

Qatar Islamic Bank (Q.S.C.)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015

REPORT ON REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR ISLAMIC BANK (Q.S.C.)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Qatar Islamic Bank (Q.S.C.) ("QIB" or the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 September 2015 and the related interim consolidated statement of income for the three-month and nine-month periods ended 30 September 2015, and the related interim consolidated statement of changes in equity, interim consolidated statement of changes in restricted investment accounts and interim condensed consolidated statement of cash flows for the nine-month period then ended and the related explanatory notes.

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 13 October 2015
Doha



UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		<i>30 September</i> <i>2015</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>31 December</i> <i>2014</i> <i>(Audited)</i> <i>QR'000</i>	<i>30 September</i> <i>2014</i> <i>(Unaudited)</i> <i>QR'000</i>
	<i>Notes</i>			
Assets				
Cash and balances with central banks		4,982,265	4,933,474	4,236,328
Due from banks		8,107,721	8,931,018	6,264,369
Financing assets	6	82,051,853	59,681,531	58,675,555
Investment securities	7	20,904,870	15,954,396	17,552,920
Investment in associates	8	1,022,036	966,777	815,871
Investment properties		1,073,127	1,216,420	1,455,533
Assets of a subsidiary held for sale	9	15,720	61,361	-
Fixed assets		522,161	508,684	548,680
Intangible assets		298,363	306,589	314,516
Other assets		3,729,222	3,546,214	3,480,629
Total assets		122,707,338	96,106,464	93,344,401
Liabilities, equity of unrestricted investment account holders and equity				
Liabilities				
Due to banks		12,154,404	8,104,212	7,852,063
Customers' current accounts		13,871,141	15,124,873	12,844,069
Sukuk financing		5,454,895	5,450,236	5,448,710
Liabilities of a subsidiary held for sale	9	4,353	18,688	-
Other liabilities		1,829,071	1,756,800	2,070,362
Total liabilities		33,313,864	30,454,809	28,215,204
Equity of unrestricted investment account holders	10	72,759,008	51,479,989	51,427,663
Equity				
Share capital		2,362,932	2,362,932	2,362,932
Legal reserve	11	6,370,016	6,370,016	6,370,016
Risk reserve	12	1,369,247	1,369,247	1,084,566
General reserve		81,935	81,935	81,935
Fair value reserve		103,759	93,199	66,996
Foreign currency translation reserve		(33,636)	(29,157)	(38,128)
Other reserves	13	216,820	216,820	212,058
Proposed cash dividends	14	-	1,004,246	-
Share-based payment reserve	15	4,662	-	-
Retained earnings		2,419,072	1,008,760	1,884,964
Total equity attributable to shareholders of the bank		12,894,807	12,477,998	12,025,339
Sukuk eligible as additional capital	16	2,000,000	-	-
Non-controlling interests		1,739,659	1,693,668	1,676,195
Total equity		16,634,466	14,171,666	13,701,534
Total liabilities, equity of unrestricted investment account holders and equity		122,707,338	96,106,464	93,344,401

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on 13 October 2015 and were signed on its behalf by:


 Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
 Chairman


 Bassel Ganteh
 Group Chief Executive Officer

The attached notes 1 to 20 form part of these unaudited interim condensed consolidated financial statements

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2015

	Note	Three months ended 30 September		Nine months ended 30 September	
		2015	2014	2015	2014
		(Unaudited) QR'000	(Unaudited) QR'000	(Unaudited) QR'000	(Unaudited) QR'000
Net income from financing activities		874,559	613,223	2,315,165	1,796,814
Net income from investing activities		156,480	145,171	517,195	482,653
Total income from financing and investing activities		1,031,039	758,394	2,832,360	2,279,467
Fee and commission income		165,773	123,193	422,473	357,035
Fee and commission expense		(30,164)	(25,019)	(77,314)	(67,793)
Net fee and commission income		135,609	98,174	345,159	289,242
Net foreign exchange gain		22,397	14,997	58,980	48,770
Share of results of associates		4,045	5,370	23,205	28,435
Other income		4,942	7,156	14,875	17,874
Total income		1,198,032	884,091	3,274,579	2,663,788
Staff costs		(157,009)	(135,720)	(466,705)	(399,632)
Depreciation and amortisation		(17,834)	(17,182)	(57,351)	(54,211)
Sukuk holders' share of profit		(43,380)	(43,380)	(130,139)	(130,139)
Other expenses		(79,834)	(75,745)	(242,353)	(230,768)
Total expenses		(298,057)	(272,027)	(896,548)	(814,750)
Net impairment losses on investment securities and properties		(60,500)	(16,800)	(184,500)	(131,250)
Net impairment losses on financing assets		(28,443)	(29,464)	(72,769)	(75,816)
Other impairment losses		593	(273)	(415)	(7,924)
Net profit for the period from continuing operations before return to unrestricted investment account holders and tax		811,625	565,527	2,120,347	1,634,048
Discontinued operations					
Profit from a subsidiary held for sale	9	115	-	21,157	-
Net profit for the period before return to unrestricted investment account holders and tax		811,740	565,527	2,141,504	1,634,048
Return to unrestricted investment account holders before the Bank's share as Mudarib		(564,707)	(282,286)	(1,377,401)	(777,110)
Bank's share as Mudarib		285,832	136,376	718,185	364,485
Net return to unrestricted investment account holders		(278,875)	(145,910)	(659,216)	(412,625)
Net profit for the period before tax		532,865	419,617	1,482,288	1,221,423
Tax expense		(929)	(5,924)	(12,572)	(34,907)
Net profit for the period		531,936	413,693	1,469,716	1,186,516
Net profit for the period attributable to:					
Shareholders of the Bank		515,240	404,849	1,410,312	1,130,063
Non-controlling interests		16,696	8,844	59,404	56,453
Net profit for the period		531,936	413,693	1,469,716	1,186,516
Earnings per share					
Basic and diluted earnings per share (QR per share)		2.18	1.71	5.97	4.78

The attached notes 1 to 20 form part of these unaudited interim condensed consolidated financial statements

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

	Share capital QR'000	Legal reserve QR'000	Risk reserve QR'000	General reserve QR'000	Fair value reserve QR'000	Foreign currency translation reserve QR'000	Other reserves QR'000	Proposed cash dividends QR'000	Share-based payment reserve QR'000	Retained earnings QR'000	Total equity attributable to shareholders of the Bank QR'000	Sukuk eligible as additional capital QR'000	Non-controlling interests QR'000	Total equity QR'000
Balance at 1 January 2015 (<i>Audited</i>)	2,362,932	6,370,016	1,369,247	81,935	93,199	(29,157)	216,820	1,004,246	-	1,008,760	12,477,998	-	1,693,668	14,171,666
Foreign currency translation reserve movement	-	-	-	-	-	(4,479)	-	-	-	-	(4,479)	-	-	(4,479)
Sukuk eligible as additional capital (Note 16)	-	-	-	-	-	-	-	-	-	-	-	2,000,000	-	2,000,000
Fair value reserve movement	-	-	-	-	10,560	-	-	-	-	-	10,560	-	-	10,560
Net profit for the period	-	-	-	-	-	-	-	-	-	1,410,312	1,410,312	-	59,404	1,469,716
Total recognised income and expense for the period	-	-	-	-	10,560	(4,479)	-	-	-	1,410,312	1,416,393	2,000,000	59,404	3,475,797
Cash dividends paid to shareholders (Note 14)	-	-	-	-	-	-	-	(1,004,246)	-	-	(1,004,246)	-	-	(1,004,246)
Share-based payment (Note 15)	-	-	-	-	-	-	-	-	4,662	-	4,662	-	4,638	9,300
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(18,051)	(18,051)
Balance at 30 September 2015 (<i>Unaudited</i>)	2,362,932	6,370,016	1,369,247	81,935	103,759	(33,636)	216,820	-	4,662	2,419,072	12,894,807	2,000,000	1,739,659	16,634,466

Qatar Islamic Bank (Q.S.C.)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 2015

	Share capital QR'000	Legal reserve QR'000	Risk reserve QR'000	General reserve QR'000	Fair value reserve QR'000	Foreign currency translation reserve QR'000	Other reserves QR'000	Proposed cash dividends QR'000	Retained earnings QR'000	Total equity attributable to shareholders of the Bank QR'000	Non-controlling interests QR'000	Total equity QR'000
Balance at 1 January 2014 <i>(Audited)</i>	2,362,932	6,370,016	1,084,566	81,935	94,896	(49,974)	212,058	945,172	758,113	11,859,714	1,812,946	13,672,660
Foreign currency translation reserve movement	-	-	-	-	-	11,846	-	-	-	11,846	-	11,846
Fair value reserve movement	-	-	-	-	(27,900)	-	-	-	-	(27,900)	-	(27,900)
Net profit for the period	-	-	-	-	-	-	-	-	1,130,063	1,130,063	56,453	1,186,516
Total recognised income and expense for the period	-	-	-	-	(27,900)	11,846	-	-	1,130,063	1,114,009	56,453	1,170,462
Cash dividends paid to shareholders (Note 14)	-	-	-	-	-	-	-	(945,172)	-	(945,172)	-	(945,172)
Loss on acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(3,212)	(3,212)	-	(3,212)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(193,204)	(193,204)
Balance at 30 September 2014 <i>(Unaudited)</i>	2,362,932	6,370,016	1,084,566	81,935	66,996	(38,128)	212,058	-	1,884,964	12,025,339	1,676,195	13,701,534

Qatar Islamic Bank (Q.S.C.)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the nine months ended 30 September 2015

<i>Investment</i>	<i>At 1 January 2015 (Audited) QR'000</i>	<i>Movements during the period</i>						<i>At 30 September 2015 (Unaudited) QR'000</i>
		<i>Investment (withdrawals) QR'000</i>	<i>Revaluation QR'000</i>	<i>Gross income QR'000</i>	<i>Dividends paid QR'000</i>	<i>Admin expense QR'000</i>	<i>Group's fee as an agent QR'000</i>	
Al Rayyan	148	(148)	-	-	-	-	-	
Danat	3,476	(3,476)	-	-	-	-	-	
Solidarity Group Holding B.S.C	1,420	-	-	-	-	-	1,420	
Marsa Al Seef	85,175	(10,919)	-	-	-	-	74,256	
Discretionary Portfolio Management	98,159	216,999	(5,116)	2,471	-	(544)	311,969	
	188,378	202,456	(5,116)	2,471	-	(544)	387,645	

Qatar Islamic Bank (Q.S.C.)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS (CONTINUED)

For the nine months ended 30 September 2015

Investment	Movements during the period							At 30 September 2014 (Unaudited) QR '000
	At 1 January 2014 (Audited) QR '000	Investment (withdrawals) QR '000	Revaluation QR '000	Gross income QR '000	Dividends paid QR '000	Admin expense QR '000	Group's fee as an agent QR '000	
Al Rayyan	2,194	-	(91)	-	-	-	-	2,103
Danat	3,567	-	-	-	-	-	-	3,567
Asian Finance Bank	72,800	(72,800)	-	-	-	-	-	-
Solidarity Group Holding B.S.C	1,420	-	-	-	-	-	-	1,420
Marsa Al Seef	116,152	(14,596)	-	-	-	-	-	101,556
John Spiers	11,220	(11,761)	556	-	-	-	(15)	-
Wise Capital	5,287	(5,287)	-	-	-	-	-	-
BLME Sub.	22,441	(23,522)	1,111	-	-	-	(30)	-
ABC Sub.	20,559	(158)	(158)	-	-	-	-	20,243
Edward Hotel	20,661	(20,661)	-	-	-	-	-	-
Discretionary Portfolio Management	20,427	-	1,019	5,282	-	-	(131)	26,597
QInvest GCC Basket Trust Certificates	18,636	(18,636)	-	-	-	-	-	-
	315,364	(167,421)	2,437	5,282	-	-	(176)	155,486

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2015

	<i>Nine months ended 30 September 2015 (Unaudited) QR'000</i>	<i>Twelve months ended 31 December 2014 (Audited) QR'000</i>	<i>Nine months ended 30 September 2014 (Unaudited) QR'000</i>
Cash flows from operating activities			
Net profit for the period /year before tax from continuing operations	1,461,131	1,705,558	1,221,423
Net profit for the period /year from discontinued operations	21,157	1,999	-
Net changes in operating assets and liabilities	<u>(20,908,933)</u>	<u>(10,195,437)</u>	<u>(10,614,131)</u>
Net cash flows used in operating activities	<u>(19,426,645)</u>	<u>(8,487,880)</u>	<u>(9,392,708)</u>
Cash flows from investing activities			
Purchase of investment securities	(5,996,512)	(6,328,050)	(7,129,251)
Proceeds from sale of investment securities	1,261,843	5,413,629	4,722,492
Purchase of fixed and intangible assets	(62,678)	(135,083)	(183,400)
Purchase of associate companies	(59,347)	(180,878)	(63,110)
Proceeds from sale of associate companies	-	-	1,257
Purchase of investment properties	-	(765,760)	(712,001)
Proceeds from sale of investment properties	-	481,425	-
Dividends received from investment securities	9,124	10,536	8,387
Dividends received from associate companies	<u>23,247</u>	<u>19,600</u>	<u>17,600</u>
Net cash flows used in investing activities	<u>(4,824,323)</u>	<u>(1,484,581)</u>	<u>(3,338,026)</u>
Cash flows from financing activities			
Change in equity of unrestricted investment accountholders	21,279,019	13,586,780	13,534,454
Cash dividends paid to shareholders	(1,004,246)	(945,172)	(945,172)
Proceeds from issuance of sukuk eligible as additional capital	<u>2,000,000</u>	<u>-</u>	<u>-</u>
Net cash flows from financing activities	<u>22,274,773</u>	<u>12,641,608</u>	<u>12,589,282</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,976,195)</u>	<u>2,669,147</u>	<u>(141,452)</u>
Cash and cash equivalents - beginning of the period /year	<u>9,192,951</u>	<u>6,523,804</u>	<u>6,523,804</u>
Cash and cash equivalents - end of the period /year (Note 17)	<u><u>7,216,756</u></u>	<u><u>9,192,951</u></u>	<u><u>6,382,352</u></u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

At 30 September 2015

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar Islamic Bank (Q.S.C.) ("QIB" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 8 July 1982 as a Qatari Public Shareholding Company under Emiri Decree no. 45 of 1982. The commercial registration number of the Bank is 8338. The address of the Bank's registered office is Doha, State of Qatar, P.O. Box 559. The Bank is primarily involved in corporate, retail and investment banking, and has 31 branches in Qatar and one branch in Sudan. The Parent Company of the Group is Qatar Islamic Bank (Q.S.C.). The Bank's shares are listed for trading on the Qatar Exchange.

The unaudited interim condensed consolidated financial statements of the Group for the period ended 30 September 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 13 October 2015.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The unaudited interim condensed consolidated financial statements of the Bank and its subsidiaries (together referred to as the "Group") for the nine months ended 30 September 2015 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The unaudited interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014. In addition, results for the nine month period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

The preparation of the unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2014.

The Group's financial risk management objectives are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the new standards and amendments listed below, which were prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, related regulations of Qatar Central Bank and applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. For matters which are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards (the "IFRSs") as issued by the International Accounting Standards Board ("IASB").

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

New standards and amendments

The following new and amended standards have been adopted by the Group in preparation of these unaudited interim condensed consolidated financial statements whenever there is no applicable FAS Standards. The following standards and amendments became effective as of 1 January 2015 but do not have any material impact to the Group, but they will result in additional disclosures:

Defined Benefit Plans: Employee Contributions (Amendment to IAS 19)
Annual Improvements 2010 - 2012 Cycle
Annual Improvements 2011 - 2013 Cycle

The adoption of the above did not result in any changes to previously reported net profit or equity of the Group.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

At 30 September 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Standards issued but not yet effective

The below mentioned standards, interpretations and amendments to standards are not yet effective. The Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates if there is no equivalent FAS Standard.

IFRS 9 Financial Instruments (Effective 1 January 2018).

IFRS 14 Regulatory Deferral Accounts (Effective 1 January 2016).

IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2017).

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests (Effective 1 January 2016).

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective 1 January 2016).

Amendments to IAS 27: Equity Method in Separate Financial Statements (Effective 1 January 2016).

Basis of consolidation

The unaudited interim condensed consolidated financial statements include the financial statements of the Bank and its following subsidiaries and special purpose entities after elimination of intercompany balances and transactions:

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2015	2014
QIB (UK) (i)	United Kingdom	Investment banking	99.66%	99.43%
Arab Finance House	Lebanon	Banking	99.99%	99.99%
Durat Al Doha Real Estate Investment and Development W.L.L (ii)	Qatar	Investment in real estates	39.87%	39.87%
QIB Sukuk Ltd (iii)	Cayman Islands	Sukuk issuance	-	-
Aqar Real Estate Development and Investment Company ("Aqar") (iv)	Qatar	Investment in real estates	49%	49%
QIB Sukuk Funding Limited	Qatar	Financing company	100%	100%
QInvest LLC (v)	Qatar	Investment banking	50.13%	50.13%
Verdi Luxembourg SARL (vi)	Luxembourg	Investment in real estates	50.13%	50.13%
Q West S.A.S (vi)	France	Equity investments	50.13%	50.13%
Q Invest Saudi Arabia (vi)	Saudi Arabia	Investment holding company	50.13%	50.13%
Q Business Services (vi)	Cayman Islands	Investment holding company	50.13%	50.13%
Q Liquidity Limited (vi)	Cayman Islands	Placements	50.13%	50.13%
Q Saudi Alpha (vi)	Cayman Islands	Investment holding company	50.13%	50.13%
Q Saudi Beta (vi)	Cayman Islands	Investment holding company	50.13%	50.13%
Q Saudi Gamma (vi)	Cayman Islands	Investment holding company	50.13%	50.13%
QInvest Holding Mauritius (vi)	Mauritius	Investment holding company	50.13%	50.13%
QInvest Luxembourg SARL (vi)	Luxembourg	Investments	50.13%	50.13%
QInvest Partners LLC (vi)	Qatar (QFC)	Investment holding company	50.13%	50.13%
Q Equity (vi)	Cayman Islands	Equity investments	50.13%	50.13%
Q Green (vi)	Cayman Islands	Investment holding company	50.13%	50.13%
Q Exhibit (vi)	Mauritius	Investment holding company	50.13%	50.13%
Q Learn (vi)	Mauritius	Investment holding company	50.13%	50.13%
QI St Edmund's Terrace Limited (vi)	Cayman Islands	Investment holding company	50.13%	50.13%
St. Edmund's Terrace GP Limited (vi)	Cayman Islands	Investment holding company	50.13%	50.13%
SET Investment Management Limited (vi)	Cayman Islands	Investment holding company	50.13%	50.13%
Inner Mauritius Investments Limited (vi)	Mauritius	Investment holding company	50.13%	50.13%
Asian Finance Initiative Corporation (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	50.13%
Q Admiral (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	50.13%
QInvest Admiral (vi)	Qatar (QFC)	Investment holding company	50.13%	50.13%
Q Marina (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	50.13%
QInvest Marina (vi)	Qatar (QFC)	Investment holding company	50.13%	50.13%
Q Denmark (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	50.13%
QInvest Denmark LLC (vi)	Qatar (QFC)	Investment holding company	50.13%	50.13%
QInvest Comms Holding LLC (vi)	Qatar (QFC)	Special Purpose Company	50.13%	50.13%

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

At 30 September 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Basis of consolidation (continued)

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2015	2014
Q Comms (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	50.13%
QI One Wall Street Invest Co. (vi)	Cayman Islands	Investment holding company	50.13%	50.13%
EFH S.a.r.l. (vi)	Luxembourg	Fund manager	50.13%	-
Q Land Real Estate SPC (vi)	Qatar	Real estate investments	-	-
QInvest Canyon LLC (vi)	Qatar (QFC)	To provide financing facility	50.13%	-
Q Canyon (vi)	Cayman Islands	To provide financing facility	50.13%	-
Q Alloy S.à.r.l. (vi)	Luxembourg	To provide financing facility	50.13%	-
Q Ethika 1 LLC (vi)	Cayman Islands	Investment holding company	50.13%	-
Q Ethika 2 LLC (vi)	Cayman Islands	Investment holding company	-	-
QI-NGPV 1 LLC (vi)	Cayman Islands	Investment holding company	50.13%	-
QI-NGPV 2 LLC (vi)	Cayman Islands	Investment holding company	-	-
QI One Wall Street Assetco (vi)	Cayman Islands	Investment holding company	-	-
QI One Wall Street Inc (vi)	Cayman Islands	Investment holding company	-	-
QInvest Terabyte LLC (vi)	Qatar (QFC)	To provide financing facility	50.13%	-
QInvest Charger LLC (vi)	Qatar (QFC)	To provide financing facility	50.13%	-
Q Charger (vi)	Cayman Islands	To provide financing facility	50.13%	-
Euro PE Cayman LLC (vi)	Cayman Islands	To provide financing facility	50.13%	-
Euro PE Lux (vi)	Luxembourg	Investment holding company	-	-
QInvest Rio LLC (vi)	Qatar (QFC)	To provide financing facility	50.13%	-
QInvest Euro PE QFC LLC (vi)	Qatar (QFC)	To provide financing facility	50.13%	-
Rio Income S.a.r. l(vi)	Luxembourg	Investment in real estate	45.12%	-

Notes:

- i) In March 2015, the Bank acquired an additional 18 million shares in QIB (UK) out of which 13.3 million shares were through cash and remaining 4.7 million shares were on conversion of debt into equity. The Banks shareholding in QIB (UK) increased to 99.66%.
- ii) Effective from 1 January 2013, the Group has obtained control to govern the financial and operating policies of its previous associate through management agreement with other shareholders in the Company.
- iii) QIB Sukuk Ltd, was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk issuance for the benefit of QIB.
- iv) The Bank has the power to cast majority of the votes in the Board of Directors meetings of Aqar by virtue of representing highest number of members in the Board.
- v) As per the Articles of Association of QInvest, the Bank has the power to appoint 8 members of the Board of Directors out of 8 members. Further, on 27 February 2014, QInvest LLC in its Extraordinary General Assembly approved buyback of its shares (44,642,857 shares). Due to the buyback of shares from minority shareholders, the QIB shareholding in QInvest LLC has increased to 50.13%.
- vi) The Group has the power to control these entities, indirectly through QInvest LLC and accordingly these entities have been considered as subsidiaries of the Group.

3 OPERATING SEGMENTS

The Group has four 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 Chief Executive Officer reviews internal management reports on monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Wholesale banking – Wholesale Banking includes services offered to institutional investors, corporate, other banks, and investment vehicles such as mutual funds or pensions.

Personal banking – Personal banking includes services that are offered to individual customers through local branches of the Bank which includes checking and savings accounts, credit cards, personal lines of credit, mortgages, and so forth.

Group function – treasury, investment, finance and other central functions.

Local & international subsidiaries – Local and international subsidiaries include the Groups local and international subsidiaries all of which are consolidated in the Group financial statements.

Information regarding the results, assets and liabilities of each reportable segment is included below.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Qatar Islamic Bank (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 At 30 September 2015

3 OPERATING SEGMENTS (CONTINUED)

Information about operating segments

30 September 2015 (Unaudited)

External revenue:	Wholesale banking QR'000	Personal banking QR'000	Group function QR'000	Local & international subsidiaries QR'000	Total QR'000
Total income from financing and investing activities	1,459,941	765,583	313,395	293,441	2,832,360
Net fee and commission income	155,682	113,942	22,183	53,352	345,159
Net foreign exchange gain	-	-	55,974	3,006	58,980
Share of results of associates	-	-	21,202	2,003	23,205
Other income	-	-	-	14,875	14,875
Inter segment revenue	(375,538)	135,905	239,633	-	-
Profit from a subsidiary held for sale	-	-	-	21,157	21,157
Total segment income after discontinued operations	1,240,085	1,015,430	652,387	387,834	3,295,736
Staff costs, other expenses and depreciation and amortisation	(171,290)	(286,927)	(111,672)	(196,520)	(766,409)
Sukuk holders' share of profit	-	-	(130,139)	-	(130,139)
Net return to unrestricted investment account holders	(383,907)	(138,285)	(109,077)	(27,947)	(659,216)
<i>Other material non-cash items:</i>					
Net impairment losses on investment securities and properties	-	-	(184,500)	-	(184,500)
Net impairment losses on financing assets	(32,391)	(20,259)	(11,214)	(8,905)	(72,769)
Other impairment losses	-	-	(415)	-	(415)
Reportable segment net profit before tax	652,497	569,959	105,370	154,462	1,482,288
Tax expense	-	-	-	(12,572)	(12,572)
Reportable segment net profit after tax	652,497	569,959	105,370	141,890	1,469,716

Qatar Islamic Bank (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

3 OPERATING SEGMENTS (CONTINUED)

Information about operating segments

30 September 2014 (Unaudited)

	Wholesale banking QR'000	Personal banking QR'000	Group function QR'000	Local & international subsidiaries QR'000	Total QR'000
External revenue:					
Total income from financing and investing activities	1,074,415	647,727	309,047	248,278	2,279,467
Net fee and commission income	102,150	88,018	15,687	83,387	289,242
Net foreign exchange gain	-	-	45,144	3,626	48,770
Share of results of associates	-	-	28,465	(30)	28,435
Other income	-	-	-	17,874	17,874
Inter segment revenue	(287,165)	109,432	177,733	-	-
Total segment income after discontinued operations	889,400	845,177	576,076	353,135	2,663,788
Staff costs , other expenses and depreciation and amortisation	(160,757)	(292,360)	(62,263)	(169,231)	(684,611)
Sukuk holders' share of profit	-	-	(130,139)	-	(130,139)
Net return to unrestricted investment account holders	(193,846)	(167,850)	(27,979)	(22,950)	(412,625)
Other material non-cash items:					
Net impairment losses on investment securities and properties	-	-	(120,800)	(10,450)	(131,250)
Net impairment losses on financing assets	(51,465)	(23,809)	-	(542)	(75,816)
Other impairment losses	-	-	(506)	(7,418)	(7,924)
Net profit for the period before tax	483,332	361,158	234,389	142,544	1,221,423
Tax expense	-	-	-	(34,907)	(34,907)
Net profit for the period after tax	483,332	361,158	234,389	107,637	1,186,516

Note:

Certain segmental income and expenses for the nine-month period ended 30 September 2014 were reclassified in the unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2015 to conform to the presentation and classification adopted in the current period.

Qatar Islamic Bank (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

3 OPERATING SEGMENTS (CONTINUED)

30 September 2015 (Unaudited)

	Wholesale banking QR'000	Personal banking QR'000	Group function QR'000	Local & international subsidiaries QR'000	Total QR'000
Reportable segment assets	63,200,241	17,757,854	37,130,519	4,618,724	122,707,338
Reportable segment liabilities and equity of unrestricted investments account holders	44,719,472	26,907,801	31,337,046	3,108,553	106,072,872

31 December 2014 (Audited)

	Wholesale banking QR'000	Personal banking QR'000	Group function QR'000	Local & international subsidiaries QR'000	Total QR'000
Reportable segment assets	44,073,065	14,560,357	33,895,757	3,577,285	96,106,464
Reportable segment liabilities and equity of unrestricted investments account holders	32,341,370	25,923,767	21,491,171	2,178,490	81,934,798

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

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</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
30 September 2015 (Unaudited)					
Cash and balances with Central Banks	-	-	4,982,265	4,982,265	4,982,265
Due from banks	-	-	8,107,721	8,107,721	8,107,721
Financing assets	-	-	82,051,853	82,051,853	82,051,853
Investment securities:					
- Measured at fair value	728,629	731,577	-	1,460,206	1,460,206
- Measured at amortised cost	-	-	19,444,664	19,444,664	19,652,544
Other assets	-	-	326,494	326,494	326,494
	728,629	731,577	114,912,997	116,373,203	116,581,083
Due to banks	-	-	12,154,404	12,154,404	12,154,404
Customers' current accounts	-	-	13,871,141	13,871,141	13,871,141
Sukuk financing	-	-	5,454,895	5,454,895	5,454,895
Other liabilities	-	-	1,829,071	1,829,071	1,829,071
	-	-	33,309,511	33,309,511	33,309,511

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<i>31 December 2014 (Audited)</i>					
Cash and balances with Central Banks	-	-	4,933,474	4,933,474	4,933,474
Due from banks	-	-	8,931,018	8,931,018	8,931,018
Financing assets	-	-	59,681,531	59,681,531	59,681,531
Investment securities:					
- Measured at fair value	549,721	772,148	-	1,321,869	1,321,869
- Measured at amortised cost	-	-	14,632,527	14,632,527	13,989,524
Other assets	-	-	770,724	770,724	770,724
	<u>549,721</u>	<u>772,148</u>	<u>88,949,274</u>	<u>90,271,143</u>	<u>89,628,140</u>
Due to banks	-	-	8,104,212	8,104,212	8,104,212
Customers' current accounts	-	-	15,124,873	15,124,873	15,124,873
Sukuk financing	-	-	5,450,236	5,450,236	5,450,236
Other liabilities	-	-	1,756,800	1,756,800	1,756,800
	<u>-</u>	<u>-</u>	<u>30,436,121</u>	<u>30,436,121</u>	<u>30,436,121</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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

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

As at 30 September 2015 and 31 December 2014, the Group held the following financial instruments measured at fair value:

	<i>Total</i> <i>QR'000</i>	<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1)</i> <i>QR'000</i>	<i>Significant observable inputs (Level 2)</i> <i>QR'000</i>	<i>Significant unobservable inputs (Level 3)</i> <i>QR'000</i>
<i>30 September 2015 (Unaudited)</i>				
Assets measured at fair value:				
Investments securities:				
Quoted equity-type investments classified as fair value through income statement	-	-	-	-
Unquoted equity-type investments classified as fair value through income statement	614,064	-	216,107	397,957
Quoted equity-type investments classified as fair value through equity	265,661	265,661	-	-
Unquoted equity-type investments classified as fair value through equity	465,916	-	340,218	125,698
<i>31 December 2014 (Audited)</i>				
Assets measured at fair value:				
Investments securities:				
Quoted equity-type investments classified as fair value through income statement	-	-	-	-
Unquoted equity-type investments classified as fair value through income statement	448,902	-	280,593	168,309
Quoted equity-type investments classified as fair value through equity	222,899	222,899	-	-
Unquoted equity-type investments classified as fair value through equity	549,249	-	498,398	50,851

During the period ended 30 September 2015, 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

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 184.5 million (30 September 2014: QR 127.7 million) as impairment on equity investment securities which were recognised under “Net impairment losses on investment securities and properties” in the unaudited interim consolidated statement of income.

Investment properties

Investment property held for rental or capital appreciation is measured at fair value with the resulting unrealised gains being recognised in the statement of changes in equity under fair value reserve. Any unrealized losses resulting from re-measurement at fair value is recognized in the consolidated statement of financial position under fair value reserve to the extent of available balance. In case such losses exceed the available balance, the unrealized loss is recognized in the consolidated statement of income. In case there are unrealized losses that have been recognized in the consolidated statement of income in a previous financial year/period, the unrealized gains related to the current financial period is recognized to the extent of crediting back such previous losses in the consolidated statement of income. Any excess of such gains over such prior-year losses is added to the fair value reserve. The Group has provided Nil (30 September 2014: Nil) as impairment on investment properties which was recorded under “Net impairment losses on investment securities and properties” in the unaudited interim consolidated statement of income.

Financial assets carried at amortised cost (including investment in Sukuk instruments classified as amortised cost)

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets’ original effective profit rate. Losses are recognised in consolidated statement of income and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics. The Group has provided QR 72.7 million (30 September 2014: QR 75.8 million) as impairment on financing assets which was recognised under “Net impairment losses on financing assets” in the unaudited interim consolidated statement of income. Additionally, the Group has provided Nil (30 September 2014: 3.5 million) as impairment on Sukuk investments carried at amortised cost which was recorded under “Net impairment losses on investment securities and properties” in the unaudited interim consolidated statement of income.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

6 FINANCING ASSETS

	<i>30 September 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>30 September 2014 (Unaudited) QR'000</i>
Total financing assets	92,683,926	66,639,051	64,881,077
Less: Deferred profit	(10,012,434)	(6,399,267)	(5,654,946)
Specific impairment of financing assets	(573,426)	(514,849)	(497,609)
Suspended profit	(46,213)	(43,404)	(52,967)
Net financing assets	82,051,853	59,681,531	58,675,555

Note:

The impaired financing assets for which an impairment allowance was created amounted to QR 541 million as at 30 September 2015 representing 0.7% of the total financing assets net of deferred profit (31 December 2014: QR 550 million, representing 0.9 % of the total financing assets net of deferred profit).

7 INVESTMENT SECURITIES

	<i>30 September 2015 (Unaudited)</i>			<i>31 December 2014 (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	-	614,064	614,064	-	448,902	448,902
• debt-type investments						
- Fixed rate	114,565	-	114,565	100,819	-	100,819
	114,565	614,064	728,629	100,819	448,902	549,721
<i>Debt-type investments classified at amortised cost</i>						
- State of Qatar Sukuk and QCB Murabaha	1,897,845	14,885,521	16,783,366	1,113,440	11,327,321	12,440,761
- Fixed rate	2,371,356	148,415	2,519,771	1,893,777	161,809	2,055,586
- Floating rate	132,427	9,100	141,527	136,180	-	136,180
	4,401,628	15,043,036	19,444,664	3,143,397	11,489,130	14,632,527
<i>Equity-type investments classified as fair value through equity</i>	265,661	465,916	731,577	222,899	549,249	772,148
	4,781,854	16,123,016	20,904,870	3,467,115	12,487,281	15,954,396

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

8 INVESTMENT IN ASSOCIATES**2015**

During March 2015, QInvest LLC, subsidiary of the Bank, invested in a newly established Netherlands entity named QIT DF Corporate U.A. along with two other partners. QInvest invested USD 16.2 million and its ownership percentage in the Company is 27.8%. This has been designated as an associate in the books of QInvest.

2014

On 1 May 2014, QIB acquired additional 10% of the voting shares of Asian Finance Bank (“AFB”) for a purchase consideration of QR 61 million which raised the total shareholding to 60%. AFB is registered as an Islamic Bank in Malaysia and regulated by Bank Negara Malaysia. The principal business lines of AFB include corporate and retail banking.

The Bank does not have “control” over AFB as defined in IFRS 10- Consolidated Financial Statements and FAS 23 – Consolidation under AAOIFI, due to certain provision of the shareholders agreement. Hence, AFB continues to be accounted for as an associate under FAS 24- Investment in Associates under AAOIFI, following the equity method of accounting.

The table below sets out the share of the Group in Asian Finance Bank (“AFB”) as of 31 December 2014:

Group’s share	<i>31 December 2014</i>
Total assets	<u>2,117,872</u>
Total liabilities	<u>1,793,299</u>
Total net assets acquired	<u>324,573</u>
Share of results	<u>8,457</u>
Goodwill	<u>22,048</u>

9 ASSETS AND LIABILITIES OF A SUBSIDIARY HELD FOR SALE**Q West S.A.S.**

The assets and liabilities related to Q West S.A.S., subsidiary of the Bank incorporated in France, have been presented as held for sale following the approval and the active disposal plan of the Group’s management in December 2014. The disposal is expected to complete in 2015. Assets and liabilities of Q West S.A.S are listed below:

	<i>30 September 2015 (Unaudited) QR’000</i>	<i>31 December 2014 (Audited) QR’000</i>	<i>30 September 2014 (Unaudited) QR’000</i>
Assets	<u>15,720</u>	<u>61,361</u>	<u>-</u>
Liabilities	<u>4,353</u>	<u>18,688</u>	<u>-</u>
		<i>Nine month period ended 30 September 2015 (Unaudited) QR’000</i>	<i>Nine month period ended 30 September 2014 (Unaudited) QR’000</i>
Profit for the period		<u>21,157</u>	<u>-</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

10 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	<i>30 September 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>30 September 2014 (Unaudited) QR'000</i>
Term accounts	58,094,982	38,182,379	36,607,044
Saving accounts	11,581,960	10,299,195	10,058,991
Call accounts	3,074,569	2,992,845	4,750,852
	<u>72,751,511</u>	<u>51,474,419</u>	<u>51,416,887</u>
Share in fair value reserve	7,497	5,570	10,776
Total	<u>72,759,008</u>	<u>51,479,989</u>	<u>51,427,663</u>

11 LEGAL RESERVE

In accordance with QCB Law No. 33 of 2006 as amended, 10% of the net profit attributable to the owners of the Bank 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 in the current period as the legal reserve equal more than 100% of the paid up share capital.

12 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. (Year ended 31 December 2014: QR 284.7 million was transferred to risk reserve).

13 OTHER RESERVES

Other reserves represent the undistributed share of associates profits after deducting the cash dividends received, in addition to other reserves as required by QCB.

14 CASH DIVIDENDS

The shareholders of the Bank approved in the general assembly meeting cash dividends of 42.5% for the year ended 31 December 2014 (QR 4.25 per share), (30 September 2014: 40% cash dividends (QR 4 per share) for the year ended 31 December 2013).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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15 SHARE-BASED PAYMENT RESERVE

During 2015, "Employee Share Option Plan" (ESOP) was approved by QInvest LLC, subsidiary of the Bank, for its key employees. Under the plan, 37.5 million share options were approved with ratio of 1 option: 1 share. The exercise price of the option will be US\$ 1 (QR 3.64) per share. The options vest as per following schedule:

- 50% of options immediately prior to listing date
- 25% of options 12 months after listing date
- 25% of options 24 months after listing date

Options must be exercised within 24 months of vesting date (or will otherwise lapse). Options will expire 5 years after the grant date if no listing has happened.

For the nine months ended 30 September 2015, the Group has recognised QR 9.3 million as share-based payment expense in the unaudited interim consolidated statement of income (30 September 2014: Nil)

16 SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

During 2015, the Group issued perpetual sukuk eligible as additional capital for an amount of QR 2 billion. The sukuk is unsecured and the profit distributions are discretionary and non-cumulative and payable annually. The profit rate for the first six years is fixed and it will be revised in case of renewal. The Group has the right not to pay profit and the sukuk holders has no right to claim profit on the sukuk. The sukuk do not have a maturity date and have been classified as equity.

17 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>30 September 2014 (Unaudited) QR'000</i>
Cash and balances with central banks (excluding restricted QCB reserve account)	938,789	1,944,933	1,388,645
Due from banks	<u>6,277,967</u>	<u>7,248,018</u>	<u>4,993,707</u>
Total	<u>7,216,756</u>	<u>9,192,951</u>	<u>6,382,352</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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18 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 September 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>30 September 2014 (Unaudited) QR'000</i>
a) Contingent liabilities			
Unused financing facilities	8,452,251	6,456,492	5,584,398
Acceptances	551,389	533,329	658,541
Guarantees	10,770,079	8,640,208	8,341,221
Letters of credit	1,437,167	1,623,905	2,087,470
	<u>21,210,886</u>	<u>17,253,934</u>	<u>16,671,630</u>
b) Commitments			
Investment commitment	117,954	-	163,800
Other risk management instruments	21,155,437	8,498,951	8,605,217
	<u>21,273,391</u>	<u>8,498,951</u>	<u>8,769,017</u>
Total	<u>42,484,277</u>	<u>25,752,885</u>	<u>25,440,647</u>
Lease commitments			
Operating lease rentals are payable as follows:			
	<i>30 September 2015 (Unaudited) QR'000</i>	<i>31 December 2014 (Audited) QR'000</i>	<i>30 September 2014 (Unaudited) QR'000</i>
Less than one year	21,728	14,654	17,013
After one year but not more than five years	83,756	23,996	47,575
More than five years	121,860	104,852	109,646
	<u>227,344</u>	<u>143,502</u>	<u>174,234</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015

19 RELATED PARTIES 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 related party transactions and balances included in these consolidated financial statements are as follows:

	<i>30 September 2015 (Unaudited)</i>			<i>31 December 2014 (Audited)</i>		
	<i>Associated companies</i>	<i>Board of Directors</i>	<i>Others</i>	<i>Associated 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>
Assets:						
Financing assets	390,418	640,513	3,296,007	248,843	1,232,684	1,258,243
Liabilities:						
Other liabilities	-	-	-	-	24,243	-
Equity of unrestricted investment account holders	32,010	144,820	156,774	18,101	370,679	-
Off financial position items:						
Contingent liabilities, guarantees and other commitments		190,305	3,145	-	126,412	58,901
	<i>Nine months ended</i>			<i>Nine months ended</i>		
	<i>30 September 2015 (Unaudited)</i>			<i>30 September 2014 (Unaudited)</i>		
	<i>Associated companies</i>	<i>Board of Directors</i>	<i>Others</i>	<i>Associated companies</i>	<i>Board of Directors</i>	<i>Others</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Consolidated statement of income items:						
Income from financing activities	9,813	12,852	72,509	7,732	19,111	-
Profit paid on deposits	572	1,543	3,863	209	1,135	1,269
Others	-	-	-	-	-	315

Key management personnel compensation for the period comprised:

	<i>Nine months ended</i>	<i>Nine months ended</i>
	<i>30 September 2015</i>	<i>30 September 2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Key management remuneration	<u>52,173</u>	<u>35,303</u>

20 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 consolidated net profit or the total consolidated equity for the comparative period/year.