</i>
Net income from financing activities	<b>309,895</b>	278,939	<b>605,089</b>	540,075
Net income from investing activities	<b>71,897</b>	74,208	<b>138,803</b>	136,982
<b>Total net income from financing and investing activities</b>	<b>381,792</b>	353,147	<b>743,892</b>	677,057
Fee and commission income	<b>38,377</b>	39,456	<b>80,442</b>	77,532
Fee and commission expense	<b>(10,650)</b>	(8,041)	<b>(21,674)</b>	(15,413)
<b>Net fee and commission income</b>	<b>27,727</b>	31,415	<b>58,768</b>	62,119
Net foreign exchange gains	<b>8,135</b>	3,816	<b>15,308</b>	5,263
Share of results of investments in associates	<b>(866)</b>	-	<b>(866)</b>	(3,695)
<b>Total income</b>	<b>416,788</b>	388,378	<b>817,102</b>	740,744
Staff costs	<b>(37,450)</b>	(37,297)	<b>(71,621)</b>	(70,445)
Depreciation and amortisation	<b>(4,564)</b>	(3,729)	<b>(8,880)</b>	(7,214)
Finance expense	<b>(36,862)</b>	(26,598)	<b>(69,147)</b>	(47,460)
Other expenses	<b>(31,430)</b>	(27,742)	<b>(54,517)</b>	(54,302)
<b>Total expenses</b>	<b>(110,306)</b>	(95,366)	<b>(204,165)</b>	(179,421)
Net impairment loss on investment securities	-	(1,178)	-	(690)
Reversal of impairment on financing assets	-	2,079	-	4,584
Foreign exchange loss on translation of investment in associate	-	(111)	-	(801)
<b>Net profit for the period before return to unrestricted investment account holders</b>	<b>306,482</b>	293,802	<b>612,937</b>	564,416
Share of unrestricted investment account holders of profit	<b>(86,500)</b>	(67,999)	<b>(169,844)</b>	(126,295)
Net profit for the period	<b>219,982</b>	225,803	<b>443,093</b>	438,121
<b>Earnings per share</b>				
Basic and diluted earnings per share (QR per share)	<b>1.45</b>	1.49	<b>2.93</b>	2.89

The attached notes 1 to 15 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 six months ended 30 June 2016

	<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 2016 ( <i>Audited</i> )		1,513,687	2,452,360	548,401	1,877	84,477	605,476	322,834	5,529,112
Fair value reserve movement		-	-	-	10,523	-	-	-	10,523
Net profit for the period		-	-	-	-	-	-	443,093	443,093
<b>Total recognised income and expense for the period</b>		-	-	-	10,523	-	-	443,093	453,616
Cash dividends paid to shareholders	11	-	-	-	-	-	(605,476)	-	(605,476)
<b>Balance at 30 June 2016 (<i>Unaudited</i>)</b>		<b>1,513,687</b>	<b>2,452,360</b>	<b>548,401</b>	<b>12,400</b>	<b>84,477</b>	<b>-</b>	<b>765,927</b>	<b>5,377,252</b>

The attached notes 1 to 15 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 six months ended 30 June 2016

	<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		-	-	-	2,180	-	-	-	2,180
Net profit for the period		-	-	-	-	-	-	438,121	438,121
Total recognised income and expense for the period		-	-	-	2,180	-	-	438,121	440,301
Cash dividends paid to shareholders	11	-	-	-	-	-	(605,476)	-	(605,476)
Transfer to retained earnings		-	-	-	-	(3,254)	-	3,254	-
Balance at 30 June 2015 ( <i>Unaudited</i> )		1,513,687	2,452,360	474,751	2,180	81,628	-	678,382	5,202,988

The attached notes 1 to 15 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 six months ended 30 June 2016

	<i>Six months ended</i>	
	<b>30 June 2016 (Unaudited) QR'000</b>	<b>30 June 2015 (Unaudited) QR'000</b>
	<i>Notes</i>	
<b>Cash flows from operating activities</b>		
Net profit for the period	<b>443,093</b>	438,121
Net changes in operating assets and liabilities	<b>(2,561,572)</b>	1,337,983
<b>Net cash flows (used in) from operating activities</b>	<b>(2,118,479)</b>	1,776,104
<b>Cash flows from investing activities</b>		
Purchase of investment securities	<b>(228,533)</b>	(3,984,894)
Proceed from sale of investment securities	<b>490,479</b>	2,503,665
Purchase of fixed assets	<b>(2,574)</b>	(143,046)
Purchase of intangible assets	<b>(4,838)</b>	-
Dividends received from associate companies	-	3,254
Dividends income received	<b>1,821</b>	1,622
<b>Net cash flows from (used in) investing activities</b>	<b>256,355</b>	(1,619,399)
<b>Cash flows from financing activities</b>		
Change in equity of unrestricted investment account holders	<b>1,444,628</b>	(1,381,827)
Dividends paid to shareholders	<b>(605,476)</b>	(605,476)
<b>Net cash flows from (used in) financing activities</b>	<b>839,152</b>	(1,987,303)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,022,972)</b>	(1,830,598)
Cash and cash equivalents at 1 January	<b>2,987,164</b>	5,537,532
<b>Cash and cash equivalents at 30 June</b>	<b>1,964,192</b>	3,706,934

The attached notes 1 to 15 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 June 2016

### 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 June 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 19 July 2016.

### 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 six months ended 30 June 2016 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 2015. In addition, results for the six month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015.

The Group’s financial risk management objectives are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2015.

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 2015, 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. 11 of 2015. In line with the requirements of AAOIFI, for matters which are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards (the "IFRSs") as issued by the International Accounting Standards Board (“IASB”).

On 19 April 2016 the Extraordinary General Meeting has approved amending the Article of Association to be in compliance with the new Qatar Commercial Company’s Law No. 11 of 2015. However, the Group is in the process of completing the legal procedures to amend its Article of Association.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New standards and amendments and interpretations effective from 1 January 2016**

AAOIFI has issued a new accounting standard on investment accounts - Financial Accounting Standard No. 27 (FAS 27): Investment Accounts. The new FAS 27 updates and replaces two of AAOIFI’s previous accounting standards relating to investment accounts - FAS 5: Disclosure of Bases for Profit Allocation between Owners’ Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and their Equivalent.

This standard applies to the investment accounts based on Mudaraba contracts which represent “equity of investment accountholders and on Mudaraba contracts that are placed on “short-term basis” (overnight, seven days, one month basis) by other financial institutions as “interbank-bank deposits” for the purpose of liquidity management. However, it is not applicable to own equity instruments, Wakala contracts, and reverse murabaha, Musharaka or Sukuk.

The new standard is effective for annual reporting periods beginning on or after 1 January 2016 and has no impact on the Group’s unaudited interim condensed consolidated financial statements.

**New standards and amendments and interpretations issued but not yet effective**

There are no new accounting standards, amendments and interpretations that are issued but not yet effective.

**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>	
			<b>30 June 2016</b>	<i>31 December 2015</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 June 2016

**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>Six months ended 30 June 2016 (Unaudited)</i>	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury &amp; Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total net income from financing and investing activities	396,785	208,304	138,803	743,892
Net fee and commission income	31,969	26,799	-	58,768
Net foreign exchange gains	-	-	15,308	15,308
Share of results of investments in associates	-	-	(866)	(866)
<b>Total segment income</b>	<b>428,754</b>	<b>235,103</b>	<b>153,245</b>	<b>817,102</b>
Other material non-cash items:				
Net impairment loss on investment securities	-	-	-	-
Reversal of impairment on financing assets	-	-	-	-
Foreign exchange loss on translation of investment in associate	-	-	-	-
<b>Reportable segment net profit before allocation of expenses</b>	<b>428,754</b>	<b>235,103</b>	<b>153,245</b>	<b>817,102</b>
<i>Six months ended 30 June 2015 (Unaudited)</i>	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury &amp; Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total net income from financing and investing activities	354,648	185,426	136,983	677,057
Net fee and commission income	36,903	25,216	-	62,119
Net foreign exchange gains	-	-	5,263	5,263
Share of results of investments in associates	-	-	(3,695)	(3,695)
<b>Total segment income</b>	<b>391,551</b>	<b>210,642</b>	<b>138,551</b>	<b>740,744</b>
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(690)	(690)
Reversal of impairment loss on financing assets	5,199	(615)	-	4,584
Foreign exchange loss on translation of investment in associate	-	-	(801)	(801)
<b>Reportable segment net profit before allocation of expenses</b>	<b>396,750</b>	<b>210,027</b>	<b>137,060</b>	<b>743,837</b>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016

3 SEGMENT INFORMATION (CONTINUED)

	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury &amp; Investments QR'000</i>	<i>Total QR'000</i>
<i>30 June 2016 (Unaudited)</i>				
<b>Reportable segment assets</b>	<b><u>19,888,388</u></b>	<b><u>6,803,834</u></b>	<b><u>12,522,972</u></b>	<b><u>39,215,194</u></b>
<b>Reportable segment liabilities and equity of unrestricted investment account holders</b>	<b><u>9,250,805</u></b>	<b><u>19,093,140</u></b>	<b><u>7,976,246</u></b>	<b><u>36,320,191</u></b>
<i>31 December 2015 (Audited)</i>				
Reportable segment assets	<u>18,724,297</u>	<u>6,253,202</u>	<u>12,720,501</u>	<u>37,698,000</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>8,559,440</u>	<u>18,104,471</u>	<u>7,532,312</u>	<u>34,196,223</u>

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

	<i>Six months ended</i>	
	<i>30 June 2016 (Unaudited) QR'000</i>	<i>30 June 2015 (Unaudited) QR'000</i>
Profit		
Total net profit for reportable segments before allocation of expenses	<b>817,102</b>	743,837
Staff costs, depreciation and amortisation, finance expense, other expenses and share of unrestricted investment account holders	<b><u>(374,009)</u></b>	<u>(305,716)</u>
Consolidated net profit for the period	<b><u>443,093</u></b>	<u>438,121</u>
	<i>30 June 2016 (Unaudited) QR'000</i>	<i>31 December 2015 (Audited) QR'000</i>
<b>Assets</b>		
Total assets for reportable segments	<b>39,215,194</b>	37,698,000
Other unallocated amounts	<b><u>3,050,418</u></b>	<u>2,842,045</u>
Consolidated total assets	<b><u>42,265,612</u></b>	<u>40,540,045</u>
<b>Liabilities and equity of unrestricted investment account holders</b>		
Total liabilities and equity of unrestricted investment account holders for reportable segments	<b>36,320,191</b>	34,196,223
Other unallocated amounts	<b><u>568,169</u></b>	<u>814,710</u>
Consolidated total liabilities and equity of unrestricted investment account holders	<b><u>36,888,360</u></b>	<u>35,010,933</u>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016

**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>
<b>30 June 2016 (Unaudited)</b>					
Cash and balances with					
Qatar Central Bank	-	-	1,966,536	1,966,536	1,966,536
Due from banks	-	-	4,684,953	4,684,953	4,684,953
Financing assets	-	-	26,692,222	26,692,222	26,692,222
Investment securities:					
- Measured at fair value	1,240	168,278	-	169,518	169,518
- Measured at amortised cost	-	-	6,632,675	6,632,675	6,633,631
Other assets	-	-	552,626	552,626	552,626
	<u>1,240</u>	<u>168,278</u>	<u>40,529,012</u>	<u>40,698,530</u>	<u>40,699,486</u>
Due to banks and financial institutions	-	-	5,429,576	5,429,576	5,429,576
Customers' current accounts	-	-	6,810,881	6,810,881	6,810,881
Sukuk financing	-	-	2,546,670	2,546,670	2,546,670
Other liabilities	-	-	568,169	568,169	568,169
	<u>-</u>	<u>-</u>	<u>15,355,296</u>	<u>15,355,296</u>	<u>15,355,296</u>
	<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>
<b>31 December 2015 (Audited)</b>					
Cash and balances with					
Qatar Central Bank	-	-	1,919,030	1,919,030	1,919,030
Due from banks	-	-	4,612,256	4,612,256	4,612,256
Financing assets	-	-	24,978,073	24,978,073	24,978,073
Investment securities:					
- Measured at fair value	46,508	134,584	-	181,092	181,092
- Measured at amortised cost	-	-	6,862,331	6,862,331	6,826,655
Other assets	-	-	444,877	444,877	444,877
	<u>46,508</u>	<u>134,584</u>	<u>38,816,567</u>	<u>38,997,659</u>	<u>38,961,983</u>
Due to banks and financial institutions	-	-	4,986,561	4,986,561	4,986,561
Customers' current accounts	-	-	6,585,877	6,585,877	6,585,877
Sukuk financing	-	-	2,545,751	2,545,751	2,545,751
Other liabilities	-	-	814,710	814,710	814,710
	<u>-</u>	<u>-</u>	<u>14,932,899</u>	<u>14,932,899</u>	<u>14,932,899</u>

# Qatar International Islamic Bank (Q.S.C)

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016

### 4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value through income statement</i> QR'000	<i>Fair value through equity</i> QR'000	<i>Amortised cost</i> QR'000	<i>Total carrying amount</i> QR'000	<i>Fair value</i> QR'000
<i>30 June 2015 (Unaudited)</i>					
Cash and balances with					
Qatar Central Bank	-	-	2,302,394	2,302,394	2,302,394
Due from banks	-	-	3,098,827	3,098,827	3,098,827
Financing assets	-	-	23,857,273	23,857,273	23,857,273
Investment securities:					
- Measured at fair value	38,720	150,620	-	189,340	189,340
- Measured at amortised cost	-	-	6,914,015	6,914,015	6,881,446
Other assets	-	-	551,895	551,895	551,895
	<u>38,720</u>	<u>150,620</u>	<u>36,724,404</u>	<u>36,913,744</u>	<u>36,881,175</u>
Due to banks and financial institutions	-	-	4,637,097	4,637,097	4,637,097
Customers' current accounts	-	-	6,603,301	6,603,301	6,603,301
Sukuk financing	-	-	2,544,835	2,544,835	2,544,835
Other liabilities	-	-	464,240	464,240	464,240
	<u>-</u>	<u>-</u>	<u>14,249,473</u>	<u>14,249,473</u>	<u>14,249,473</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.

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## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Financial asset 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>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>
<i>30 June 2016 (Unaudited)</i>				
- Quoted equity-type investments classified at fair value through income statement	1,240	1,240	-	-
- Quoted equity-type investments classified at fair value through equity	62,277	62,277	-	-
- Unquoted equity-type investments classified at fair value through equity	106,001	-	-	106,001
<i>31 December 2015 (Audited)</i>				
- Quoted equity-type investments classified at fair value through income statement	46,508	46,508	-	-
- Quoted equity-type investments classified at fair value through equity	27,473	27,473	-	-
- Unquoted equity-type investments classified at fair value through equity	107,111	-	-	107,111

### 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 at 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 at fair value through equity, the cumulative loss previously recognised in the unaudited interim consolidated statement of changes in equity is removed from equity and recognised in the unaudited interim consolidated statement of income. Impairment losses recognised in the unaudited interim consolidated statement of income on equity-type investments are subsequently reversed through equity. The Group has provided nil (30 June 2015: QR 0.7 million) as impairment on investment securities which were recognised under "Net impairment loss on investment securities" in the unaudited interim consolidated statement of income.

At 30 June 2016

**5 IMPAIRMENT (CONTINUED)**

*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 unaudited interim 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 unaudited interim 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 nil (30 June 2015: QR 4.6 million) as impairment on financing assets which was recognised under "Reversal of impairment on financing assets" in the unaudited 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 unaudited interim consolidated statement of income. The Group has provided nil (30 June 2015: QR 0.8 million) as foreign exchange loss on investment in associate which was recognised under "Foreign exchange loss on translation of investment in associate" in the unaudited interim consolidated statement of income.

**6 FINANCING ASSETS**

	<b>30 June 2016 (Unaudited) QR'000</b>	<b>31 December 2015 (Audited) QR'000</b>	<b>30 June 2015 (Unaudited) QR'000</b>
<b>Total financing assets</b>	<b>28,541,002</b>	26,811,447	25,466,415
Less: Deferred profit	<b>(1,571,919)</b>	(1,560,976)	(1,445,731)
Specific impairment of financing assets	<b>(248,227)</b>	(249,404)	(144,132)
Suspended profit	<b>(28,634)</b>	(22,994)	(19,279)
<b>Net financing assets</b>	<b><u>26,692,222</u></b>	<u>24,978,073</u>	<u>23,857,273</u>

*Note:*

The total non-performing financing assets including past dues but not impaired amounted to QR 562 million, representing 1.97 % of the gross financing assets as at 30 June 2016 (31 December 2015: amounted to QR 456 million, representing 1.70% of the gross financing assets).

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7 INVESTMENT SECURITIES

	30 June 2016 (Unaudited)			31 December 2015 (Audited)			30 June 2015 (Unaudited)		
	Quoted QR'000	Unquoted QR'000	Total QR'000	Quoted QR'000	Unquoted QR'000	Total QR'000	Quoted QR'000	Unquoted QR'000	Total QR'000
<i>Investments classified at fair value through income statement</i>									
Equity-type investments	<u>1,240</u>	<u>-</u>	<u>1,240</u>	<u>46,508</u>	<u>-</u>	<u>46,508</u>	<u>38,720</u>	<u>-</u>	<u>38,720</u>
	<u>1,240</u>	<u>-</u>	<u>1,240</u>	<u>46,508</u>	<u>-</u>	<u>46,508</u>	<u>38,720</u>	<u>-</u>	<u>38,720</u>
<i>Debt-type investments classified at amortised cost</i>									
- State of Qatar Sukuk	<u>1,934,238</u>	<u>3,550,000</u>	<u>5,484,238</u>	<u>1,941,402</u>	<u>3,849,423</u>	<u>5,790,825</u>	<u>1,765,423</u>	<u>3,200,000</u>	<u>4,965,423</u>
- Fixed rate	<u>1,128,266</u>	<u>18,919</u>	<u>1,147,185</u>	<u>1,050,710</u>	<u>18,918</u>	<u>1,069,628</u>	<u>1,926,543</u>	<u>18,920</u>	<u>1,945,463</u>
- Floating rate	<u>-</u>	<u>1,252</u>	<u>1,252</u>	<u>-</u>	<u>1,878</u>	<u>1,878</u>	<u>-</u>	<u>3,129</u>	<u>3,129</u>
	<u>3,062,504</u>	<u>3,570,171</u>	<u>6,632,675</u>	<u>2,992,112</u>	<u>3,870,219</u>	<u>6,862,331</u>	<u>3,691,966</u>	<u>3,222,049</u>	<u>6,914,015</u>
<i>Equity-type investments classified at fair value through equity</i>									
	<u>62,277</u>	<u>106,001</u>	<u>168,278</u>	<u>27,473</u>	<u>107,111</u>	<u>134,584</u>	<u>26,758</u>	<u>123,862</u>	<u>150,620</u>
	<u>3,126,021</u>	<u>3,676,172</u>	<u>6,802,193</u>	<u>3,066,093</u>	<u>3,977,330</u>	<u>7,043,423</u>	<u>3,757,444</u>	<u>3,345,911</u>	<u>7,103,355</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, the minimum requirement for risk is 2.5% of the 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 2015: QR 74 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 nil (30 June 2015: QR 3.3 million).

## 11 CASH DIVIDENDS

On 29 March 2016, the shareholders of the Bank approved in the general assembly meeting 40% cash dividends for the year ended 31 December 2015 (QR 4 per share), (30 June 2015: 40% cash dividends for the year ended 31 December 2014 (QR 4 per share).

## 12 CASH AND CASH EQUIVALENTS

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

	<b>30 June 2016 (Unaudited) QR'000</b>	<b>31 December 2015 (Audited) QR'000</b>	<b>30 June 2015 (Unaudited) QR'000</b>
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	<b>543,843</b>	533,408	972,257
Due from banks	<b>1,420,349</b>	2,453,756	2,734,677
	<b><u>1,964,192</u></b>	<u>2,987,164</u>	<u>3,706,934</u>

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**13 CONTINGENT LIABILITIES AND COMMITMENTS**

	<b>30 June 2016 (Unaudited) QR'000</b>	<b>31 December 2015 (Audited) QR'000</b>	<b>30 June 2015 (Unaudited) QR'000</b>
<b>Contingent liabilities</b>			
Unused financing facilities	5,479,220	5,313,398	4,071,254
Guarantees	3,573,556	3,410,784	3,290,951
Letters of credit	402,730	626,337	305,718
Acceptances	-	35,703	40,151
Others	9,203	7,215	10,117
	<b>9,464,709</b>	<b>9,393,437</b>	<b>7,718,191</b>

**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:

	<b>30 June 2016 (Unaudited)</b>			<b>31 December 2015 (Audited)</b>		
	<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>
<b>Assets:</b>						
Financing assets	15,289	688,587	3,014,530	18,316	700,376	2,796,260
<b>Equity of unrestricted investment account holders</b>	18,467	72,556	128,665	31,125	109,858	336,332
<b>Off balance sheet items:</b>						
Contingent liabilities, guarantees and other commitments	3,246	200	58,157	4,668	200	81,134

**Qatar International Islamic Bank (Q.S.C)**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 June 2016

**14 RELATED PARTY TRANSACTIONS (CONTINUED)**

	<i>Six months ended 30 June 2016</i>			<i>Six months ended 30 June 2015</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>
<b>Consolidated statement of income items:</b>						
Net income from financing activities	<u>420</u>	<u>18,936</u>	<u>82,900</u>	<u>-</u>	<u>19,185</u>	<u>59,074</u>
Share of equity of unrestricted investment account holders in profit	<u>139</u>	<u>544</u>	<u>965</u>	<u>146</u>	<u>4,020</u>	<u>1,300</u>

Key management personnel compensation for the period comprised:

	<i>Six months ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Short term benefits	<u>6,507</u>	<u>6,764</u>
Long term benefits	<u>377</u>	<u>395</u>
	<u><b>6,884</b></u>	<u><b>7,159</b></u>

**15 COMPARATIVE INFORMATION**

Certain comparative figures have been reclassified in order to conform to the presentation of the current period and improve the quality of the information presented. However, such reclassifications do not affect the previously reported profit or equity.