

Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 June 2014

REPORT ON REVIEW OF 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 2014, and the related interim consolidated statement of income for the three-month and six-month periods ended 30 June 2014, 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.

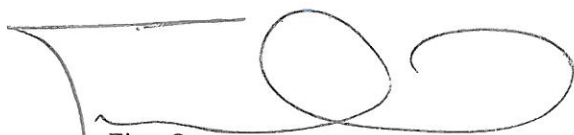
Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based 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: 21 July 2014
Doha



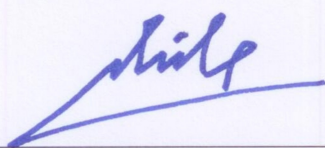
Qatar International Islamic Bank (Q.S.C)


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014 (Unaudited) QR'000	31 December 2013 (Audited) QR'000	30 June 2013 (Unaudited) QR'000
	<i>Notes</i>			
Assets				
Cash and balances with Qatar Central Bank		1,474,215	1,669,322	1,425,167
Due from banks		5,700,788	4,848,530	4,724,738
Financing assets	6	20,970,988	19,021,017	16,679,416
Investment securities	7	5,931,738	6,760,380	6,542,966
Investment in associates		366,445	371,536	362,767
Investment properties		878,362	972,351	1,161,680
Fixed assets		426,980	402,206	189,009
Other assets		344,551	376,124	330,095
Total assets		36,094,067	34,421,466	31,415,838
Liabilities, equity of unrestricted investment account holders and shareholders' equity				
Liabilities				
Due to banks		1,720,744	1,395,999	2,356,361
Customers' current accounts		5,946,585	5,670,809	5,372,391
Sukuk financing		2,542,999	2,542,082	2,541,164
Other liabilities		560,676	479,424	341,305
Total liabilities		10,771,004	10,088,314	10,611,221
Equity of unrestricted investment account holders		20,181,318	19,019,226	15,927,186
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	412,901	412,901	272,854
Fair value reserve		176,704	183,302	112,781
Other reserves	10	125,860	125,860	63,288
Proposed cash dividends	11	-	567,633	-
Retained earnings		460,233	58,183	462,461
Total shareholders' equity		5,141,745	5,313,926	4,877,431
Total liabilities, equity of unrestricted investment account holders and shareholders' equity		36,094,067	34,421,466	31,415,838

These interim condensed consolidated financial statements were approved by the Board of Directors on 21 July 2014 and were signed on its behalf by:


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


 Abdulbasit Ahmed Abdulrahman Al Shaibe
 Chief Executive Officer

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

Qatar International Islamic Bank (Q.S.C)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2014

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2014 (Unaudited) QR'000</i>	<i>30 June 2013 (Unaudited) QR'000</i>	<i>30 June 2014 (Unaudited) QR'000</i>	<i>30 June 2013 (Unaudited) QR'000</i>
Net income from financing activities	250,634	222,797	488,312	430,491
Net income from investing activities	89,107	99,315	176,796	181,835
Total income from financing and investing activities	339,741	322,112	665,108	612,326
Fee and commission income	26,662	20,179	52,780	34,745
Fee and commission expense	(5,066)	(5,741)	(10,572)	(9,860)
Net fee and commission income	21,596	14,438	42,208	24,885
Net foreign exchange gains	4,997	2,625	10,650	5,687
Share of results of associates	(9,669)	-	892	32,185
Total income	356,665	339,175	718,858	675,083
Staff costs	(27,645)	(25,716)	(61,761)	(56,109)
Depreciation	(3,300)	(3,439)	(6,738)	(7,129)
Finance expense	(18,882)	(19,478)	(38,140)	(39,317)
Other expenses	(23,464)	(16,743)	(49,163)	(31,920)
Total expenses	(73,291)	(65,376)	(155,802)	(134,475)
Net impairment loss on investment securities	(5,585)	(11)	(10,256)	(2,570)
Net impairment loss on financing assets	(2,226)	(1,716)	(2,226)	(6,716)
Foreign exchange loss on translation of investment in associate	(5,983)	(31,037)	(5,983)	(47,342)
Net profit for the year before return to unrestricted investment account holders	269,580	241,035	544,591	483,980
Share of unrestricted investment account holders of profit	(71,660)	(60,711)	(142,541)	(118,401)
Net profit for the period	197,920	180,324	402,050	365,579
Earnings per share				
Basic and diluted earnings per share (QR per share)	1.31	1.19	2.66	2.42

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

Qatar International Islamic Bank (Q.S.C)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2014

	<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>)		1,513,687	2,452,360	412,901	183,302	125,860	567,633	58,183	5,313,926
Fair value reserve movement		-	-	-	(6,598)	-	-	-	(6,598)
Net profit for the period		-	-	-	-	-	-	402,050	402,050
Total recognised income and expense for the period		-	-	-	(6,598)	-	-	402,050	395,452
Cash dividends paid to shareholders	11	-	-	-	-	-	(567,633)	-	(567,633)
Balance at 30 June 2014 (Unaudited)		1,513,687	2,452,360	412,901	176,704	125,860	-	460,233	5,141,745

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

Qatar International Islamic Bank (Q.S.C)

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

For the six months ended 30 June 2014

	<i>Notes</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 2013 (<i>Audited</i>)		1,513,687	2,452,360	272,854	107,176	67,355	529,790	92,815	5,036,037
Fair value reserve movement		-	-	-	5,605	-	-	-	5,605
Net profit for the period		-	-	-	-	-	-	365,579	365,579
Total recognised income and expense for the period		-	-	-	5,605	-	-	365,579	371,184
Cash dividends paid to shareholders	11	-	-	-	-	-	(529,790)	-	(529,790)
Transfer to retained earnings	10	-	-	-	-	(4,067)	-	4,067	-
Balance at 30 June 2013 (<i>Unaudited</i>)		1,513,687	2,452,360	272,854	112,781	63,288	-	462,461	4,877,431

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

Qatar International Islamic Bank (Q.S.C)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<i>Six months ended</i>	
	30 June 2014 (Unaudited) QR'000	30 June 2013 (Unaudited) QR'000
	<i>Notes</i>	
Cash flows from operating activities		
Net profit for the period	402,050	365,579
Net changes in operating assets and liabilities	(972,144)	(925,790)
Net cash flows used in operating activities	(570,094)	(560,211)
Cash flows from investing activities		
Acquisition of investment securities	(1,894,302)	(2,004,255)
Proceed from sale of investment securities	2,735,726	476,635
Acquisition of fixed assets	(29,665)	(2,637)
Acquisition of investment property	(3,612)	(41,863)
Proceed from sale of investment property	115,718	48,239
Proceed from sale of fixed assets	-	37,676
Dividends received from associate companies	-	4,067
Dividends income received	4,486	-
Net cash flows from investing activities	928,351	(1,482,138)
Cash flows from financing activities		
Change in equity of unrestricted investment account holders	1,162,092	1,755,302
Dividends paid to shareholders	(567,633)	(529,790)
Net cash flows (used in) from financing activities	594,459	1,225,512
Net decrease in cash and cash equivalents	952,716	(816,837)
Cash and cash equivalents at 1 January	4,985,999	5,908,578
Cash and cash equivalents at 30 June	5,938,715	5,091,741

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

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

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 16 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.

The interim condensed consolidated financial statements of the Group for the period ended 30 June 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 21 July 2014.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Bank and its subsidiary (together referred to as the "Group") for the six months ended 30 June 2014 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The 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 2013. In addition, results for the six month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The preparation of the 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 2013.

The Group's financial risk management objectives are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013.

The accounting policies adopted in the preparation of the 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 2013, 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").

New standards and amendments

The following new and amended standards have been adopted by the Group in preparation of these interim condensed consolidated financial statements. The new standards do not have any material impact to the Group, but they will result in extensive additional disclosures:

Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)

Novation of Derivatives and Continuation of Hedge Accounting (Amendment to IAS 39)

Recoverable Amount Disclosure for Non-Financial Assets (Amendment to IAS 36).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The 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>	
			30 June 2014	<i>31 December 2013</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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

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>Corporate</i>	<i>Retail</i>	<i>Treasury & Investments</i>	<i>Total</i>
<i>Six months ended 30 June 2014</i> <i>(Unaudited)</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
External revenue:				
Total income from financing and investing activities	324,018	164,163	176,927	665,108
Net fee and commission income	27,452	14,756	-	42,208
Net foreign exchange gains	-	-	10,650	10,650
Share of results of associates	-	-	892	892
Total segment income	351,470	178,919	188,469	718,858
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(10,256)	(10,256)
Loss on translation of foreign currency of investment in associate	-	-	(5,983)	(5,983)
Net impairment loss on financing assets	(2,226)	-	-	(2,226)
Reportable segment net profit before allocation of expenses	349,244	178,919	172,230	700,393
			<i>Treasury & Investments</i>	<i>Total</i>
<i>Six months ended 30 June 2013</i> <i>(Unaudited)</i>	<i>Corporate</i>	<i>Retail</i>	<i>QR'000</i>	<i>QR'000</i>
External revenue:				
Total income from financing and investing activities	228,724	198,217	185,385	612,326
Net fee and commission income	12,866	12,019	-	24,885
Net foreign exchange gains	-	-	5,687	5,687
Share of results of associates	-	-	32,185	32,185
Total segment income	241,590	210,236	223,257	675,083
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(2,570)	(2,570)
Net impairment loss on financing assets	(6,716)	-	-	(6,716)
Foreign exchange loss on translation of investment in associate	-	-	(47,342)	(47,342)
Reportable segment net profit before allocation of expenses	234,874	210,236	173,345	618,455

3 SEGMENT INFORMATION (CONTINUED)

	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
<i>30 June 2014 (Unaudited)</i>				
Reportable segment assets	<u>15,575,098</u>	<u>5,388,400</u>	<u>12,910,929</u>	<u>33,874,427</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>9,614,341</u>	<u>16,265,783</u>	<u>4,263,744</u>	<u>30,143,868</u>
<i>31 December 2013 (Audited)</i>				
Reportable segment assets	<u>13,836,190</u>	<u>5,172,732</u>	<u>13,264,020</u>	<u>32,272,942</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>8,494,399</u>	<u>15,930,894</u>	<u>3,938,081</u>	<u>28,363,374</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 2014 (Unaudited) QR'000</i>	<i>30 June 2013 (Unaudited) QR'000</i>
Profit		
Total net profit for reportable segments before allocation of expenses	700,393	618,455
Staff costs, depreciation, finance cost, other expenses and share of unrestricted investment account holders	<u>(298,343)</u>	<u>(252,876)</u>
Consolidated net profit for the period	<u>402,050</u>	<u>365,579</u>
	<i>30 June 2014 (Unaudited) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Assets		
Total assets for reportable segments	33,874,427	32,272,942
Other unallocated amounts	<u>2,219,640</u>	<u>2,148,524</u>
Consolidated total assets	<u>36,094,067</u>	<u>34,421,466</u>
Liabilities and equity of unrestricted investment account holders		
Total liabilities and equity of unrestricted investment account holders for reportable segments	30,143,868	28,363,374
Other unallocated amounts	<u>808,454</u>	<u>744,166</u>
Consolidated total liabilities and equity of unrestricted investment account holders	<u>30,952,322</u>	<u>29,107,540</u>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

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>
<i>30 June 2014 (Unaudited)</i>					
Cash and balances with Qatar Central Bank	-	-	1,474,215	1,474,215	1,474,215
Due from banks	-	-	5,700,788	5,700,788	5,700,788
Financing assets	-	-	20,970,988	20,970,988	20,970,988
Investment securities:					
- Measured at fair value	71,181	98,439	-	169,620	169,620
- Measured at amortised cost	-	-	5,762,118	5,762,118	5,781,982
Other assets	-	-	256,120	256,120	256,120
	71,181	98,439	34,164,229	34,333,849	34,353,713
Due to banks	-	-	1,720,744	1,720,744	1,720,744
Customers' current accounts	-	-	5,946,585	5,946,585	5,946,585
Sukuk financing	-	-	2,542,999	2,542,999	2,542,999
Other liabilities	-	-	560,676	560,676	560,676
	-	-	10,771,004	10,771,004	10,771,004

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

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>31 December 2013 (Audited)</i>					
Cash and balances with Qatar Central Banks	-	-	1,669,322	1,669,322	1,669,322
Due from banks	-	-	4,848,530	4,848,530	4,848,530
Financing assets	-	-	19,021,017	19,021,017	19,021,017
Investment securities:					
- Measured at fair value	141,488	129,220	-	270,708	270,708
- Measured at amortised cost	-	-	6,489,672	6,489,672	6,475,481
Other assets	-	-	304,681	304,681	304,681
	<u>141,488</u>	<u>129,220</u>	<u>32,333,222</u>	<u>32,603,930</u>	<u>32,589,739</u>
Due to banks	-	-	1,395,999	1,395,999	1,395,999
Customers' current accounts	-	-	5,670,809	5,670,809	5,670,809
Sukuk financing	-	-	2,542,082	2,542,082	2,542,082
Other liabilities	-	-	479,424	479,424	479,424
	<u>-</u>	<u>-</u>	<u>10,088,314</u>	<u>10,088,314</u>	<u>10,088,314</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 June 2014 (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 debt-type investments classified as fair value through income statement	33,156	33,156	-	-
- Quoted equity-type investments classified as fair value through income statement	38,025	38,025	-	-
- Quoted equity-type investments classified as fair value through equity	2,825	2,825	-	-
- Unquoted equity-type investments classified as fair value through equity	95,614	-	-	95,614
<i>31 December 2013 (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	31,813	31,813	-	-
- Quoted equity-type investments classified as fair value through income statement	109,675	109,675	-	-
- Quoted equity-type investments classified as fair value through equity	35,877	35,877	-	-
- Unquoted equity-type investments classified as fair value through equity	93,343	-	-	93,343

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 10.3 million (30 June 2013: QR 2.6 million) as impairment on investment securities which were recognised under “Net impairment loss on investment securities” in the 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 provided QR 2 million (30 June 2013: QR 6.7 million) as impairment on financing assets which was recognised under “Net impairment loss on financing assets” in the 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 6 million (30 June 2013: QR 47.3 million) as foreign exchange loss on investment in associate which was recognised under “Foreign exchange loss on translation of investment in associate” in the consolidated statement of income.

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

6 FINANCING ASSETS

	<i>30 June 2014 (Unaudited) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>	<i>30 June 2013 (Unaudited) QR'000</i>
Total financing assets	22,419,729	20,308,650	17,860,421
Less: Deferred profit	(1,309,549)	(1,151,142)	(997,074)
Specific impairment of financing assets	(123,963)	(123,205)	(120,532)
Suspended profit	(15,229)	(13,286)	(63,399)
Net financing assets	20,970,988	19,021,017	16,679,416

Note:

The total non-performing financing assets including past dues but not impaired amounted to QR 272 million, representing 1.21 % of the gross financing assets as at 30 June 2014 (31 December 2013 amounted to QR 220 million, representing 1.1% of the gross financing assets)

7 INVESTMENT SECURITIES

	<i>30 June 2014 (Unaudited)</i>			<i>31 December 2013 (Audited)</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	38,025	-	38,025	109,675	-	109,675
• Debt-type investments						
- Fixed Rate	33,156	-	33,156	31,813	-	31,813
	71,181	-	71,181	141,488	-	141,488
<i>Debt-type investments classified at amortised cost</i>						
- State of Qatar Sukuk	1,736,991	3,200,000	4,936,991	1,730,535	3,998,505	5,729,040
- Fixed rate	800,575	18,918	819,493	734,829	18,918	753,747
- Floating rate	-	5,634	5,634	-	6,885	6,885
	2,537,566	3,224,552	5,762,118	2,465,364	4,024,308	6,489,672
<i>Equity-type investments classified as fair value through equity</i>						
	2,825	95,614	98,439	35,877	93,343	129,220
	2,611,572	3,320,166	5,931,738	2,642,729	4,117,651	6,760,380

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. 5 of 2002 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 2013: QR 140 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 2013: QR 4 million).

11 CASH DIVIDENDS

On 10 March 2014, the shareholders of the Bank approved in the general assembly meeting 37.5% cash dividends for the year ended 31 December 2013 (QR 3.75 per share), (30 June 2013: 35% cash dividends (QR 3.5 per share) for the year ended 31 December 2012).

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:

	<i>30 June 2014 (Unaudited) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>	<i>30 June 2013 (Unaudited) QR'000</i>
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	232,332	501,619	367,003
Due from banks	5,700,788	4,484,380	4,724,738
Total	5,933,120	4,985,999	5,091,741

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

13 CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2014 <i>(Unaudited)</i> QR'000	31 December 2013 <i>(Audited)</i> QR'000
Contingent liabilities		
Unused cancellable facilities	3,150,328	3,050,023
Guarantees	1,207,584	1,112,593
Letters of credit	399,707	292,282
Acceptances	63,962	80,613
Others	9,296	19,872
	<u>4,830,877</u>	<u>4,555,383</u>

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:

	30 June 2014 (Unaudited)			31 December 2013 (Audited)		
	<i>Associate companies</i> QR'000	<i>Board of Directors</i> QR'000	<i>Others</i> QR'000	<i>Associate companies</i> QR'000	<i>Board of Directors</i> QR'000	<i>Others</i> QR'000
Assets:						
Financing assets	<u>19,382</u>	<u>607,919</u>	<u>119,271</u>	<u>513</u>	<u>239,838</u>	<u>115,525</u>
Equity of unrestricted investment account holders	<u>6,081</u>	<u>101,300</u>	<u>168,368</u>	<u>10,569</u>	<u>80,725</u>	<u>105,182</u>
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	<u>-</u>	<u>600</u>	<u>8,074</u>	<u>-</u>	<u>400</u>	<u>6,148</u>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

14 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Six months ended 30 June 2014 (Unaudited)</i>			<i>Six months ended 30 June 2013 (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>
Consolidated statement of income items:						
Net income from financing activities	<u>487</u>	<u>15,282</u>	<u>2,998</u>	<u>29</u>	<u>4,359</u>	<u>2,860</u>
Share of equity of unrestricted investment account holders in profit	<u>46</u>	<u>764</u>	<u>1,270</u>	<u>114</u>	<u>896</u>	<u>817</u>

Key management personnel compensation for the period comprised:

	<i>Six months ended</i>	
	<i>30 June 2014 (Unaudited) QR'000</i>	<i>30 June 2013 (Unaudited) QR'000</i>
Short term benefits	<u>7,511</u>	<u>4,700</u>
Long term benefits	<u>438</u>	<u>304</u>
	<u>7,949</u>	<u>5,004</u>