

Qatar Islamic Bank (Q.P.S.C)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

31 March 2017

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2017

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

Introduction

We have reviewed the accompanying 31 March 2017 condensed consolidated interim financial statements of Qatar Islamic Bank (Q.P.S.C) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise:

- the condensed consolidated statement of financial position as at 31 March 2017;
- the condensed consolidated income statement for the three month period ended 31 March 2017;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2017;
- the condensed consolidated statement of changes in restricted investment accounts for the three month period ended 31 March 2017;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2017;
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and applicable provisions of the Qatar Central Bank regulations. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial statements 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 Auditing Standards for Islamic Financial Institutions 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 31 March 2017 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI and applicable provisions of the Qatar Central Bank regulations.

16 April 2017
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	31 March 2017 (Reviewed) QR'000	31 December 2016 (Audited) QR'000	31 March 2016 (Reviewed) QR'000
Assets				
Cash and balances with central banks		5,260,374	5,447,183	5,109,581
Due from banks		11,154,687	10,149,896	11,102,838
Financing assets	6	99,509,272	98,170,520	91,081,011
Investment securities	7	20,334,294	19,958,717	17,565,655
Investment in associates		852,660	875,034	1,021,515
Investment properties		1,434,475	929,826	734,333
Assets of a subsidiary held for sale		-	-	4,477
Fixed assets		523,144	517,257	585,687
Intangible assets		422,141	431,923	458,493
Other assets		3,830,424	3,353,772	3,730,470
Total assets		143,321,471	139,834,128	131,394,060
Liabilities, equity of unrestricted investment account holders and equity				
Liabilities				
Due to banks		9,281,336	13,606,908	17,676,867
Customers' current accounts		18,933,149	14,055,114	15,344,474
Sukuk financing		6,792,237	6,791,178	5,450,964
Liabilities of a subsidiary held for sale		-	-	3,592
Other liabilities		3,857,138	4,040,625	2,284,395
Total liabilities		38,863,860	38,493,825	40,760,292
Equity of unrestricted investment account holders	8	85,005,964	81,341,642	74,040,294
Equity				
Share capital		2,362,932	2,362,932	2,362,932
Legal reserve	9	6,370,016	6,370,016	6,370,016
Risk reserve	10	2,170,280	2,170,280	1,993,090
General reserve	11	81,935	81,935	81,935
Fair value reserve		188,931	195,089	133,442
Foreign currency translation reserve	13	(188,444)	(194,335)	(52,687)
Other reserves	14	216,820	216,820	216,820
Proposed cash dividends	15	-	1,122,393	-
Share-based payment reserve	16	10,201	10,223	7,770
Retained earnings		2,458,130	1,902,780	1,703,514
Total equity attributable to equity holders of the bank		13,670,801	14,238,133	12,816,832
Non-controlling interests		1,780,846	1,760,528	1,776,642
Sukuk eligible as additional capital	17	4,000,000	4,000,000	2,000,000
Total equity		19,451,647	19,998,661	16,593,474
Total liabilities, equity of unrestricted investment account holders and equity		143,321,471	139,834,128	131,394,060

These condensed consolidated interim financial statements were approved by the Board of Directors on 16 April 2017 and were signed on its behalf by:


 Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
 Chairman


 Bassel Gargal
 Group Chief Executive Officer

The attached notes 1 to 21 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three month period ended 31 March 2017

	Note	For the three month period ended 31 March	
		2017 (Reviewed) QR'000	2016 (Reviewed) QR'000
Continuing operations			
Net income from financing activities		1,138,507	906,375
Net income from investing activities		187,291	200,744
Total net income from financing and investing activities		1,325,798	1,107,119
Fee and commission income		167,982	161,587
Fee and commission expense		(35,554)	(28,834)
Net fee and commission income		132,428	132,753
Net foreign exchange gain		25,251	35,762
Share of results of associates		7,401	6,569
Other income		5,539	4,717
Total income		1,496,417	1,286,920
Staff costs		(152,209)	(162,831)
Depreciation and amortisation		(22,392)	(19,169)
Sukuk holders' share of profit		(44,629)	(35,863)
Other expenses		(91,922)	(98,206)
Total expenses		(311,152)	(316,069)
Impairment losses on investment securities		(44,300)	(69,000)
Net impairment losses on financing assets		(131,708)	(43,706)
Net profit for the period from continuing operations before tax and return to unrestricted investment account holders		1,009,257	858,145
Less: Return to unrestricted investment account holders		(439,440)	(347,545)
Profit from continuing operations before tax		569,817	510,600
Discontinued operations			
Profit from a subsidiary held for sale		-	1,710
Net profit for the period before tax		569,817	512,310
Tax expense		(7,116)	(2,675)
Net profit for the period		562,701	509,635
Net profit for the period attributable to:			
Equity holders of the Bank		555,350	492,377
Non-controlling interests		7,351	17,258
Net profit for the period		562,701	509,635
Earnings per share			
Basic / diluted earnings per share (QR per share)	12	2.13	1.98

The attached notes 1 to 21 form part of these condensed consolidated interim financial statements.

Qatar Islamic Bank (Q.P.S.C)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2017

	Share capital	Legal Reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividends	Share-based payment reserve	Retained earnings	Total equity attributable to shareholders of the Bank	Non-controlling interests	Sukuk eligible as additional capital	Total equity
Balance at 1 January 2017 (Audited)	2,362,932	6,370,016	2,170,280	81,935	195,089	(194,335)	216,820	1,122,393	10,223	1,902,780	14,238,133	1,760,528	4,000,000	19,998,661
Foreign currency translation reserve movement	-	-	-	-	-	5,891	-	-	-	-	5,891	-	-	5,891
Fair value reserve movement	-	-	-	-	(6,158)	-	-	-	-	-	(6,158)	-	-	(6,158)
Net profit for the period	-	-	-	-	-	-	-	-	-	555,350	555,350	7,351	-	562,701
Total recognised income and expense for the period	-	-	-	-	(6,158)	5,891	-	-	-	555,350	555,083	7,351	-	562,434
Cash dividends paid to shareholders (Note 15)	-	-	-	-	-	-	-	(1,122,393)	-	-	(1,122,393)	-	-	(1,122,393)
Share-based payment (Note 16)	-	-	-	-	-	-	-	-	(22)	-	(22)	(22)	-	(44)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	12,989	-	12,989
Balance at 31 March 2017 (Reviewed)	2,362,932	6,370,016	2,170,280	81,935	188,931	(188,444)	216,820	-	10,201	2,458,130	13,670,801	1,780,846	4,000,000	19,451,647

The attached notes 1 to 21 form part of these condensed consolidated interim financial statements.

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

For the three month period ended 31 March 2017

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Risk reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>Other reserves</i>	<i>Proposed cash dividends</i>	<i>Share-based payment reserve</i>	<i>Retained earnings</i>	<i>Total equity attributable to shareholders of the Bank</i>	<i>Non-controlling interests</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
Balance at 1 January 2016 <i>(Audited)</i>	2,362,932	6,370,016	1,993,090	81,935	134,013	(28,964)	216,820	1,004,246	6,216	1,236,137	13,376,441	1,798,323	2,000,000	17,174,764
Foreign currency translation reserve movement	-	-	-	-	-	(23,723)	-	-	-	-	(23,723)	-	-	(23,723)
Fair value reserve movement	-	-	-	-	(571)	-	-	-	-	-	(571)	-	-	(571)
Net profit for the period	-	-	-	-	-	-	-	-	-	492,377	492,377	17,258	-	509,635
Total recognised income and expense for the period	-	-	-	-	(571)	(23,723)	-	-	-	492,377	468,083	17,258	-	485,341
Cash dividends paid to shareholders (Note 15)	-	-	-	-	-	-	-	(1,004,246)	-	-	(1,004,246)	-	-	(1,004,246)
Share-based payment (Note 16)	-	-	-	-	-	-	-	-	1,554	-	1,554	1,546	-	3,100
Profit on sukuk eligible as additional capital	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	(25,000)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(40,485)	-	(40,485)
Balance at 31 March 2016 <i>(Reviewed)</i>	2,362,932	6,370,016	1,993,090	81,935	133,442	(52,687)	216,820	-	7,770	1,703,514	12,816,832	1,776,642	2,000,000	16,593,474

The attached notes 1 to 21 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the three month period ended 31 March 2017

<i>Investment</i>	<i>Movements during the period</i>						
	<i>At 1 January 2017 (Audited) 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>Bank's fee as an agent QR'000</i>	<i>At 31 March 2017 (Reviewed) QR'000</i>
	Real Estate Portfolio	73,164	-	-	-	-	-
Equity Securities Portfolio	892,856	205,015	4,531	9,407	(86)	(750)	1,110,973
	966,020	205,015	4,531	9,407	(86)	(750)	1,184,137

<i>Investment</i>	<i>Movements during the period</i>						
	<i>At 1 January 2016 (Audited) 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>Bank's fee as an agent QR'000</i>	<i>At 31 March 2016 (Reviewed) QR'000</i>
	Real Estate Portfolio	73,164	-	-	-	-	-
Equity Securities Portfolio	578,183	(23,689)	2,155	(539)	(149)	(240)	555,721
	651,347	(23,689)	2,155	(539)	(149)	(240)	628,885

The attached notes 1 to 21 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2017

	<i>For the three month period ended 31 March</i>	
	<i>2017 (Reviewed) QR'000</i>	<i>2016 (Reviewed) QR'000</i>
Cash flows from operating activities		
Net profit for the period before tax	569,817	512,310
Net changes in operating assets and liabilities	<u>(1,889,074)</u>	<u>6,305,005</u>
Net cash (used in) / from operating activities	<u>(1,319,257)</u>	<u>6,817,315</u>
Cash flows from investing activities		
Net changes in investment securities	(231,930)	1,415,677
Net changes in fixed and intangible assets	(18,497)	(194,765)
Net changes in associate companies	1,733	124
Net changes in investment properties	(470,171)	320,848
Dividends received from associate companies	5,000	5,000
Net cash (used in) / from investing activities	<u>(713,865)</u>	<u>1,546,884</u>
Cash flows from financing activities		
Change in equity of unrestricted investment accountholders	3,664,322	(3,633,839)
Profit paid on sukuk eligible as additional capital	(85,000)	(50,000)
Net movement in non-controlling interest	12,984	(4,422)
Cash dividends paid to equity holders	<u>(1,122,393)</u>	<u>(1,004,246)</u>
Net cash from / (used in) financing activities	<u>2,469,913</u>	<u>(4,692,507)</u>
Net increase in cash and cash equivalents	436,791	3,671,692
Cash and cash equivalents - beginning of the period	<u>10,656,507</u>	<u>9,255,436</u>
Cash and cash equivalents - end of the period (Note 18)	<u>11,093,298</u>	<u>12,927,128</u>

1 REPORTING ENTITY

Qatar Islamic Bank Q.P.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 at P.O. Box 559 Doha, State of Qatar. The condensed consolidated interim financial statements of the Bank for the three month period ended 31 March 2017 comprise the Bank and its subsidiaries (together referred to as the “Group”). The Bank is primarily involved in corporate, retail and investment banking in accordance with Islamic sharia rules as determined by sharia supervisory board of the Bank, and has 29 branches in Qatar and one branch in Sudan. The Parent Company of the Group is Qatar Islamic Bank (Q.P.S.C). The Bank’s shares are listed for trading on the Qatar Exchange.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and the applicable provisions of Qatar Central Bank (“QCB”) regulations. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, the condensed consolidated interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

The condensed consolidated interim 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 2016. In addition, results for the three month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The preparation of the condensed consolidated interim 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 2016.

The Group’s financial risk management objectives are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2016.

Significant accounting policies

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2017

There are no new accounting standards and interpretations that are effective for the first time for the financial year beginning on or after 1 January 2017 that have been issued during the period.

New standards, amendments and interpretations issued but not yet effective

International Financial Reporting Standard No. 9 (IFRS 9): Financial Instruments

The final version of IFRS 9 was issued in July 2014, replacing the earlier versions of introducing new classification and measurement requirements (issued in 2009 and 2010) and a new hedge accounting model (issued in 2013) and has an effective date of 1 January 2018. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity’s risk management methodology.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2017

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Significant accounting policies (continued)
New standards and interpretations (continued)

New standards, amendments and interpretations issued but not yet effective (continued)

International Financial Reporting Standard No. 9 (IFRS 9): Financial Instruments (continued)

The application of IFRS 9 may have significant impact on amounts reported in the condensed consolidated interim financial statements and will result in more extensive disclosures in the condensed consolidated interim financial statements. However, the Group is currently in the process of evaluating and implementing the required changes in its systems, policies and processes to comply with IFRS 9 and regulatory requirements, and hence it is not practical to disclose a reliable quantitative impact until the implementation programme is further advanced.

Basis of consolidation

The condensed consolidated interim 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	
			31 March 2017	31 December 2016
Arab Finance House	Lebanon	Banking	99.99%	99.99%
Aqar Real Estate Development and Investment Company W.L.L.("Aqar") (i)	Qatar	Investment in real estate	49%	49%
Durat Al Doha Real Estate Investment and Development W.L.L. (ii)	Qatar	Investment in real estate	39.87%	39.87%
QIB Sukuk Ltd (iii)	Cayman Islands	Sukuk issuance	-	-
QIB Sukuk Funding Limited	Qatar	Financing company	100%	100%
QIB (UK)	United Kingdom	Investment banking	99.66%	99.66%
QInvest LLC	Qatar	Investment banking	50.13%	50.13%
Verdi Luxembourg SARL (iv)	Luxembourg	Investment in real estate	50.13%	50.13%
Q Business Services (iv)	Cayman Islands	Investment holding company	50.13%	50.13%
Q Liquidity Limited (iv)	Cayman Islands	Placements	50.13%	50.13%
QInvest Holding Mauritius (iv)	Mauritius	Investment holding company	50.13%	50.13%
Q Exhibit (iv)	Mauritius	Investment holding company	50.13%	50.13%
QInvest Luxembourg S.a.r.l. (iv)	Luxembourg	Investments	50.13%	50.13%
QI St Edmund's Terrace 2 Limited (iv)	Cayman Islands	Investment holding company	50.13%	50.13%
QInvest IBFin LLC (Previously known as Qinvest Comms Holding LLC) (iv)	Qatar	To provide financing facility	50.13%	50.13%
QI One Wall Street Invest Co. (iv)	Cayman Islands	Investment holding company	50.13%	50.13%
QEthika 1 (iv)	Cayman Islands	Investment holding company	50.13%	50.13%
QNGPV1 (iv)	Cayman Islands	Investment holding company	50.13%	50.13%
QInvest Euro PE QFC LLC (iv)	Qatar	Investment holding company	50.13%	50.13%
QInvest Rio LLC (iv)	Qatar	Investment holding company	31.6%	31.6%
Rio income s.a.r.l. (iv)	Luxembourg	Investment in lease	45.12%	45.12%
Q Tomahawk LLC (iv)	Cayman Islands	Investment holding company	50.13%	50.13%
QInvest Refin LLC (iv)	Qatar	To provide financing facility	50.13%	50.13%
Q Alloy S.a.r.l (iv)	Luxembourg	To provide financing facility	50.13%	50.13%
QSeven 1 LP (iv)	Cayman Island	Investment in real estate	45.62%	45.62%
Q Lake (iv)	Cayman Island	To provide financing facility	-	50.13%
Q Anthem (iv)	Cayman Island	To provide financing facility	-	50.13%
Q Magnolia LLC (iv)	Cayman Islands	Investment in Real Estate	50.13%	-
Qinvest Portfoy Yonetimi A.S. (iv)	Turkey	Asset Management	50.13%	50.13%

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Significant accounting policies (continued)****Basis of consolidation (continued)***Notes:*

- i) The Bank has the power to cast majority of the votes in the Board of Directors meetings of Aqar by virtue of representing the highest number of members in the Board.
- ii) Effective from 1 January 2013, the Group has obtained control to govern the financial and operating policies of its previous associate through a 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 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 a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Corporate banking – Corporate 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.

3 OPERATING SEGMENTS (CONTINUED)
Information about operating segments

<i>31 March 2017 (Reviewed)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Group function QR'000</i>	<i>Local & international subsidiaries QR'000</i>	<i>Total QR'000</i>
External revenue:					
Total income from financing and investing activities	782,216	284,724	143,639	115,219	1,325,798
Net fee and commission income	60,490	34,425	19,913	17,600	132,428
Net foreign exchange gain	-	-	27,319	(2,068)	25,251
Share of results of associates	-	-	6,452	949	7,401
Other income	-	-	-	5,539	5,539
Inter segment revenue	(238,766)	67,452	171,314	-	-
Profit from a subsidiary held for sale	-	-	-	-	-
Total segment income after discontinued operations	603,940	386,601	368,637	137,239	1,496,417
Staff costs , other expenses and depreciation and amortization	(56,526)	(97,864)	(41,155)	(70,978)	(266,523)
Sukuk holders share of profit	-	-	(44,629)	-	(44,629)
Net return to unrestricted investment account holders	(211,909)	(68,270)	(129,931)	(29,330)	(439,440)
Other material non-cash items:					
Impairment losses on investment securities	-	-	(44,300)	-	(44,300)
Net impairment losses on financing assets	(3,495)	(40,848)	(68,745)	(18,620)	(131,708)
Reportable segment net profit before tax	332,010	179,619	39,877	18,311	569,817
Tax expense	-	-	-	(7,116)	(7,116)
Reportable segment net profit after tax	332,010	179,619	39,877	11,195	562,701

3 OPERATING SEGMENTS (CONTINUED)

Information about operating segments

<i>31 March 2016 (Reviewed)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Group function QR'000</i>	<i>Local & international subsidiaries QR'000</i>	<i>Total QR'000</i>
External revenue:					
Total income from financing and investing activities	638,278	263,648	96,070	109,123	1,107,119
Net fee and commission income	65,248	33,388	6,532	27,585	132,753
Net foreign exchange gain	-	-	31,776	3,986	35,762
Share of results of associates	-	-	12,364	(5,795)	6,569
Other income	-	-	-	4,717	4,717
Inter segment revenue	(159,136)	53,103	106,033	-	-
Profit from a subsidiary held for sale	-	-	-	1,710	1,710
Total segment income after discontinued operations	544,390	350,139	252,775	141,326	1,288,630
Staff costs , other expenses and depreciation and amortization	(52,926)	(92,550)	(57,703)	(77,027)	(280,206)
Sukuk holders' share of profit	-	-	(35,863)	-	(35,863)
Net return to unrestricted investment account holders	(175,238)	(50,030)	(99,842)	(22,435)	(347,545)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(69,000)	-	(69,000)
Net impairment losses on financing assets	(8,697)	(28,755)	(5,096)	(1,158)	(43,706)
Reportable segment net profit before tax	307,529	178,804	(14,729)	40,706	512,310
Tax expense	-	-	-	(2,675)	(2,675)
Reportable segment net profit after tax	307,529	178,804	(14,729)	38,031	509,635

Note:

Certain segmental income and expenses for the three-month period ended 31 March 2016 were reclassified in the condensed consolidated interim financial statements for the three months ended 31 March 2017 to conform to the presentation and classification adopted in the current period.

3 OPERATING SEGMENTS (CONTINUED)

<i>31 March 2017 (Reviewed)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Group function QR'000</i>	<i>Local & international subsidiaries QR'000</i>	<i>Total QR'000</i>
Reportable segment assets	<u>77,252,887</u>	<u>18,003,813</u>	<u>42,786,285</u>	<u>5,278,486</u>	<u>143,321,471</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>45,537,827</u>	<u>32,298,143</u>	<u>42,290,991</u>	<u>3,742,863</u>	<u>123,869,824</u>
<i>31 December 2016 (Audited)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Group function QR'000</i>	<i>Local & international subsidiaries QR'000</i>	<i>Total QR'000</i>
Reportable segment assets	<u>76,131,585</u>	<u>17,895,901</u>	<u>40,704,007</u>	<u>5,102,635</u>	<u>139,834,128</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>41,145,223</u>	<u>30,367,726</u>	<u>44,720,953</u>	<u>3,601,565</u>	<u>119,835,467</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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>
<i>31 March 2017 (Reviewed)</i>					
Cash and balances with central banks	-	-	5,260,374	5,260,374	5,260,374
Due from banks	-	-	11,154,687	11,154,687	11,154,687
Financing assets	-	-	99,509,272	99,509,272	99,509,272
Investment securities:					
- Measured at fair value	1,155,964	609,532	-	1,765,496	1,765,496
- Measured at amortised cost	-	-	18,568,798	18,568,798	18,233,013
Other assets	-	-	1,266,153	1,266,153	1,266,153
	1,155,964	609,532	135,759,284	137,524,780	137,188,995
Due to banks	-	-	9,281,336	9,281,336	9,281,336
Customers' current accounts	-	-	18,933,149	18,933,149	18,933,149
Sukuk financing	-	-	6,792,237	6,792,237	6,792,237
Other liabilities	-	-	3,857,138	3,857,138	3,857,138
Equity of unrestricted investment account holders	-	-	85,005,964	85,005,964	85,005,964
	-	-	123,869,824	123,869,824	123,869,824

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4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
<i>31 December 2016 (Audited)</i>					
Cash and balances with Central Banks	-	-	5,447,183	5,447,183	5,447,183
Due from banks	-	-	10,149,896	10,149,896	10,149,896
Financing assets	-	-	98,170,520	98,170,520	98,170,520
Investment securities:					
- Measured at fair value	1,025,115	519,020	-	1,544,135	1,544,135
- Measured at amortised cost	-	-	18,414,582	18,414,582	18,027,867
Other assets	-	-	684,574	684,574	684,574
	<u>1,025,115</u>	<u>519,020</u>	<u>132,866,755</u>	<u>134,410,890</u>	<u>134,024,175</u>
Due to banks	-	-	13,606,908	13,606,908	13,606,908
Customers' current accounts	-	-	14,055,114	14,055,114	14,055,114
Sukuk financing	-	-	6,791,178	6,791,178	6,791,178
Other liabilities	-	-	4,040,625	4,040,625	4,040,625
Equity of unrestricted investment account holders	-	-	81,341,642	81,341,642	81,341,642
	<u>-</u>	<u>-</u>	<u>119,835,467</u>	<u>119,835,467</u>	<u>119,835,467</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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)
Fair value hierarchy (continued)

As at 31 March 2017 and 31 December 2016, the Group held the following financial instruments measured at fair value:

<i>31 March 2017 (Reviewed)</i>	<i>Total</i>	<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Assets measured at fair value:				
Investments securities :				
Quoted equity-type investments classified as fair value through income statement	6,682	6,682	-	-
Quoted debt-type investments classified as fair value through income statement	39,979	39,979	-	-
Unquoted equity-type investments classified as fair value through income statement	1,109,303	-	333,955	775,348
Quoted equity-type investments classified as fair value through equity	141,204	141,204	-	-
Unquoted equity-type investments classified as fair value through equity	468,328	-	-	468,328

<i>31 December 2016 (Audited)</i>	<i>Total</i>	<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Assets measured at fair value:				
Investments securities :				
Quoted equity-type investments classified as fair value through income statement	5,719	5,719	-	-
Quoted debt-type investments classified as fair value through income statement	46,507	46,507	-	-
Unquoted equity-type investments classified as fair value through income statement	972,889	-	222,796	750,093
Quoted equity-type investments classified as fair value through equity	166,759	166,759	-	-
Unquoted equity-type investments classified as fair value through equity	352,261	-	-	352,261

During the period ended 31 March 2017, 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2017

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

The following table shows the reconciliation of the opening and closing amounts of level 3 investments which are recorded at fair value:

	At 1 January 2017	Total gain recorded in consolidated income statement	Purchases	Sales/ transfers	At 31 March 2017
Equity investments:					
at fair value through equity	352,261	-	546	115,521	468,328
at fair value through income statement	750,093	3,828	15,041	6,386	775,348
	1,102,354	3,828	15,587	121,907	1,243,676

	At 1 January 2016	Total gain recorded in consolidated income statement	Purchases	Sales/ transfers	At 31 December 2016
Equity investments:					
at fair value through equity	410,756	-	4,368	(62,863)	352,261
at fair value through income statement	527,072	26,143	187,780	9,098	750,093
	937,828	26,143	192,148	(53,765)	1,102,354

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 condensed consolidated statement of changes in equity is removed from equity and recognised in the condensed consolidated income statement. Impairment losses recognised in the condensed consolidated income statement on equity-type investments are subsequently reversed through equity. The Group has provided QR 44 million (31 March 2016: QR 69 million) as impairment on equity investment securities which were recognised under “net impairment loss on investment securities” in the condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2017

5 IMPAIRMENT (CONTINUED)
Investment properties

Investment property held for rental or capital appreciation is measured at fair value with the resulting unrealised gains being recognised in the condensed consolidated statement of changes in equity under fair value reserve. Any unrealised losses resulting from re-measurement at fair value is recognized in the condensed 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 condensed consolidated income statement. In case there are unrealized losses that have been recognized in the condensed consolidated income statement 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 condensed consolidated income statement. Any excess of such gains over such prior-year losses is added to the fair value reserve.

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 condensed consolidated income statement 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 condensed consolidated income statement, 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 132 million (31 March 2016: QR 44 million) as impairment on financing assets which was recognised under "Net impairment loss on financing assets" in the condensed consolidated income statement.

6 FINANCING ASSETS

	<i>31 March 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>31 March 2016 (Reviewed) QR'000</i>
Total financing assets	108,538,042	106,183,746	101,073,761
Less: Deferred profit	(8,029,059)	(7,149,002)	(9,304,562)
Impairment of financing assets	(924,325)	(799,282)	(622,589)
Suspended profit	(75,386)	(64,942)	(65,599)
Net financing assets	<u>99,509,272</u>	<u>98,170,520</u>	<u>91,081,011</u>

Note:

The impaired financing assets net of deferred profit amounted to QR 1,035 million as at 31 March 2017 representing 1% of the total financing assets net of deferred profit (31 December 2016: QR 996 million, representing 1% of the total financing assets net of deferred profit).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2017

7 INVESTMENT SECURITIES

	31 March 2017 (Reviewed)			31 December 2016 (Audited)			31 March 2016 (Reviewed)		
	Quoted QR'000	Unquoted QR'000	Total QR'000	Quoted QR'000	Unquoted QR'000	Total QR'000	Quoted QR'000	Unquoted QR'000	Total QR'000
Investments classified as fair value through income statement									
• equity-type investments	6,682	1,109,303	1,115,985	5,719	972,889	978,608	6,301	774,480	780,781
• debt-type investments									
- Fixed rate	39,979	-	39,979	46,507	-	46,507	99,885	-	99,885
	46,661	1,109,303	1,155,964	52,226	972,889	1,025,115	106,186	774,480	880,666
Debt-type investments classified at amortised cost									
- State of Qatar Sukuk and QCB Murabaha	2,144,557	13,822,831	15,967,388	2,051,196	13,722,650	15,773,846	1,679,339	11,544,557	13,223,896
- Fixed rate	2,314,473	15,070	2,329,543	2,481,418	14,851	2,496,269	2,379,271	25,882	2,405,153
- Floating rate	127,400	144,467	271,867	-	144,467	144,467	127,628	-	127,628
	4,586,430	13,982,368	18,568,798	4,532,614	13,881,968	18,414,582	4,186,238	11,570,439	15,756,677
Equity-type investments classified as fair value through equity									
	141,204	468,328	609,532	166,759	352,261	519,020	431,002	497,310	928,312
	4,774,295	15,559,999	20,334,294	4,751,599	15,207,118	19,958,717	4,723,426	12,842,229	17,565,655

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 At 31 March 2017

8 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	<i>31 March 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>31 March 2016 (Reviewed) QR'000</i>
Term accounts	68,121,547	66,370,039	57,212,281
Saving accounts	13,424,319	12,294,132	12,360,405
Call accounts	3,423,097	2,642,820	4,449,140
	84,968,963	81,306,991	74,021,826
Share in fair value reserve	37,001	34,651	18,468
Total	85,005,964	81,341,642	74,040,294

9 LEGAL RESERVE

In accordance with QCB Law No. 33 of 2006 as amended, 10% of 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 at a minimum. 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.

10 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. (31 December 2016: QR 177.2 million was transferred to risk reserve).

11 GENERAL RESERVE

In accordance with the Articles of Association of the Bank, the General Assembly may transfer a portion of the net profits to the general reserve which could be based on the General Assembly Resolution as per recommendation from Board of Directors and after the approval from Qatar Central Bank.

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12 BASIC AND DILUTED EARNING PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

	<i>For the three month period ended 31</i>	
	<i>March</i>	
	2017	2016
	(Reviewed)	(Reviewed)
Profit for the period attributable to equity holders of the Bank	555,350	492,377
Less: profit attributable to sukuk eligible as additional capital	51,250	25,000
Profit for EPS computation	504,100	467,377
Weighted average number of shares outstanding during the period	236,293	236,293
Basic and diluted earnings per share (QR)	2.13	1.98

13 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on risk management instruments that hedge the Group's net investment in foreign operations and gains and losses on revaluation of foreign currency non-monetary assets carried at fair value for which gain or loss is recognized in other comprehensive income.

14 OTHER RESERVES

Other reserves represent the undistributed share of associates profits after deducting the cash dividends received. No transfer to other reserves has been made during the period as the required amount will be transferred in year end.

15 PROPOSED CASH DIVIDENDS

The shareholders of the Bank approved 47.5% cash dividends for the year ended 31 December 2016 (QR 4.75 per share), (31 March 2016: 42.5% cash dividends (QR 4.25 per share) for the year ended 31 December 2015) in the general assembly meeting held on 21 February 2017.

16 SHARE BASED PAYMENT RESERVE

Employee Share Option Plan ("ESOP") was approved by QInvest LLC, subsidiary of the Bank in the year 2015, 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 three month period ended 31 March 2017, the Group has recognised QR 0.04 million as reversal of share-based payment expense in the condensed consolidated income statement (31 March 2016: QR 3.1 million as share based payment expense).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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17 SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

The Group issued perpetual sukuk eligible as additional tier 1 capital for an amount of QR 2 billion in the year 2015. The sukuk is unsecured and the profit distributions are discretionary, non-cumulative and payable annually at an agreed expected profit rate of 5% to be reset every sixth year. The Group has the right not to pay profit and the sukuk holders has no right to claim profit on the sukuk. The sukuk does not have a maturity date and have been classified as equity. During September 2016, the Group raised additional tier 1 capital by issuing a perpetual sukuk for an amount of QR 2 billion at an agreed expected profit rate of 5.25% to be reset every sixth year.

18 CASH AND CASH EQUIVALENTS

For the purpose of the 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 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>31 March 2016 (Reviewed) QR'000</i>
Cash and balances with central banks (excluding restricted QCB reserve account)	695,732	985,675	844,433
Due from banks	<u>10,397,566</u>	<u>9,670,832</u>	<u>12,082,695</u>
Total	<u>11,093,298</u>	<u>10,656,507</u>	<u>12,927,128</u>

19 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>31 March 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>31 March 2016 (Reviewed) QR'000</i>
a) Contingent liabilities			
Unused financing facilities	5,610,130	5,539,823	8,012,130
Guarantees	10,377,953	10,187,579	10,793,330
Letters of credit	<u>2,943,675</u>	<u>3,105,980</u>	<u>2,603,343</u>
	<u>18,931,758</u>	<u>18,833,382</u>	<u>21,408,803</u>
b) Commitments			
Investment commitment	242,544	254,420	171,439
Other risk management instruments	<u>24,094,070</u>	<u>23,662,159</u>	<u>19,202,606</u>
	<u>24,336,614</u>	<u>23,916,579</u>	<u>19,374,045</u>
Total	<u>43,268,372</u>	<u>42,749,961</u>	<u>40,782,848</u>

Lease commitments

Operating lease rentals are payable as follows:

	<i>31 March 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>31 March 2016 (Reviewed) QR'000</i>
Less than one year	20,252	20,731	19,277
After one year but not more than five years	<u>69,802</u>	<u>51,995</u>	<u>51,535</u>
	<u>90,054</u>	<u>72,726</u>	<u>70,812</u>

