

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

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**30 June 2017**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
30 June 2017

Contents	Page(s)
<b>Independent auditor's review report</b>	<b>1</b>
Condensed consolidated interim financial statements:	
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of changes in equity	4 – 5
Condensed consolidated statement of changes in restricted investment accounts	6
Condensed consolidated statement of cash flows	7
Notes to the condensed consolidated interim financial statements	8 - 23



KPMG  
25 C Ring Road  
PO Box 4473, Doha  
State of Qatar  
Telephone: +974 4457 6444  
Fax: 974 4442 5626  
Website: www.kpmg.com.qa

**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 30 June 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 30 June 2017;
- the condensed consolidated income statement for the three and six month periods ended 30 June 2017;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2017;
- the condensed consolidated statement of changes in restricted investment accounts for the six month period ended 30 June 2017;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 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 the 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 30 June 2017 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI and the applicable provisions of the Qatar Central Bank regulations.

Gopal Balasubramaniam  
Qatar Auditors Registry Number 251  
KPMG  
Licensed by QFMA: External Auditor's License No. 120153


18 July 2017  
Doha  
State of Qatar

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>
	<i>Notes</i>			
<b>Assets</b>				
Cash and balances with central banks		5,374,550	5,447,183	5,678,051
Due from banks		4,695,692	10,149,896	8,275,167
Financing assets	6	109,691,729	98,170,520	96,565,342
Investment securities	7	20,124,578	19,958,717	16,934,183
Investment in associates		867,162	875,034	975,487
Investment properties		1,460,035	929,826	899,913
Assets of a subsidiary held for sale		-	-	4,482
Fixed assets		524,488	517,257	578,088
Intangible assets		412,760	431,923	448,397
Other assets		3,735,827	3,353,772	4,148,129
<b>Total assets</b>		<b>146,886,821</b>	<b>139,834,128</b>	<b>134,507,239</b>
<b>Liabilities, equity of unrestricted investment account holders and equity</b>				
<b>Liabilities</b>				
Due to banks		18,013,236	13,606,908	12,840,796
Customers' current accounts		19,527,864	14,055,114	16,068,718
Sukuk financing		9,518,464	6,791,178	5,452,472
Liabilities of a subsidiary held for sale		-	-	3,541
Other liabilities		2,321,851	4,040,625	3,698,748
<b>Total liabilities</b>		<b>49,381,415</b>	<b>38,493,825</b>	<b>38,064,275</b>
<b>Equity of unrestricted investment account holders</b>	8	<b>77,408,535</b>	<b>81,341,642</b>	<b>79,245,704</b>
<b>Equity</b>				
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		185,466	195,089	107,186
Foreign currency translation reserve	13	(145,081)	(194,335)	(61,443)
Other reserves	14	216,820	216,820	216,820
Proposed cash dividends	15	-	1,122,393	-
Share-based payment reserve	16	10,565	10,223	9,324
Retained earnings		3,067,888	1,902,780	2,291,445
<b>Total equity attributable to equity holders of the bank</b>		<b>14,320,821</b>	<b>14,238,133</b>	<b>13,371,305</b>
Non-controlling interests		1,776,050	1,760,528	1,825,955
Sukuk eligible as additional capital	17	4,000,000	4,000,000	2,000,000
<b>Total equity</b>		<b>20,096,871</b>	<b>19,998,661</b>	<b>17,197,260</b>
<b>Total liabilities, equity of unrestricted investment account holders and equity</b>		<b>146,886,821</b>	<b>139,834,128</b>	<b>134,507,239</b>

These condensed consolidated interim financial statements were approved by the Board of Directors on 18 July 2017 and were signed on its behalf by:

  
 Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani  
 Chairman

  
 Bassel Jamal  
 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 and six month periods ended 30 June 2017

	For the three month period ended 30 June		For the six month period ended 30 June	
	<b>2017</b> <i>(Reviewed)</i> <b>QR'000</b>	2016 <i>(Reviewed)</i> <b>QR'000</b>	<b>2017</b> <i>(Reviewed)</i> <b>QR'000</b>	2016 <i>(Reviewed)</i> <b>QR'000</b>
<b>Continuing operations</b>				
Net income from financing activities	<b>1,270,331</b>	998,853	<b>2,408,838</b>	1,905,228
Net income from investing activities	<b>192,296</b>	176,597	<b>379,587</b>	377,341
<b>Total net income from financing and investing activities</b>	<b>1,462,627</b>	1,175,450	<b>2,788,425</b>	2,282,569
Fee and commission income	<b>176,064</b>	167,741	<b>344,046</b>	329,328
Fee and commission expense	<b>(33,039)</b>	(32,290)	<b>(68,593)</b>	(61,124)
<b>Net fee and commission income</b>	<b>143,025</b>	135,451	<b>275,453</b>	268,204
Net foreign exchange gain	<b>30,661</b>	39,158	<b>55,912</b>	74,920
Share of results of associates	<b>9,548</b>	15,802	<b>16,949</b>	22,371
Other income	<b>4,165</b>	4,508	<b>9,704</b>	9,225
<b>Total income</b>	<b>1,650,026</b>	1,370,369	<b>3,146,443</b>	2,657,289
Staff costs	<b>(158,519)</b>	(160,967)	<b>(310,728)</b>	(323,798)
Depreciation and amortisation	<b>(22,878)</b>	(23,339)	<b>(45,270)</b>	(42,508)
Sukuk holders' share of profit	<b>(53,981)</b>	(35,866)	<b>(98,610)</b>	(71,729)
Other expenses	<b>(98,919)</b>	(90,608)	<b>(190,841)</b>	(188,814)
<b>Total expenses</b>	<b>(334,297)</b>	(310,780)	<b>(645,449)</b>	(626,849)
Impairment losses on investment securities	<b>(57,500)</b>	(35,600)	<b>(101,800)</b>	(104,600)
Net impairment losses on financing assets	<b>(189,598)</b>	(52,689)	<b>(321,306)</b>	(96,395)
Other impairment losses	<b>(2,005)</b>	-	<b>(2,005)</b>	-
<b>Net profit for the period from continuing operations before tax and return to unrestricted investment account holders</b>	<b>1,066,626</b>	971,300	<b>2,075,883</b>	1,829,445
Less: Return to unrestricted investment account holders	<b>(447,068)</b>	(410,662)	<b>(886,508)</b>	(758,207)
<b>Profit from continuing operations before tax</b>	<b>619,558</b>	560,638	<b>1,189,375</b>	1,071,238
<b>Discontinued operations</b>				
(Loss) / profit from a subsidiary held for sale	-	(85)	-	1,625
<b>Net profit for the period before tax</b>	<b>619,558</b>	560,553	<b>1,189,375</b>	1,072,863
Tax expense	<b>(3,673)</b>	(208)	<b>(10,789)</b>	(2,883)
<b>Net profit for the period</b>	<b>615,885</b>	560,345	<b>1,178,586</b>	1,069,980
<b>Net profit for the period attributable to:</b>				
Equity holders of the Bank	<b>609,758</b>	562,931	<b>1,165,108</b>	1,055,308
Non-controlling interests	<b>6,127</b>	(2,586)	<b>13,478</b>	14,672
<b>Net profit for the period</b>	<b>615,885</b>	560,345	<b>1,178,586</b>	1,069,980
<b>Earnings per share</b>				
Basic / diluted earnings per share (QR per share)	12 <b>2.36</b>	2.28	<b>4.50</b>	4.25

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 six month period ended 30 June 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 equity holders of the Bank	Non-controlling interests	Sukuk eligible as additional capital	Total equity
-----QR'000-----														
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	-	-	-	-	-	49,254	-	-	-	-	49,254	-	-	49,254
Fair value reserve movement	-	-	-	-	(9,623)	-	-	-	-	-	(9,623)	-	-	(9,623)
Net profit for the period	-	-	-	-	-	-	-	-	-	1,165,108	1,165,108	13,478	-	1,178,586
Total recognised income and (expense) for the period	-	-	-	-	(9,623)	49,254	-	-	-	1,165,108	1,204,739	13,478	-	1,218,217
Cash dividends paid to shareholders (Note 15)	-	-	-	-	-	-	-	(1,122,393)	-	-	(1,122,393)	-	-	(1,122,393)
Share-based payment (Note 16)	-	-	-	-	-	-	-	-	342	-	342	340	-	682
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,704	-	1,704
Balance at 30 June 2017 (Reviewed)	2,362,932	6,370,016	2,170,280	81,935	185,466	(145,081)	216,820	-	10,565	3,067,888	14,320,821	1,776,050	4,000,000	20,096,871

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 six month period ended 30 June 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 equity holders of the Bank</i>	<i>Non-controlling interests</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
	-----QR'000-----													
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	-	-	-	-	-	(32,479)	-	-	-	-	(32,479)	-	-	(32,479)
Fair value reserve movement	-	-	-	-	(26,827)	-	-	-	-	-	(26,827)	-	-	(26,827)
Net profit for the period	-	-	-	-	-	-	-	-	-	1,055,308	1,055,308	14,672	-	1,069,980
Total recognised income and (expense) for the period	-	-	-	-	(26,827)	(32,479)	-	-	-	1,055,308	996,002	14,672	-	1,010,674
Cash dividends paid to shareholders (Note 15)	-	-	-	-	-	-	-	(1,004,246)	-	-	(1,004,246)	-	-	(1,004,246)
Share-based payment (Note 16)	-	-	-	-	-	-	-	-	3,108	-	3,108	3,092	-	6,200
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	9,868	-	9,868
Balance at 30 June 2016 <i>(Reviewed)</i>	2,362,932	6,370,016	1,993,090	81,935	107,186	(61,443)	216,820	-	9,324	2,291,445	13,371,305	1,825,955	2,000,000	17,197,260

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 six month period ended 30 June 2017

<i>Investment</i>	<i>Movements during the period</i>							<i>At 30 June 2017 (Reviewed) QR'000</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>Admin expense QR'000</i>	<i>Bank's fee as an agent QR'000</i>	
	<b>Real Estate Portfolio</b>	<b>73,164</b>	-	-	-	-	-	
<b>Equity Securities Portfolio</b>	<b>892,856</b>	<b>38,042</b>	<b>(17,121)</b>	<b>14,857</b>	<b>(323)</b>	-	<b>(1,137)</b>	<b>927,174</b>
	<b>966,020</b>	<b>38,042</b>	<b>(17,121)</b>	<b>14,857</b>	<b>(323)</b>	-	<b>(1,137)</b>	<b>1,000,338</b>

<i>Investment</i>	<i>Movements during the period</i>							<i>At 30 June 2016 (Reviewed) QR'000</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>Admin expense QR'000</i>	<i>Bank's fee as an agent QR'000</i>	
	<b>Real Estate Portfolio</b>	<b>73,164</b>	-	-	-	-	-	
<b>Equity Securities Portfolio</b>	<b>578,183</b>	<b>(24,344)</b>	<b>4,648</b>	<b>1,818</b>	<b>(207)</b>	<b>(18)</b>	<b>(397)</b>	<b>559,683</b>
	<b>651,347</b>	<b>(24,344)</b>	<b>4,648</b>	<b>1,818</b>	<b>(207)</b>	<b>(18)</b>	<b>(397)</b>	<b>632,847</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2017

	<i>For the six month period ended 30 June</i>	
	<i>2017 (Reviewed) QR'000</i>	<i>2016 (Reviewed) QR'000</i>
<b>Cash flows from operating activities</b>		
Net profit for the period before tax	1,189,375	1,072,863
Net changes in operating assets and liabilities	<u>(3,941,020)</u>	<u>(3,468,501)</u>
<b>Net cash flows used in operating activities</b>	<u>(2,751,645)</u>	<u>(2,395,638)</u>
<b>Cash flows from investing activities</b>		
Net changes in investment securities	(198,579)	2,109,390
Net changes in fixed and intangible assets	(33,339)	(98,819)
Net changes in investment properties	(479,227)	155,268
Dividends received from associate companies	<u>11,489</u>	<u>5,000</u>
<b>Net cash flows (used in) / from investing activities</b>	<u>(699,656)</u>	<u>2,170,839</u>
<b>Cash flows from financing activities</b>		
Net changes in equity of unrestricted investment account holders	(3,933,107)	1,160,909
Profit paid on sukuk eligible as additional capital	(85,000)	-
Net proceeds from sukuk issue	2,730,000	-
Net movement in non- controlling interest	1,699	24,525
Cash dividends paid to equity holders	<u>(1,122,393)</u>	<u>(1,004,246)</u>
<b>Net cash flows (used in) / from financing activities</b>	<u>(2,408,801)</u>	<u>181,188</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(5,860,102)</u>	<u>(43,611)</u>
Cash and cash equivalents - beginning of the period	<u>10,656,507</u>	<u>9,255,437</u>
<b>Cash and cash equivalents - end of the period (Note 18)</b>	<u><u>4,796,405</u></u>	<u><u>9,211,826</u></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 six month period ended 30 June 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 six month period ended 30 June 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 30 June 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	
			30 June 2017	31 December 2016
Arab Finance House	Lebanon	Banking	<b>99.99%</b>	99.99%
Aqar Real Estate Development and Investment Company W.L.L.("Aqar") (i)	Qatar	Investment in real estate	<b>49%</b>	49%
Durat Al Doha Real Estate Investment and Development W.L.L. (ii)	Qatar	Investment in real estate	<b>39.87%</b>	39.87%
QIB Sukuk Ltd (iii)	Cayman Islands	Sukuk issuance	-	-
QIB Sukuk Funding Limited	Qatar	Financing company	<b>100%</b>	100%
QIB (UK)	United Kingdom	Investment banking	<b>99.66%</b>	99.66%
QInvest LLC	Qatar	Investment banking	<b>50.13%</b>	50.13%
Verdi Luxembourg SARL (iv)	Luxembourg	Investment in real estate	<b>50.13%</b>	50.13%
Q Business Services (iv)	Cayman Islands	Investment holding company	<b>50.13%</b>	50.13%
Q Liquidity Limited (iv)	Cayman Islands	Placements	<b>50.13%</b>	50.13%
QInvest Holding Mauritius (iv)	Mauritius	Investment holding company	<b>50.13%</b>	50.13%
Q Exhibit (iv)	Mauritius	Investment holding company	<b>50.13%</b>	50.13%
QInvest Luxembourg S.a.r.l. (iv)	Luxembourg	Investments	<b>50.13%</b>	50.13%
QI St Edmund's Terrace 2 Limited (iv)	Cayman Islands	Investment holding company	<b>50.13%</b>	50.13%
QInvest IBFin LLC (Previously known as QInvest Comms Holding LLC) (iv)	Qatar	To provide financing facility	<b>50.13%</b>	50.13%
QI One Wall Street Invest Co. (iv)	Cayman Islands	Investment holding company	<b>50.13%</b>	50.13%
QEthika 1 (iv)	Cayman Islands	Investment holding company	<b>50.13%</b>	50.13%
QNGPV1 (iv)	Cayman Islands	Investment holding company	<b>50.13%</b>	50.13%
QInvest Euro PE QFC LLC (iv)	Qatar	Investment holding company	<b>50.13%</b>	50.13%
QInvest Rio LLC (iv)	Qatar	Investment holding company	<b>31.6%</b>	31.6%
Rio income s.a.r.l. (iv)	Luxembourg	Investment in lease	<b>45.12%</b>	45.12%
Q Tomahawk LLC (iv)	Cayman Islands	Investment holding company	<b>50.13%</b>	50.13%
QInvest Refin LLC (iv)	Qatar	To provide financing facility	<b>50.13%</b>	50.13%
Q Alloy S.a.r.l (iv)	Luxembourg	To provide financing facility	<b>50.13%</b>	50.13%
QSeven 1 LP (iv)	Cayman Island	Investment in real estate	<b>45.62%</b>	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	<b>50.13%</b>	-
Qinvest Portfoy Yonetimi A.S. (iv)	Turkey	Asset Management	<b>50.13%</b>	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>30 June 2017 (Reviewed)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Group function QR'000</i>	<i>Local &amp; international subsidiaries QR'000</i>	<i>Total QR'000</i>
External revenue:					
Total income from financing and investing activities	1,698,204	578,284	269,766	242,171	2,788,425
Net fee and commission income	125,332	77,055	39,648	33,418	275,453
Net foreign exchange gain	-	-	52,049	3,863	55,912
Share of results of associates	-	-	11,235	5,714	16,949
Other income	-	-	-	9,704	9,704
Inter segment revenue	(490,096)	141,614	348,482	-	-
Profit from a subsidiary held for sale	-	-	-	-	-
<b>Total segment income after discontinued operations</b>	<b>1,333,440</b>	<b>796,953</b>	<b>721,180</b>	<b>294,870</b>	<b>3,146,443</b>
Staff costs , other expenses and depreciation and amortization	(112,875)	(196,000)	(88,722)	(149,242)	(546,839)
Sukuk holders share of profit	-	-	(98,610)	-	(98,610)
Net return to unrestricted investment account holders	(439,580)	(140,353)	(247,189)	(59,386)	(886,508)
Other material non-cash items:					
Impairment losses on investment securities	-	-	(101,800)	-	(101,800)
Net impairment losses on financing assets	(30,384)	(52,352)	(203,565)	(35,005)	(321,306)
Other impairment losses	-	-	-	(2,005)	(2,005)
<b>Reportable segment net profit before tax</b>	<b>750,601</b>	<b>408,248</b>	<b>(18,706)</b>	<b>49,232</b>	<b>1,189,375</b>
Tax expense	-	-	-	(10,789)	(10,789)
<b>Reportable segment net profit after tax</b>	<b>750,601</b>	<b>408,248</b>	<b>(18,706)</b>	<b>38,443</b>	<b>1,178,586</b>

**3 OPERATING SEGMENTS (CONTINUED)**

Information about operating segments

<i>30 June 2016 (Reviewed)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Group function QR'000</i>	<i>Local &amp; international subsidiaries QR'000</i>	<i>Total QR'000</i>
External revenue:					
Total income from financing and investing activities	1,321,419	539,771	229,147	192,232	2,282,569
Net fee and commission income	129,991	77,127	11,732	49,354	268,204
Net foreign exchange gain	-	-	70,365	4,555	74,920
Share of results of associates	-	-	16,442	5,929	22,371
Other income	-	-	-	9,225	9,225
Inter segment revenue	(344,761)	115,377	229,384	-	-
Profit from a subsidiary held for sale	-	-	-	1,625	1,625
Total segment income after discontinued operations	<u>1,106,649</u>	<u>732,275</u>	<u>557,070</u>	<u>262,920</u>	<u>2,658,914</u>
Staff costs , other expenses and depreciation and amortization	(117,310)	(198,229)	(85,562)	(154,019)	(555,120)
Sukuk holders' share of profit	-	-	(71,729)	-	(71,729)
Net return to unrestricted investment account holders	(381,670)	(106,996)	(220,803)	(48,738)	(758,207)
Other material non-cash items:					
Impairment losses on investment securities	-	-	(104,600)	-	(104,600)
Net impairment losses on financing assets	(32,528)	(28,838)	(13,736)	(21,293)	(96,395)
Reportable segment net profit before tax	<u>575,141</u>	<u>398,212</u>	<u>60,640</u>	<u>38,870</u>	<u>1,072,863</u>
Tax expense	-	-	-	(2,883)	(2,883)
Reportable segment net profit after tax	<u>575,141</u>	<u>398,212</u>	<u>60,640</u>	<u>35,987</u>	<u>1,069,980</u>

**Note:**

Certain segmental income and expenses for the six month period ended 30 June 2016 were reclassified in the condensed consolidated interim financial statements for the six months ended 30 June 2017 to conform to the presentation and classification adopted in the current period.

**3 OPERATING SEGMENTS (CONTINUED)**

<i>30 June 2017 (Reviewed)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Group function QR'000</i>	<i>Local &amp; international subsidiaries QR'000</i>	<i>Total QR'000</i>
Reportable segment assets	<u>89,063,513</u>	<u>18,117,398</u>	<u>34,043,355</u>	<u>5,662,555</u>	<u>146,886,821</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>46,209,591</u>	<u>31,513,063</u>	<u>44,984,453</u>	<u>4,082,843</u>	<u>126,789,950</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 &amp; 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**  
 At 30 June 2017

**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>30 June 2017 (Reviewed)</i>					
Cash and balances with central banks	-	-	5,374,550	5,374,550	5,374,550
Due from banks	-	-	4,695,692	4,695,692	4,695,692
Financing assets	-	-	109,691,729	109,691,729	109,691,729
Investment securities:					
- Measured at fair value	1,427,297	704,410	-	2,131,707	2,131,707
- Measured at amortised cost			17,992,871	17,992,871	17,722,130
Other assets	-	-	1,035,119	1,035,119	1,035,119
	<b>1,427,297</b>	<b>704,410</b>	<b>138,789,961</b>	<b>140,921,668</b>	<b>140,650,927</b>
Due to banks	-	-	18,013,236	18,013,236	18,013,236
Customers' current accounts	-	-	19,527,864	19,527,864	19,527,864
Sukuk financing	-	-	9,518,464	9,518,464	9,518,464
Other liabilities	-	-	2,321,851	2,321,851	2,321,851
Equity of unrestricted investment account holders	-	-	77,408,535	77,408,535	77,408,535
	-	-	<b>126,789,950</b>	<b>126,789,950</b>	<b>126,789,950</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 At 30 June 2017

**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**  
 At 30 June 2017

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

As at 30 June 2017 and 31 December 2016, the Group held the following financial instruments measured at fair value:

<i>30 June 2017 (Reviewed)</i>	<i>Fair value measurement using</i>			
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Shari'a compliant risk management instruments (assets)	<b>569,199</b>	-	<b>569,199</b>	-
<b>Investments securities</b>				
Quoted equity-type investments classified as fair value through income statement	-	-	-	-
Quoted debt-type investments classified as fair value through income statement	<b>38,458</b>	<b>38,458</b>	-	-
Unquoted equity-type investments classified as fair value through income statement	<b>1,388,839</b>	-	<b>344,292</b>	<b>1,044,547</b>
Quoted equity-type investments classified as fair value through equity	<b>153,411</b>	<b>153,411</b>	-	-
Unquoted equity-type investments classified as fair value through equity	<b>550,999</b>	-	-	<b>550,999</b>
Shari'a compliant risk management instruments (liabilities)	<b>165,517</b>	-	<b>165,517</b>	-

<i>31 December 2016 (Audited)</i>	<i>Fair value measurement using</i>			
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Shari'a compliant risk management instruments (assets)	731,141	-	731,141	-
<b>Investments securities :</b>				
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
Shari'a compliant risk management instruments (liabilities)	130,261	-	130,261	-

The fair value of financial assets and liabilities carried at amortised cost are equal to the carrying value, hence, not included in the fair value hierarchy table. During the period ended 30 June 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 30 June 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 /transfers	Sales/ transfers	At 30 June 2017
<b>Equity investments:</b>					
at fair value through equity	352,261	-	218,117	(19,379)	550,999
at fair value through income statement	750,093	21,562	279,896	(7,004)	1,044,547
	<b>1,102,354</b>	<b>21,562</b>	<b>498,013</b>	<b>(26,383)</b>	<b>1,595,546</b>

	At 1 January 2016	Total gain recorded in consolidated income statement	Purchases	Sales/ transfers	At 31 December 2016
<b>Equity investments:</b>					
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
	<b>937,828</b>	<b>26,143</b>	<b>192,148</b>	<b>(53,765)</b>	<b>1,102,354</b>

**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 102 million (30 June 2016: QR 105 million) as impairment on equity investment securities which were recognised under “impairment loss on investment securities” in the condensed consolidated income statement.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 At 30 June 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 321 million (30 June 2016: QR 96 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>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>
Total financing assets	<b>119,321,141</b>	106,183,746	105,142,655
Less: Deferred profit	<b>(8,487,461)</b>	(7,149,002)	(7,859,165)
Impairment of financing assets	<b>(1,071,067)</b>	(799,282)	(674,723)
Suspended profit	<b>(70,884)</b>	(64,942)	(43,425)
<b>Net financing assets</b>	<b><u>109,691,729</u></b>	<u>98,170,520</u>	<u>96,565,342</u>

*Note:*

The impaired financing assets net of deferred profit amounted to QR 970 million as at 30 June 2017 representing 0.9% 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 30 June 2017

## 7 INVESTMENT SECURITIES

	30 June 2017 (Reviewed)			31 December 2016 (Audited)			30 June 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
<b>Investments classified as fair value through income statement</b>									
• equity-type investments	-	1,388,839	1,388,839	5,719	972,889	978,608	13,381	898,700	912,081
• debt-type investments									
- Fixed rate	38,458	-	38,458	46,507	-	46,507	74,304	-	74,304
	<b>38,458</b>	<b>1,388,839</b>	<b>1,427,297</b>	<b>52,226</b>	<b>972,889</b>	<b>1,025,115</b>	<b>87,685</b>	<b>898,700</b>	<b>986,385</b>
<b>Debt-type investments classified at amortised cost</b>									
- State of Qatar Sukuk and QCB Murabaha	2,145,044	14,972,590	17,117,634	2,051,196	13,722,650	15,773,846	1,678,353	10,809,965	12,488,318
- Fixed rate	714,488	16,282	730,770	2,481,418	14,851	2,496,269	2,626,946	25,967	2,652,913
- Floating rate	-	144,467	144,467	-	144,467	144,467	127,514	144,467	271,981
	<b>2,859,532</b>	<b>15,133,339</b>	<b>17,992,871</b>	<b>4,532,614</b>	<b>13,881,968</b>	<b>18,414,582</b>	<b>4,432,813</b>	<b>10,980,399</b>	<b>15,413,212</b>
<b>Equity-type investments classified as fair value through equity</b>									
	153,411	550,999	704,410	166,759	352,261	519,020	269,808	264,778	534,586
	<b>3,051,401</b>	<b>17,073,177</b>	<b>20,124,578</b>	<b>4,751,599</b>	<b>15,207,118</b>	<b>19,958,717</b>	<b>4,790,306</b>	<b>12,143,877</b>	<b>16,934,183</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 At 30 June 2017

**8 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS**

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>
Term accounts	<b>61,510,891</b>	66,370,039	63,855,304
Saving accounts	<b>13,008,336</b>	12,294,132	12,569,944
Call accounts	<b>2,853,961</b>	2,642,820	2,801,639
	<b>77,373,188</b>	81,306,991	79,226,887
Share in fair value reserve	<b>35,347</b>	34,651	18,817
<b>Total</b>	<b>77,408,535</b>	81,341,642	79,245,704

**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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 At 30 June 2017

**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 30 June</i>		<i>For the six month period ended 30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<b>609,758</b>	562,931	<b>1,165,108</b>	1,055,308
Less: Profit attributable to sukuk eligible as additional capital	<b>(51,250)</b>	(25,000)	<b>(102,500)</b>	(50,000)
Profit for EPS calculation	<b>558,508</b>	537,931	<b>1,062,608</b>	1,005,308
Weighted average number of shares outstanding during the period	236,293	236,293	236,293	236,293
Basic and diluted earnings per share (QR)	<b>2.36</b>	2.28	<b>4.50</b>	4.25

**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), (30 June 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 six month period ended 30 June 2017, the Group has recognised QR 0.7 million as share-based payment expense in the condensed consolidated income statement (30 June 2016: QR 6.2 million).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 At 30 June 2017

**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. The Group raised additional tier 1 capital in the year 2016 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>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>
Cash and balances with central banks (excluding restricted QCB reserve account)	1,623,416	985,675	1,358,916
Due from banks	<u>3,172,989</u>	<u>9,670,832</u>	<u>7,852,910</u>
<b>Total</b>	<b><u>4,796,405</u></b>	<b><u>10,656,507</u></b>	<b><u>9,211,826</u></b>

**19 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>
<b>a) Contingent liabilities</b>			
Unused financing facilities	5,788,677	5,539,823	8,297,725
Guarantees	10,883,106	10,187,579	10,351,642
Letters of credit	<u>2,820,340</u>	<u>3,105,980</u>	<u>2,887,305</u>
	<b><u>19,492,123</u></b>	<b><u>18,833,382</u></b>	<b><u>21,536,672</u></b>
<b>b) Commitments</b>			
Investment commitment	203,188	254,420	242,635
Other risk management instruments	<u>23,175,769</u>	<u>23,662,159</u>	<u>19,465,680</u>
	<b><u>23,378,957</u></b>	<b><u>23,916,579</u></b>	<b><u>19,708,315</u></b>
<b>Total</b>	<b><u>42,871,080</u></b>	<b><u>42,749,961</u></b>	<b><u>41,244,987</u></b>

**Lease commitments**

Operating lease rentals are payable as follows:

	<i>30 June 2017 (Reviewed) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>	<i>30 June 2016 (Reviewed) QR'000</i>
Less than one year	22,336	20,731	18,356
After one year but not more than five years	<u>74,861</u>	<u>51,995</u>	<u>61,505</u>
	<b><u>97,197</u></b>	<b><u>72,726</u></b>	<b><u>79,861</u></b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 At 30 June 2017

**20 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant shareholders and entities over which the Group and the shareholders' exercise significant influence, directors and executive management of the Group.

The related party transactions and balances included in these condensed consolidated interim financial statements are as follows:

	<i>30 June 2017 (Reviewed)</i>			<i>31 December 2016 (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>
<b>Assets:</b>						
Financing assets	204,489	1,551,834	1,579,710	351,840	1,166,128	1,590,533
<b>Equity of unrestricted investment account holders</b>	<b>102,153</b>	<b>1,073,137</b>	<b>10,855</b>	12,643	561,695	87,813
<b>Off balance sheet items:</b>						
Contingent liabilities, guarantees and other commitments	-	316,962	-	-	121,696	2,129
	<i>For the six month period ended 30 June 2017 (Reviewed)</i>			<i>For the six month period ended 30 June 2016 (Reviewed)</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>
<b>Consolidated statement of income items:</b>						
Income from financing activities	5,639	37,914	39,246	7,898	23,191	27,999
Profit paid on deposits	269	4,800	287	122	371	388
Fee and commission	229	-	-	-	-	-

Key management personnel compensation for the period comprised:

	<i>For the six month period ended 30 June</i>	
	<i>2017 (Reviewed)</i>	<i>2016 (Reviewed)</i>
	<i>QR'000</i>	<i>QR'000</i>
Key management remuneration	<u>42,172</u>	<u>42,906</u>

**21 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 income statement or the total consolidated equity for the comparative period/year.