

Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

31 MARCH 2013

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 31 March 2013 and the related interim consolidated statement of income, interim consolidated statement of changes in shareholders' equity and interim condensed consolidated statement of cash flows for the three-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.

Other matter

The interim condensed financial statements of the Bank as at 31 March 2012 were reviewed and the consolidated financial statements of the Group as at 31 December 2012, were audited by another auditor, whose reports dated 15 April 2012 and 22 January 2013 respectively, expressed unmodified review conclusion and unmodified audit opinion on those statements.

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

Date: 18 April 2013
Doha

Qatar International Islamic Bank (Q.S.C)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

		31 March 2013 (Unaudited) QR'000	31 December 2012 (Audited) QR'000	31 March 2012 (Unaudited) QR'000
	<i>Notes</i>			
Assets				
Cash and balances with Central Bank		1,568,485	1,354,077	1,270,157
Due from banks		5,027,752	5,449,574	5,723,053
Financing assets	6	15,643,206	14,675,110	10,531,005
Investment securities	7	4,910,325	5,004,119	3,833,824
Investment in associates		393,804	381,991	367,158
Investment properties		1,152,352	1,165,036	951,309
Fixed assets		208,276	209,780	184,321
Other assets		373,935	319,353	431,218
Total assets		29,278,135	28,559,040	23,292,045
Liabilities, equity of unrestricted investment account holders and shareholders' equity				
Liabilities				
Due to banks		1,028,625	814,667	1,086,865
Customers' current accounts		5,069,061	5,639,496	4,335,431
Sukuk financing		2,540,706	2,540,338	-
Other liabilities		427,316	356,963	451,871
Total liabilities		9,065,708	9,351,464	5,874,167
Equity of unrestricted investment account holders		15,516,483	14,171,539	12,886,741
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	272,854	272,854	167,869
Fair value reserve		111,618	107,176	104,856
Foreign currency translation reserve		-	-	(16,041)
Other reserves	10	63,288	67,355	30,862
Proposed cash dividends	11	-	529,790	-
Retained earnings		282,137	92,815	277,544
Total shareholders' equity		4,695,944	5,036,037	4,531,137
Total liabilities, equity of unrestricted investment account holders and shareholders' equity		29,278,135	28,559,040	23,292,045

These interim condensed consolidated financial statements were approved by the Board of Directors on 18 April 2013 and were signed on its behalf by:

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

Abdulbasit Ahmed Abdulrahman Al Shaibei
Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements

Qatar International Islamic Bank (Q.S.C)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2013

	<i>Three months ended</i>	
	<i>31 March 2013 (Unaudited) QR'000</i>	<i>31 March 2012 (Unaudited) QR'000</i>
Net income from financing activities	207,694	190,133
Net income from investing activities	82,520	61,477
Total income from financing and investing activities	290,214	251,610
Fee and commission income	14,566	20,410
Fee and commission expense	(4,119)	(4,453)
Net fee and commission income	10,447	15,957
Net foreign exchange gains	3,062	3,163
Share of results of associates	32,185	36,452
Total income	335,908	307,182
Staff costs	(30,393)	(27,656)
Depreciation	(3,690)	(3,385)
Finance expense	(19,839)	(2,737)
Other expenses	(15,177)	(9,813)
Total expenses	(69,099)	(43,591)
Net impairment loss on investment securities	(2,559)	-
Net impairment loss on financing assets	(5,000)	(10,051)
Foreign exchange loss on translation of investment in associate	(16,305)	(20,000)
Net profit for the year before return to unrestricted investment account holders	242,945	233,540
Share of unrestricted investment account holders of profit	(57,690)	(58,030)
Net profit for the period	185,255	175,510
Earnings per share		
Basic and diluted earnings per share (QAR per share)	1.22	1.16

The attached notes 1 to 15 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 three months ended 31 March 2013

	<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 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		-	-	-	4,442	-	-	-	4,442
Net profit for the period		-	-	-	-	-	-	185,255	185,255
Total recognised income and expense for the period		-	-	-	4,442	-	-	185,255	189,697
Cash dividends paid to shareholders		-	-	-	-	-	(529,790)	-	(529,790)
Transfer to retained earnings	10	-	-	-	-	(4,067)	-	4,067	-
Balance at 31 March 2013 (Unaudited)		1,513,687	2,452,360	272,854	111,618	63,288	-	282,137	4,695,944

The attached notes 1 to 15 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 three months ended 31 March 2013

	<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>Foreign currency translation 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>
<i>Note</i>									
Balance at 1 January 2012 (<i>Audited</i>)	1,513,687	2,452,360	167,869	107,309	(10,651)	32,896	529,790	100,000	4,893,260
Fair value reserve movement	-	-	-	(2,453)	-	-	-	-	(2,453)
Foreign currency translation reserve movement	-	-	-	-	(5,390)	-	-	-	(5,390)
Net profit for the period	-	-	-	-	-	-	-	175,510	175,510
Total recognised income and expense for the period	-	-	-	(2,453)	(5,390)	-	-	175,510	167,667
Cash dividends paid to shareholders	-	-	-	-	-	-	(529,790)	-	(529,790)
Transfer to retained earnings	10	-	-	-	-	(2,034)	-	2,034	-
Balance at 31 March 2012 (<i>Unaudited</i>)	1,513,687	2,452,360	167,869	104,856	(16,041)	30,862	-	277,544	4,531,137

The attached notes 1 to 15 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 three months ended 31 March 2013

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March 2013 (Unaudited) QR'000</i>	<i>31 March 2012 (Unaudited) QR'000</i>
Cash flows from operating activities			
Net profit for the period		185,255	175,510
Net changes in operating assets and liabilities		(2,292,040)	438,033
Net cash flows (used in) from operating activities		(2,106,785)	613,543
Cash flows from investing activities			
Acquisition of investment securities		(324,119)	(211,368)
Proceed from sale of investment securities		427,164	693,778
Acquisition of fixed assets		(1,218)	(1,268)
Acquisition of investment property		(22,800)	(76,861)
Proceed from sale of investment property		34,538	-
Dividends received from associate companies		4,067	2,034
Net cash flows from investing activities		117,632	406,315
Cash flows from financing activities			
Change in equity of unrestricted investment account holders		1,344,944	(183,604)
Dividends paid to shareholders		(529,790)	(529,790)
Net cash flows from (used in) financing activities		815,154	(713,394)
Net (decrease) increase in cash and cash equivalents		(1,173,999)	306,464
Cash and cash equivalents at 1 January		5,908,578	5,890,199
Cash and cash equivalents at 31 March	12	4,734,579	6,196,663

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements

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 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 31 March 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 18 April 2013.

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 three months ended 31 March 2013 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 2012. In addition, results for the three month period ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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 2012.

The Group's financial risk management objectives are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2012.

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 2012, 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 Group has adopted Financial Accounting Standard 26 ("FAS 26") "Investment in real estate" issued by AAOIFI during 2012, which is effective as of 1 January 2013. The adoption of the new standard does not have any material impact on the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and amendments (continued)

In addition, the following new standards and amendments have been issued by International Accounting Standards Board ("IASB") and are effective for the financial period ending 31 March 2013 which do not have any material impact on the Group, but require extensive additional disclosures:

<i>Standard</i>	<i>Content</i>
IAS 34	Interim financial reporting and segment information for total assets and liabilities (Amendment)
IFRS 7	Financial instruments: Disclosures- Offsetting Financial Assets and Financial Liabilities (Amendment)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group, in case there is no relevant standard issued by AAOIFI.

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>	
			<i>31 March 2013</i>	<i>31 December 2012</i>
QIIB Sukuk Ltd	Cayman Islands	Sukuk issuance	-	-

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 at least monthly. 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 31 March 2013

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>Three months ended 31 March 2013 (Unaudited)</i>	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total income from financing and investing activities	137,904	69,497	82,813	290,214
Net fee and commission income	6,724	3,723	-	10,447
Net foreign exchange gains	-	-	3,062	3,062
Share of results of associates	-	-	32,185	32,185
Total segment income	144,628	73,220	118,060	335,908
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(2,559)	(2,559)
Net impairment loss on financing assets	(5,000)	-	-	(5,000)
Foreign exchange loss on translation of investment in associate	-	-	(16,305)	(16,305)
Reportable segment profit before allocation of expenses	139,628	73,220	99,196	312,044

<i>Three months ended 31 March 2012 (Unaudited)</i>	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total income from financing and investing activities	126,056	63,726	61,828	251,610
Net fee and commission income	8,421	7,536	-	15,957
Foreign exchange gains	-	-	3,163	3,163
Share of results of associates	-	-	36,452	36,452
Total segment income	134,477	71,262	101,443	307,182
Other material non-cash items:				
Net impairment loss on financing assets	(5,000)	(5,051)	-	(10,051)
Foreign exchange loss on translation of investment in associate	-	-	(20,000)	(20,000)
Reportable segment profit before allocation of expenses	129,477	66,211	81,443	277,131

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>31 March 2013 (Unaudited)</i>				
Reportable segment assets	<u>10,912,407</u>	<u>4,716,719</u>	<u>11,946,923</u>	<u>27,576,049</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>6,011,309</u>	<u>14,408,037</u>	<u>3,569,331</u>	<u>23,988,677</u>
			<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
<i>31 December 2012 (Audited)</i>				
Reportable segment assets	<u>10,166,501</u>	<u>4,494,787</u>	<u>12,291,879</u>	<u>26,953,167</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>6,130,579</u>	<u>13,511,999</u>	<u>3,355,005</u>	<u>22,997,583</u>

The table below provide reconciliation of reportable segment revenues, profit, assets and liabilities:

	<i>Three months ended</i>	
	<i>31 March 2013 (Unaudited) QR'000</i>	<i>31 March 2012 (Unaudited) QR'000</i>
Profit		
Total profit for reportable segments before allocation of expenses	312,044	277,131
Staff costs, depreciation, finance cost, other expenses and share of unrestricted investment account holders	<u>(126,789)</u>	<u>(101,621)</u>
Consolidated profit	<u>185,255</u>	<u>175,510</u>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013

3 SEGMENT INFORMATION (CONTINUED)

	<i>31 March 2013 (Unaudited) QR'000</i>	<i>31 December 2012 (Audited) QR'000</i>
Assets		
Total assets for reportable segments	27,576,049	26,953,167
Other unallocated amounts	<u>1,702,086</u>	<u>1,605,873</u>
Consolidated total assets	<u>29,278,135</u>	<u>28,559,040</u>
Liabilities		
Total liabilities for reportable segments	23,988,677	22,997,583
Other unallocated amounts	<u>593,514</u>	<u>525,420</u>
Consolidated total Liabilities	<u>24,582,191</u>	<u>23,523,003</u>

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>
31 March 2013 (Unaudited)					
Cash and balances with Central Bank	-	-	1,568,485	1,568,485	1,568,485
Due from banks	-	-	5,027,752	5,027,752	5,027,752
Financing assets	-	-	15,643,206	15,643,206	15,643,206
Investment securities:					
- Measured at fair value	18,299	259,570	-	277,869	277,869
- Measured at amortised cost	-	-	4,632,456	4,632,456	4,659,751
Other assets	<u>-</u>	<u>-</u>	<u>274,097</u>	<u>274,097</u>	<u>274,097</u>
	<u>18,299</u>	<u>259,570</u>	<u>27,145,996</u>	<u>27,423,865</u>	<u>27,451,160</u>
Due to banks	-	-	1,028,625	1,028,625	1,028,625
Customers' current accounts	-	-	5,069,061	5,069,061	5,069,061
Sukuk financing	-	-	2,540,706	2,540,706	2,540,706
Other liabilities	<u>-</u>	<u>-</u>	<u>359,536</u>	<u>359,536</u>	<u>359,536</u>
	<u>-</u>	<u>-</u>	<u>8,997,928</u>	<u>8,997,928</u>	<u>8,997,928</u>

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>
31 December 2012 (Audited)					
Cash and balances with					
Central Banks	-	-	1,354,077	1,354,077	1,354,077
Due from banks	-	-	5,449,574	5,449,574	5,449,574
Financing assets	-	-	14,675,110	14,675,110	14,675,110
Investment securities:					
- Measured at fair value	-	243,658	-	243,658	243,658
- Measured at amortised cost	-	-	4,760,461	4,760,461	4,767,484
Other assets	-	-	249,314	249,314	249,314
	<u>-</u>	<u>243,658</u>	<u>26,488,536</u>	<u>26,732,194</u>	<u>26,739,217</u>
Due to banks	-	-	814,667	814,667	814,667
Customers' current accounts	-	-	5,639,496	5,639,496	5,639,496
Sukuk financing	-	-	2,540,338	2,540,338	2,540,338
Other liabilities	-	-	289,417	289,417	289,417
	<u>-</u>	<u>-</u>	<u>9,283,918</u>	<u>9,283,918</u>	<u>9,283,918</u>

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)**Fair value hierarchy (continued)**

As at 31 March 2013 and 31 December 2012, the Group held the following financial instruments measured at fair value:

	<i>Fair value QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
31 March 2013 (Unaudited)				
Investment at fair value through equity	259,570	150,489	-	109,081
Investment at fair value through income statement	18,299	18,299	-	-
	277,869	168,788	-	109,081
	<i>Fair value QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
31 December 2012 (Audited)				
Investment at fair value through equity	243,658	130,094	-	113,564

During the period ended on 31 March 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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 2.6 million (31 March 2012: Nil) as impairment on investment securities which were recognised under "Net impairment loss on investment securities" in the consolidated statement of income.

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 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 5 million (31 March 2012: QR 10 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 16 million (31 March 2012: QR 20 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.

6 FINANCING ASSETS

	31 March 2013 (Unaudited) QR'000	31 December 2012 (Audited) QR'000	31 March 2012 (Unaudited) QR'000
Total financing assets	16,768,580	15,773,670	11,555,897
Less: Deferred profit	(945,018)	(924,426)	(852,520)
Specific impairment of financing assets	(118,838)	(115,592)	(126,573)
Suspended profit	(61,518)	(58,542)	(45,799)
Net financing assets	15,643,206	14,675,110	10,531,005

Note:

The total non-performing financing assets including past dues but not impaired amounted to QR 195.3 million, representing 1.16% of the gross financing assets at 31 March 2013 (31 December 2012 amounted to QR 246.4 million, representing 1.56% of the gross financing assets)

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7 INVESTMENT SECURITIES

	31 March 2013 (Unaudited)			31 December 2012 (Audited)		
	Quoted QR'000	Unquoted QR'000	Total QR'000	Quoted QR'000	Unquoted QR'000	Total QR'000
<i>Investments classified as fair value through income statement</i>						
• Debt-type investments						
- Floating rate	18,299	-	18,299	-	-	-
<i>Debt-type investments classified at amortised cost</i>						
- State of Qatar Sukuk	982,430	3,149,400	4,131,830	983,683	2,949,520	3,933,203
- Fixed rate	491,864	-	491,864	817,870	-	817,870
- Floating rate	8,762	-	8,762	9,388	-	9,388
	1,483,056	3,149,400	4,632,456	1,810,941	2,949,520	4,760,461
<i>Equity-type investments classified as fair value through equity</i>	150,489	109,081	259,570	130,094	113,564	243,658
	1,651,844	3,258,481	4,910,325	1,941,035	3,063,084	5,004,119

8 LEGAL RESERVE

In accordance with QCB Law No. 33 of 2006 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% up to 31 December 2012 (starting from 1 January 2013, the minimum requirement for risk reserve became 2.5% instead of 2%) 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. (31 December 2012: QAR 105 million).

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 4 million (31 March 2012: QR 2 million)

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11 CASH DIVIDENDS

On 10 March 2013, the shareholders of the Bank approved in the general assembly meeting 35% cash dividends for the year ended 31 December 2012 (QR 3.5 per share), (31 March 2012: 35% cash dividends (QR 3.5 per share) for the year ended 31 December 2011).

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>31 March 2013 (Unaudited) QR'000</i>	<i>31 December 2012 (Audited) QR'000</i>	<i>31 March 2012 (Unaudited) QR'000</i>
Cash and balances with Central Banks (excluding restricted QCB reserve account)	617,202	459,004	473,610
Due from banks	4,117,377	5,449,574	5,723,053
Total	4,734,579	5,908,578	6,196,663

13 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>31 March 2013 (Unaudited) QR'000</i>	<i>31 December 2012 (Audited) QR'000</i>
Contingent liabilities		
Unused cancellable facilities	1,085,125	822,630
Acceptances	73,383	37,607
Guarantees	805,132	801,618
Letters of credit	195,910	222,326
Others	34,168	5,462
	2,193,718	1,889,643

14 RELATED PARTY TRANSACTIONS

The Group carries out various transactions in the ordinary course of business with shareholders or with members of the Board of Directors and the companies in which they have significant interests, on terms similar to those carried out with unrelated third parties.

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14 RELATED PARTY TRANSACTIONS (CONTINUED)

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>31 March 2013 (Unaudited)</i>			<i>31 December 2012(Audited)</i>		
	<i>Associated companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>	<i>Associated companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>
Assets:						
Financing assets	<u>1,148</u>	<u>148,725</u>	<u>121,527</u>	<u>2,137</u>	<u>130,808</u>	<u>70,564</u>
Liabilities:						
Equity of unrestricted investment account holders	<u>24,507</u>	<u>56,197</u>	<u>59,221</u>	<u>214,956</u>	<u>45,310</u>	<u>42,622</u>
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	<u>-</u>	<u>600</u>	<u>3,309</u>	<u>-</u>	<u>782</u>	<u>3,425</u>
	<i>Three months ended 31 March 2013 (Unaudited)</i>			<i>Three months ended 31 March 2012 (Unaudited)</i>		
	<i>Associated companies QR'000</i>	<i>Board of Directors QR'000</i>	<i>Others QR'000</i>	<i>Associated 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>14</u>	<u>1,794</u>	<u>943</u>	<u>26</u>	<u>1,577</u>	<u>548</u>
Fees and commissions	<u>63</u>	<u>8,180</u>	<u>6,684</u>	<u>118</u>	<u>7,194</u>	<u>3,881</u>
Share of equity of unrestricted investment account holders	<u>91</u>	<u>208</u>	<u>219</u>	<u>795</u>	<u>168</u>	<u>158</u>

Key management personnel compensation for the period comprised:

	<i>Three months ended</i>	
	<i>31 March 2013 (Unaudited) QR'000</i>	<i>31 March 2012 (Unaudited) QR'000</i>
Short term benefits	<u>9,150</u>	<u>8,381</u>
Long term benefits	<u>585</u>	<u>1,757</u>
	<u><u>9,735</u></u>	<u><u>10,138</u></u>

15 COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current period. However, such reclassifications did not have any effect on the net profit or the total equity for the comparative period/year.