

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

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**30 June 2019**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
30 June 2019

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KPMG  
25 C Ring Road  
PO Box 4473, Doha  
State of Qatar  
Telephone: +974 4457 6444  
Fax: +974 4442 5626  
Website: home.kpmg/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 2019 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 2019;
- the condensed consolidated income statement for the three and six month periods ended 30 June 2019;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2019;
- the condensed consolidated statement of changes in restricted investment accounts for the six month period ended 30 June 2019;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2019; and
- 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2019 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.

17 July 2019  
Doha  
State of Qatar



Gopal Balasubramaniam  
Qatar Auditors Registry Number 251  
KPMG


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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION


As at 30 June 2019

		<i>30 June</i> <i>2019</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>31 December</i> <i>2018</i> <i>(Audited)</i> <i>QAR'000</i>	<i>30 June</i> <i>2018</i> <i>(Reviewed)</i> <i>QAR'000</i>
<b>Assets</b>				
Cash and balances with central banks		5,733,442	7,298,914	5,327,281
Due from banks		3,348,440	6,424,153	10,054,174
Financing assets	6	106,955,698	102,209,930	100,260,030
Investment securities	7	32,726,364	31,473,601	30,732,167
Investment in associates		568,225	568,392	675,163
Investment properties		1,946,338	1,231,107	1,305,042
Fixed assets		462,419	479,468	493,148
Intangible assets		395,651	385,740	398,982
Other assets		2,453,866	3,161,060	3,215,480
<b>Total assets</b>		<b>154,590,443</b>	<b>153,232,365</b>	<b>152,461,467</b>
<b>Liabilities, equity of unrestricted investment account holders and equity</b>				
<b>Liabilities</b>				
Due to banks		9,443,783	17,233,968	20,872,184
Customers' current accounts		15,959,322	15,420,808	18,236,987
Sukuk financing		11,853,690	9,189,047	8,454,776
Other liabilities		4,806,921	5,471,990	4,231,467
<b>Total liabilities</b>		<b>42,063,716</b>	<b>47,315,813</b>	<b>51,795,414</b>
<b>Equity of unrestricted investment account holders</b>	8	<b>91,604,348</b>	<b>85,177,175</b>	<b>80,657,180</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	2,318,875	2,318,875	2,263,736
General reserve	11	81,935	81,935	81,935
Fair value reserve		85,528	154,458	240,762
Foreign currency translation reserve	13	(322,202)	(348,424)	(253,057)
Other reserves	14	216,820	216,820	216,820
Share-based payment reserve	16	-	-	9,004
Retained earnings		4,507,527	4,263,684	3,162,726
<b>Total equity attributable to equity holders of the bank</b>		<b>15,621,431</b>	<b>15,420,296</b>	<b>14,454,874</b>
Non-controlling interests		1,300,948	1,319,081	1,553,999
Sukuk eligible as additional capital	17	4,000,000	4,000,000	4,000,000
<b>Total equity</b>		<b>20,922,379</b>	<b>20,739,377</b>	<b>20,008,873</b>
<b>Total liabilities, equity of unrestricted investment account holders and equity</b>		<b>154,590,443</b>	<b>153,232,365</b>	<b>152,461,467</b>

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 July 2019 and were signed on its behalf by:



\_\_\_\_\_  
 Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani  
 Chairman



\_\_\_\_\_  
 Basser Gamal  
 Group Chief Executive Officer

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three and six month periods ended 30 June 2019

	Note	For the three month period ended 30 June		For the six month period ended 30 June	
		2019	2018	2019	2018
		(Reviewed) QAR'000	(Reviewed) QAR'000	(Reviewed) QAR'000	(Reviewed) QAR'000
Net income from financing activities		<b>1,439,175</b>	1,314,150	<b>2,887,903</b>	2,587,294
Net income from investing activities		<b>267,614</b>	222,858	<b>494,113</b>	389,795
<b>Total income from financing and investing activities, net</b>		<b>1,706,789</b>	1,537,008	<b>3,382,016</b>	2,977,089
Fee and commission income		<b>198,298</b>	178,433	<b>378,693</b>	358,535
Fee and commission expense		<b>(41,562)</b>	(37,548)	<b>(82,186)</b>	(76,977)
<b>Net fee and commission income</b>		<b>156,736</b>	140,885	<b>296,507</b>	281,558
Net foreign exchange gain		<b>11,171</b>	56,818	<b>34,332</b>	106,388
Net share of results of associates		<b>1,703</b>	(8,845)	<b>3,385</b>	(8,803)
Other income		<b>8,883</b>	5,682	<b>18,528</b>	11,455
<b>Total income</b>		<b>1,885,282</b>	1,731,548	<b>3,734,768</b>	3,367,687
Staff costs		<b>(161,522)</b>	(159,227)	<b>(311,658)</b>	(321,125)
Depreciation and amortisation		<b>(20,533)</b>	(23,358)	<b>(40,859)</b>	(46,289)
Sukuk holders' share of profit		<b>(102,551)</b>	(60,439)	<b>(180,178)</b>	(113,034)
Other expenses		<b>(95,593)</b>	(103,952)	<b>(192,241)</b>	(209,806)
<b>Total expenses</b>		<b>(380,199)</b>	(346,976)	<b>(724,936)</b>	(690,254)
Net impairment losses on investment securities		<b>(71,352)</b>	(56,035)	<b>(86,101)</b>	(122,305)
Net impairment / expected credit losses on financing assets	22	<b>(104,254)</b>	(110,946)	<b>(297,731)</b>	(266,347)
Other impairment (losses) / reversals	22	<b>(16,462)</b>	(3,699)	<b>(10,490)</b>	11,580
<b>Net profit for the period before tax and return to unrestricted investment account holders</b>		<b>1,313,015</b>	1,213,892	<b>2,615,510</b>	2,300,361
Less: return to unrestricted investment account holders		<b>(617,962)</b>	(512,570)	<b>(1,240,563)</b>	(1,000,021)
<b>Net profit for the period before tax</b>		<b>695,053</b>	701,322	<b>1,374,947</b>	1,300,340
Tax reversal / (expense)		<b>6,684</b>	(6,777)	<b>889</b>	(9,282)
<b>Net profit for the period</b>		<b>701,737</b>	694,545	<b>1,375,836</b>	1,291,058
<b>Net profit for the period attributable to:</b>					
Equity holders of the Bank		<b>740,077</b>	700,083	<b>1,425,309</b>	1,325,331
Non-controlling interests		<b>(38,340)</b>	(5,538)	<b>(49,473)</b>	(34,273)
<b>Net profit for the period</b>		<b>701,737</b>	694,545	<b>1,375,836</b>	1,291,058
<b>Earnings per share</b>					
Basic / diluted earnings per share (QAR per share)	12	<b>0.31</b>	0.30	<b>0.60</b>	0.56

The attached notes 1 to 23 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 2019

	<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>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>
----- QAR'000 -----												
<b>Balance at 31 December 2018</b> <i>(Audited)</i>	2,362,932	6,370,016	2,318,875	81,935	154,458	(348,424)	216,820	4,263,684	15,420,296	1,319,081	4,000,000	20,739,377
Foreign currency translation reserve movement	-	-	-	-	-	26,222	-	-	26,222	-	-	26,222
Fair value reserve movement	-	-	-	-	(68,930)	-	-	-	(68,930)	-	-	(68,930)
Net profit / (loss) for the period	-	-	-	-	-	-	-	1,425,309	1,425,309	(49,473)	-	1,375,836
<b>Total recognised income and expense for the period</b>	-	-	-	-	(68,930)	26,222	-	1,425,309	1,382,601	(49,473)	-	1,333,128
Cash dividends paid to equity holders (Note 15)	-	-	-	-	-	-	-	(1,181,466)	(1,181,466)	-	-	(1,181,466)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	31,340	-	31,340
<b>Balance at 30 June 2019</b> <i>(Reviewed)</i>	2,362,932	6,370,016	2,318,875	81,935	85,528	(322,202)	216,820	4,507,527	15,621,431	1,300,948	4,000,000	20,922,379

The attached notes 1 to 23 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 2019

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	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
	----- QAR'000 -----												
Balance at 31 December 2017 (Audited)	2,362,932	6,370,016	2,263,736	81,935	170,173	(137,224)	216,820	11,185	3,949,613	15,289,186	1,590,979	4,000,000	20,880,165
Transition adjustment on early adoption of FAS 30 at 1 January 2018	-	-	-	-	-	-	-	-	(930,752)	(930,752)	(46,266)	-	(977,018)
Restated balance at 1 January 2018	2,362,932	6,370,016	2,263,736	81,935	170,173	(137,224)	216,820	11,185	3,018,861	14,358,434	1,544,713	4,000,000	19,903,147
Foreign currency translation reserve movement	-	-	-	-	-	(115,833)	-	-	-	(115,833)	-	-	(115,833)
Fair value reserve movement	-	-	-	-	70,589	-	-	-	-	70,589	-	-	70,589
Net profit / (loss) for the period	-	-	-	-	-	-	-	-	1,325,331	1,325,331	(34,273)	-	1,291,058
Total recognised income and expense for the period	-	-	-	-	70,589	(115,833)	-	-	1,325,331	1,280,087	(34,273)	-	1,245,814
Cash dividends paid to equity holders (Note 15)	-	-	-	-	-	-	-	-	(1,181,466)	(1,181,466)	-	-	(1,181,466)
Share-based payment (Note 16)	-	-	-	-	-	-	-	(2,181)	-	(2,181)	(2,170)	-	(4,351)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	45,729	-	45,729
Balance at 30 June 2018 (Reviewed)	2,362,932	6,370,016	2,263,736	81,935	240,762	(253,057)	216,820	9,004	3,162,726	14,454,874	1,553,999	4,000,000	20,008,873

The attached notes 1 to 23 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 2019

<i>Investment</i>	<i>Movements during the period</i>						<i>At 30 June 2019 (Reviewed)</i>
	<i>At 1 January 2019 (Audited)</i>	<i>Investment</i>	<i>Revaluation</i>	<i>Gross income</i>	<i>Dividends paid</i>	<i>Bank's fee as an agent</i>	
Real Estate Portfolio	66,430	-	-	-	-	-	66,430
Equity Securities Portfolio	555,461	60,730	11,794	25,789	(3,287)	(2,337)	648,150
	<b>621,891</b>	<b>60,730</b>	<b>11,794</b>	<b>25,789</b>	<b>(3,287)</b>	<b>(2,337)</b>	<b>714,580</b>

<i>Investment</i>	<i>Movements during the period</i>						<i>At 30 June 2018 (Reviewed)</i>
	<i>At 1 January 2018 (Audited)</i>	<i>Investment / (withdrawals)</i>	<i>Revaluation</i>	<i>Gross Income</i>	<i>Dividends paid</i>	<i>Bank's fee as an agent</i>	
Real Estate Portfolio	73,164	(6,734)	-	-	-	-	66,430
Equity Securities Portfolio	883,592	(89,653)	(12,266)	22,374	(1,134)	2,365	805,278
	<b>956,756</b>	<b>(96,387)</b>	<b>(12,266)</b>	<b>22,374</b>	<b>(1,134)</b>	<b>2,365</b>	<b>871,708</b>

The attached notes 1 to 23 form part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2019

	<i>For the six month period ended 30 June</i>	
	<i>2019 (Reviewed) QAR'000</i>	<i>2018 (Reviewed) QAR'000</i>
<b>Cash flows from operating activities</b>		
Net profit for the period before tax	1,374,947	1,300,340
Net changes in operating assets and liabilities	<u>(13,462,741)</u>	<u>8,067,534</u>
<b>Net cash flows (used in) / from operating activities</b>	<u>(12,087,794)</u>	<u>9,367,874</u>
<b>Cash flows from investing activities</b>		
Net changes in investment securities	(1,256,711)	(47,967)
Net changes in fixed and intangible assets	(62,936)	(26,765)
Net changes in associate companies	-	(33,518)
Net changes in investment properties	-	475,000
Dividends received from associate companies	<u>7,000</u>	<u>5,000</u>
<b>Net cash flows (used in) / from investing activities</b>	<u>(1,312,647)</u>	<u>371,750</u>
<b>Cash flows from financing activities</b>		
Change in equity of unrestricted investment account holders	6,427,173	(4,557,291)
Profit paid on sukuk eligible as additional capital	(205,000)	(205,000)
Net proceeds from sukuk issue	2,730,000	1,363,180
Net movement in non-controlling interests	31,340	(538)
Cash dividends paid to equity holders of the Bank	<u>(1,181,466)</u>	<u>(1,181,466)</u>
<b>Net cash flows from / (used in) in financing activities</b>	<u>7,802,047</u>	<u>(4,581,115)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(5,598,394)</u>	<u>5,158,509</u>
Cash and cash equivalents - beginning of the period	<u>9,087,614</u>	<u>5,629,501</u>
<b>Cash and cash equivalents - end of the period (Note 18)</b>	<u>3,489,220</u>	<u>10,788,010</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 and six month periods ended 30 June 2019 comprise the Bank and its subsidiaries (together referred to as the “Group”). The Group 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 30 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.

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:

	<i>Country of Incorporation</i>	<i>Principal Business Activity</i>	<i>Effective percentage of ownership</i>	
			<b>30 June 2019</b>	<b>31 December 2018</b>
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 Island	Sukuk issuance	<b>100%</b>	100%
QIB Sukuk Funding Limited	Qatar	Financing company	<b>100%</b>	100%
QIB (UK)	United Kingdom	Investment banking	<b>99.71%</b>	99.71%
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 Island	Investment holding company	<b>50.13%</b>	50.13%
Q Liquidity Limited (iv)	Cayman Island	Placements	<b>50.13%</b>	50.13%
QInvest Holding Mauritius (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 Island	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 Island	Investment holding company	-	50.13%
QEthika 1 (iv)	Cayman Island	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%
Q Tomahawk LLC (iv)	Cayman Island	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)	Luxemburg	To provide financing facility	<b>50.13%</b>	50.13%
Q Magnolia LLC (iv)	Cayman Island	Investment in real estate	<b>50.13%</b>	50.13%
Qinvest Portfoy Yonetimi A.S. (iv)	Turkey	Asset Management	<b>50.13%</b>	50.13%
BOH LLC (iv)	Qatar	Holding Company	<b>50.13%</b>	50.13%
Alloy Holdco LLC (iv)	Qatar	Investment holding company	<b>50.13%</b>	50.13%
Admiral Holdco LLC (iv)	Qatar	Holding Company	<b>50.13%</b>	50.13%
QInvest RE-Equity LLC (iv)	Qatar	Investment holding company	<b>50.13%</b>	50.13%
QSeven 1 LP (iv)	Cayman Island	Investment in real estate	<b>45.62%</b>	45.62%
Admiral Operations Limited (iv)	Cayman Island	Vessel operating company	<b>37.60%</b>	37.60%

- 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 of 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.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****(a) 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 2018. In addition, results for the three and six month periods ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2018.

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018.

**(b) 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 2018 as modified to include the impact of new standards, amendments and interpretations as detailed in (i) below.

**New standards and interpretations****i. New standards, amendments and interpretations effective from 1 January 2019***FAS 28 Murabaha and Other Deferred Payment Sales*

AAOIFI has issued FAS 28 Murabaha and Other Deferred Payment Sales in 2017. FAS 28 supersedes the earlier FAS 2 “Murabaha and Murabaha to the Purchase Orderer” and FAS 20 “Deferred Payment Sale”.

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers, for such transactions.

The new standard is effective for annual reporting periods beginning on or after 1 January 2019 and has no impact on the Group’s condensed consolidated interim financial statements.

**ii. New standards, amendments and interpretations issued but not yet effective***FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)*

AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) in 2018. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

The Group is currently evaluating the impact of this standard.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Significant accounting policies (continued)****New standards and interpretations (continued)****ii. New standards, amendments and interpretations issued but not yet effective (continued)***FAS 33 Investment in sukuk, shares and similar instruments*

AAOIFI has issued FAS 33 Investment in sukuk, shares and similar instruments in 2019. FAS 33 supersedes the earlier FAS 25 " Investment in sukuks, shares and similar instruments " .

The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari'ah principles. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

The Group is currently evaluating the impact of this standard.

*FAS 34 Financial reporting for Sukuk-holders*

AAOIFI has issued FAS 34 Financial reporting for Sukuk-holders in 2019.

The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukuk-holders. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

The Group is currently evaluating the impact of this standard.

*FAS 35 Risk Reserves*

AAOIFI has issued FAS 35 "Risk Reserves" in 2018. This standard along with FAS 30 'Impairment, credit losses and onerous commitments' supersede the earlier FAS 11 "Provisions and reserves".

The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). This standard shall be effective for the financial periods beginning on or after 1 January 2021 with early adoption permitted only if the Group early adopts FAS 30 "Impairment, credit losses and onerous commitments".

The Group is currently evaluating the impact of this standard.

*FAS 30 Impairment, Credit losses and Onerous Commitments*

AAOIFI has issued FAS 30 Impairment, Credit losses and Onerous Commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 will replace FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach, 2) Net Realizable Value approach ("NRV") and 3) Impairment approach.

The standard is effective from financial periods beginning on or after 1 January 2020 with early adoption permitted. However in 2018, the Group early adopted FAS 30 effective 01 January 2018 based on circular 26 of 2018 issued by QCB superseding its earlier circular 9 of 2017 pertaining to ECL regulations. The respective adjustments to the opening retained earnings and non-controlling interests as of 01 January 2018 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

### 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## 3. OPERATING SEGMENTS (CONTINUED)

## Information about operating segments

<i>30 June 2019 (Reviewed)</i>	<i>Corporate banking QAR'000</i>	<i>Personal banking QAR'000</i>	<i>Group function QAR'000</i>	<i>Local &amp; international subsidiaries QAR'000</i>	<i>Total QAR'000</i>
External revenue:					
Total income from financing and investing activities	2,331,783	664,277	251,802	134,154	3,382,016
Net fee and commission income	149,889	105,099	26,333	15,186	296,507
Net foreign exchange gain	-	-	40,736	(6,404)	34,332
Share of results of associates	-	-	5,033	(1,648)	3,385
Other income	-	-	-	18,528	18,528
Inter segment revenue	(791,076)	276,300	514,776	-	-
<b>Total segment income</b>	<b>1,690,596</b>	<b>1,045,676</b>	<b>838,680</b>	<b>159,816</b>	<b>3,734,768</b>
Staff costs, other expenses and depreciation and amortization	(128,965)	(224,421)	(58,434)	(132,938)	(544,758)
Sukuk holders' share of profit	-	-	(180,178)	-	(180,178)
Return to unrestricted investment account holders	(762,331)	(256,142)	(193,897)	(28,193)	(1,240,563)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(24,840)	(61,261)	(86,101)
Net impairment (losses) / reversals on financing assets	(91,427)	(80,888)	(134,950)	9,534	(297,731)
Other impairment losses	-	-	(4,859)	(5,631)	(10,490)
<b>Reportable segment net profit / (loss) before tax</b>	<b>707,873</b>	<b>484,225</b>	<b>241,522</b>	<b>(58,673)</b>	<b>1,374,947</b>
Tax reversal	-	-	-	889	889
<b>Reportable segment net profit / (loss) after tax</b>	<b>707,873</b>	<b>484,225</b>	<b>241,522</b>	<b>(57,784)</b>	<b>1,375,836</b>

**3. OPERATING SEGMENTS (CONTINUED)**

Information about operating segments

<i>30 June 2018 (Reviewed)</i>	<i>Corporate banking QAR '000</i>	<i>Personal banking QAR '000</i>	<i>Group function QAR '000</i>	<i>Local &amp; international subsidiaries QAR '000</i>	<i>Total QAR '000</i>
External revenue:					
Total income from financing and investing activities	2,091,295	616,732	110,528	158,534	2,977,089
Net fee and commission income	152,006	90,859	18,454	20,239	281,558
Net foreign exchange gain	-	-	48,407	57,981	106,388
Share of results of associates	-	-	9,075	(17,878)	(8,803)
Other income	-	-	-	11,455	11,455
Inter segment revenue	(558,469)	203,747	354,722	-	-
<b>Total segment income</b>	<b>1,684,832</b>	<b>911,338</b>	<b>541,186</b>	<b>230,331</b>	<b>3,367,687</b>
Staff costs, other expenses and depreciation and amortization	(121,625)	(215,713)	(80,117)	(159,765)	(577,220)
Sukuk holders' share of profit	-	-	(113,034)	-	(113,034)
Return to unrestricted investment account holders	(685,258)	(192,160)	(102,271)	(20,332)	(1,000,021)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(120,875)	(1,430)	(122,305)
Net impairment losses on financing assets	(136,039)	(32,757)	(93,886)	(3,665)	(266,347)
Other impairment reversals	-	-	12,024	(444)	11,580
<b>Reportable segment net profit before tax</b>	<b>741,910</b>	<b>470,708</b>	<b>43,027</b>	<b>44,695</b>	<b>1,300,340</b>
Tax expense	-	-	-	(9,282)	(9,282)
<b>Reportable segment net profit after tax</b>	<b>741,910</b>	<b>470,708</b>	<b>43,027</b>	<b>35,413</b>	<b>1,291,058</b>

*Note:*

Certain segmental income and expenses for the six-month period ended 30 June 2018 were reclassified in the condensed consolidated interim financial statements for the six-month period ended 30 June 2019 to conform to the presentation and classification adopted in the current period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 30 June 2019

## 3. OPERATING SEGMENTS (CONTINUED)

<i>30 June 2019 (Reviewed)</i>	<i>Corporate banking</i> <i>QAR'000</i>	<i>Personal banking</i> <i>QAR'000</i>	<i>Group function</i> <i>QAR'000</i>	<i>Local &amp; international subsidiaries</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
Reportable segment assets	<u>94,550,009</u>	<u>18,831,359</u>	<u>36,506,583</u>	<u>4,702,492</u>	<u>154,590,443</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>50,667,746</u>	<u>39,456,604</u>	<u>39,724,416</u>	<u>3,819,298</u>	<u>133,668,064</u>
 <i>31 December 2018 (Audited)</i>	 <i>Corporate banking</i> <i>QAR'000</i>	 <i>Personal banking</i> <i>QAR'000</i>	 <i>Group function</i> <i>QAR'000</i>	 <i>Local &amp; international subsidiaries</i> <i>QAR'000</i>	 <i>Total</i> <i>QAR'000</i>
Reportable segment assets	<u>91,400,552</u>	<u>18,298,362</u>	<u>38,827,233</u>	<u>4,706,218</u>	<u>153,232,365</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>58,369,504</u>	<u>35,316,924</u>	<u>34,976,783</u>	<u>3,829,777</u>	<u>132,492,988</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 As at and for the period ended 30 June 2019

**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 equity</i>	<i>Fair value through income statement</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
<i>30 June 2019 (Reviewed)</i>					
Cash and balances with central banks	-	-	5,733,442	5,733,442	5,733,442
Due from banks	-	-	3,348,440	3,348,440	3,348,440
Financing assets	-	502,018	106,453,680	106,955,698	106,955,698
Investment securities:					
- Measured at fair value	516,208	1,901,003	-	2,417,211	2,417,211
- Measured at amortised cost	-	-	30,309,153	30,309,153	30,379,267
Other assets	-	-	664,109	664,109	664,109
	<b>516,208</b>	<b>2,403,021</b>	<b>146,508,824</b>	<b>149,428,053</b>	<b>149,498,167</b>
Due to banks	-	-	9,443,783	9,443,783	9,443,783
Customers' current accounts	-	-	15,959,322	15,959,322	15,959,322
Sukuk financing	-	-	11,853,690	11,853,690	11,853,690
Other liabilities	-	-	4,806,921	4,806,921	4,806,921
Equity of unrestricted investment account holders	-	-	91,604,348	91,604,348	91,604,348
	-	-	<b>133,668,064</b>	<b>133,668,064</b>	<b>133,668,064</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 As at and for the period ended 30 June 2019

**4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)**

	<i>Fair value through equity QAR'000</i>	<i>Fair value through income statement QAR'000</i>	<i>Amortised cost QAR'000</i>	<i>Total carrying amount QAR'000</i>	<i>Fair value QAR'000</i>
<i>31 December 2018 (Audited)</i>					
Cash and balances with central banks	-	-	7,298,914	7,298,914	7,298,914
Due from banks	-	-	6,424,153	6,424,153	6,424,153
Financing assets	-	494,929	101,715,001	102,209,930	102,209,930
Investment securities:					
- Measured at fair value	486,027	2,041,767	-	2,527,794	2,527,794
- Measured at amortised cost	-	-	28,945,807	28,945,807	28,919,830
Other assets	-	-	760,836	760,836	760,836
	<u>486,027</u>	<u>2,536,696</u>	<u>145,144,711</u>	<u>148,167,434</u>	<u>148,141,457</u>
Due to banks	-	-	17,233,968	17,233,968	17,233,968
Customers' current accounts	-	-	15,420,808	15,420,808	15,420,808
Sukuk financing	-	-	9,189,047	9,189,047	9,189,047
Other liabilities	-	-	5,471,990	5,471,990	5,471,990
Equity of unrestricted investment account holders	-	-	85,177,175	85,177,175	85,177,175
	<u>-</u>	<u>-</u>	<u>132,492,988</u>	<u>132,492,988</u>	<u>132,492,988</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)**

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, except for investment securities carried at amortised cost with a carrying value of QAR 2,856 million (31 December 2018: QAR 2,484 million) for which the fair value amounts to QAR 2,862 million (31 December 2018: QAR 2,458 million), which is derived using level 1 fair value hierarchy. During the period ended 30 June 2019, 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.

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

	<i>At 1 January 2019</i>	<i>Total (loss) / gain recorded in consolidated income statement / fair value reserve</i>	<i>Purchases</i>	<i>Sales / transfers</i>	<i>At 30 June 2019</i>
	<i>(Audited)</i>				<i>(Reviewed)</i>
	----- QAR'000 -----				
<b>Equity investments:</b>					
at fair value through income statement	1,441,957	(20,140)	38,464	(115,174)	1,345,107
<b>Financing assets classified as FVTIS</b>	<b>494,929</b>	<b>12,213</b>	<b>12,511</b>	<b>(17,635)</b>	<b>502,018</b>
	<b>1,936,886</b>	<b>(7,927)</b>	<b>50,975</b>	<b>(132,809)</b>	<b>1,847,125</b>
	<i>At 1 January 2018</i>	<i>Total (loss) / gain recorded in consolidated income statement / fair value reserve</i>	<i>Purchases</i>	<i>Sales/ transfers</i>	<i>At 31 December 2018</i>
	<i>(Audited)</i>				<i>(Audited)</i>
	----- QAR'000 -----				
<b>Equity investments:</b>					
at fair value through equity	267,532	10,877	937	(279,346)	-
at fair value through income statement	1,140,472	(94,710)	412,416	(16,221)	1,441,957
<b>Debt investments</b>					
at fair value through income statement	7,433	(7,433)	-	-	-
<b>Financing assets classified as FVTIS</b>	<b>522,019</b>	<b>(7,678)</b>	<b>-</b>	<b>(19,412)</b>	<b>494,929</b>
	<b>1,937,456</b>	<b>(98,944)</b>	<b>413,353</b>	<b>(314,979)</b>	<b>1,936,886</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**5. 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 QAR 99.5 million (30 June 2018: QAR 119.7 million) as impairment on equity investment securities which were recognised under “Net impairment losses on investment securities” in the condensed consolidated income statement.

*Investment properties*

Investment properties 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 unrealized 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 recognised based on FAS 30. Losses are recognised in condensed consolidated income statement and reflected in an allowance account. The Group has provided QAR 297.7 million (30 June 2018: QAR 266.3 million) as impairment on financing assets which was recognised under “Net impairment loss on financing assets” in the condensed consolidated income statement. Further, the Group has recognised reversals of impairment losses of QAR 13.4 million (30 June 2018: impairment losses of QAR 2.6 million) on investment securities which was recognised under “Net impairment losses on investment securities” in the condensed consolidated income statement.

**6. FINANCING ASSETS**

	<b>30 June 2019 (Reviewed) QAR'000</b>	<b>31 December 2018 (Audited) QAR'000</b>	<b>30 June 2018 (Reviewed) QAR'000</b>
Total financing assets	<b>117,492,148</b>	112,407,272	110,244,284
Less: Deferred profit	<b>(8,021,197)</b>	(8,004,893)	(7,870,291)
Expected credit losses on financing assets - performing (Stage 1 and 2) *	<b>(1,198,126)</b>	(930,024)	(763,113)
Allowance for impairment on financing assets – credit impaired (Stage 3) *	<b>(1,252,600)</b>	(1,199,780)	(1,288,157)
Suspended profit	<b>(64,527)</b>	(62,645)	(62,693)
<b>Net financing assets</b>	<b><u>106,955,698</u></b>	<u>102,209,930</u>	<u>100,260,030</u>

*Note:*

Net financing assets includes hybrid instruments amounting to QAR 502 million designated as fair value through income statement ('FVTIS') (31 December 2018: QAR 495 million) which are not subject to impairment assessment.

The impaired financing assets net of deferred profit amounted to QAR 1,318 million as at 30 June 2019 representing 1.2% of the total financing assets net of deferred profit (31 December 2018: QAR 1,261 million, representing 1.2% of the total financing assets net of deferred profit).

\*For stage wise exposure and allowance for impairment refer note 22.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 30 June 2019

## 7. INVESTMENT SECURITIES

	30 June 2019 (Reviewed)			31 December 2018 (Audited)			30 June 2018 (Reviewed)		
	Quoted QAR'000	Unquoted QAR'000	Total QAR'000	Quoted QAR'000	Unquoted QAR'000	Total QAR'000	Quoted QAR'000	Unquoted QAR'000	Total QAR'000
<i>Investments classified as fair value through income statement</i>									
• equity-type investments	26,868	1,750,582	1,777,450	15,934	1,927,331	1,943,265	9,470	1,723,978	1,733,448
• debt-type investments									
- Fixed rate	19,239	22,181	41,420	16,608	-	16,608	24,459	25,633	50,092
- Floating rate	-	82,133	82,133	-	81,894	81,894	-	36,208	36,208
	<b>46,107</b>	<b>1,854,896</b>	<b>1,901,003</b>	<b>32,542</b>	<b>2,009,225</b>	<b>2,041,767</b>	<b>33,929</b>	<b>1,785,819</b>	<b>1,819,748</b>
<i>Debt-type investments classified at amortised cost</i>									
- State of Qatar Sukuk and QCB Murabaha	1,998,027	27,355,100	29,353,127	1,845,212	26,358,874	28,204,086	1,770,728	26,127,693	27,898,421
- Fixed rate	820,880	234,673	1,055,553	620,868	233,766	854,634	510,158	142,874	653,032
<b>Less: allowance for impairment*</b>	<b>(4,678)</b>	<b>(94,849)</b>	<b>(99,527)</b>	<b>(6,013)</b>	<b>(106,900)</b>	<b>(112,913)</b>	<b>(2,281)</b>	<b>(44,703)</b>	<b>(46,984)</b>
	<b>2,814,229</b>	<b>27,494,924</b>	<b>30,309,153</b>	<b>2,460,067</b>	<b>26,485,740</b>	<b>28,945,807</b>	<b>2,278,605</b>	<b>26,225,864</b>	<b>28,504,469</b>
<i>Equity-type investments classified as fair value through equity</i>									
	348,052	168,156	516,208	408,737	77,290	486,027	248,424	159,526	407,950
	<b>3,208,388</b>	<b>29,517,976</b>	<b>32,726,364</b>	<b>2,901,346</b>	<b>28,572,255</b>	<b>31,473,601</b>	<b>2,560,958</b>	<b>28,171,209</b>	<b>30,732,167</b>

\*For stage wise exposure and allowance for impairment refer note 22.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**8. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS**

	<i>30 June 2019 (Reviewed) QAR'000</i>	<i>31 December 2018 (Audited) QAR'000</i>	<i>30 June 2018 (Reviewed) QAR'000</i>
Term accounts	<b>74,800,691</b>	69,571,701	64,402,781
Saving accounts	<b>14,459,556</b>	13,011,774	13,109,669
Call accounts	<b>2,290,700</b>	2,547,708	3,106,808
	<b>91,550,947</b>	85,131,183	80,619,258
Share in fair value reserve	<b>53,401</b>	45,992	37,922
<b>Total</b>	<b>91,604,348</b>	85,177,175	80,657,180

**9. LEGAL RESERVE**

In accordance with QCB Law No. 13 of 2012, 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 exceeds 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 2018: QAR 55.1 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.

**12. BASIC AND DILUTED EARNING PER SHARE**

Basic and diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank for the period by the weighted average number of ordinary shares as 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>2019 (Reviewed)</i>	<i>2018 (Reviewed)*</i>	<i>2019 (Reviewed)</i>	<i>2018 (Reviewed)*</i>
Profit for the period attributable to equity holders of the Bank (QAR'000)	<b>740,077</b>	700,083	<b>1,425,309</b>	1,325,331
*Weighted average number of shares outstanding during the period ('000)	<b>2,362,932</b>	2,362,932	<b>2,362,932</b>	2,362,932
Basic and diluted earnings per share (QAR)	<b>0.31</b>	0.30	<b>0.60</b>	0.56

\*As per the instructions from the Qatar Financial Markets Authority, the Extraordinary General Assembly on 20 February 2019 approved a 10 for 1 share split i.e. 10 new shares with a par value of QAR 1 each were exchanged for 1 old share with a par value of QAR 10 each. This has led to an increase in the number of authorised and outstanding shares from 236,293,200 to 2,362,932,000. The listing of the new shares on Qatar Exchange was effective from 16 June 2019, as decided by Qatar Exchange. Consequently, the weighted average number of shares outstanding has been retrospectively adjusted.

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**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 Group's share in the undistributed profits from investments in associate companies after deducting the cash dividends received. No transfer to other reserves has been made during the period as the required amount will be transferred at year end.

**15. PROPOSED CASH DIVIDENDS**

The equity holders of the Bank approved 50% cash dividends of (QAR 5 per share) amounting to QAR 1,181 million for the year ended 31 December 2018 (50% cash dividends of (QAR 5 per share) amounting to QAR 1,181 million for the year ended 31 December 2017) in the general assembly meeting held on 20 February 2019.

**16. SHARE BASED PAYMENT RESERVE**

An Employee Share Option Plan ("ESOP") was approved by QInvest LLC, a subsidiary of the Bank in the year 2015, for its key employees. Under the plan, 37.5 million share options were approved with a ratio of 1 option:1 share. The exercise price of the option will be US\$ 1 (QAR 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 takes place.

During the year 2018, management had reassessed the vesting conditions linked to the share option plan and concluded that the achievability of the vesting conditions is remote. Accordingly, the Bank had reversed its reserves related to the ESOP in 2018.

**17. SUKUK ELIGIBLE AS ADDITIONAL CAPITAL**

The Group issued a perpetual sukuk eligible as additional tier 1 capital for an amount of QAR 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 have 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 QAR 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:

	<b>30 June 2019 (Reviewed) QAR'000</b>	<b>31 December 2018 (Audited) QAR'000</b>	<b>30 June 2018 (Reviewed) QAR'000</b>
Cash and balances with central banks (excluding restricted QCB and other central banks reserve account)	<b>1,280,874</b>	2,779,967	1,072,332
Due from banks	<b>2,208,346</b>	6,307,647	9,715,678
<b>Total</b>	<b>3,489,220</b>	9,087,614	10,788,010

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**19. CONTINGENT LIABILITIES AND COMMITMENTS**

	<b>30 June 2019 (Reviewed) QAR'000</b>	<b>31 December 2018 (Audited) QAR'000</b>	<b>30 June 2018 (Reviewed) QAR'000</b>
<b>a) Contingent liabilities</b>			
Unused financing facilities	4,536,167	4,808,855	4,728,727
Guarantees	10,408,531	11,090,785	12,119,678
Letters of credit	2,827,711	2,077,304	1,906,444
	<u>17,772,409</u>	<u>17,976,944</u>	<u>18,754,849</u>
<b>b) Commitments</b>			
Investment commitment	77,775	152,678	297,073
<b>Total</b>	<u>17,850,184</u>	<u>18,129,622</u>	<u>19,051,922</u>

**Lease commitments**

Operating lease rentals are payable as follows:

	<b>30 June 2019 (Reviewed) QAR'000</b>	<b>31 December 2018 (Audited) QAR'000</b>	<b>30 June 2018 (Reviewed) QAR'000</b>
Less than one year	17,880	13,113	15,587
After one year but not more than five years	52,304	51,279	88,635
	<u>70,184</u>	<u>64,392</u>	<u>104,222</u>

**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 equity holders and entities over which the Group and the equity holders' 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:

	<b>30 June 2019 (Reviewed)</b>			<b>31 December 2018 (Audited)</b>		
	<i>Associated companies QAR'000</i>	<i>Board of Directors QAR'000</i>	<i>Others QAR'000</i>	<i>Associated companies QAR'000</i>	<i>Board of Directors QAR'000</i>	<i>Others QAR'000</i>
<b>Assets:</b>						
Financing assets	126,032	1,022,542	1,474,929	157,905	1,334,045	1,456,204
<b>Equity of unrestricted investment account holders</b>	<b>84,295</b>	<b>1,079,799</b>	<b>11,815</b>	50,811	1,061,279	25,150
<b>Off balance sheet items:</b>						
Contingent liabilities, guarantees and other commitments	-	339,558	-	-	470,999	-

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**20. RELATED PARTY TRANSACTIONS (CONTINUED)**

	<i>For the six month period ended 30 June 2019 (Reviewed)</i>			<i>For the six month period ended 30 June 2018 (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>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
<b>Consolidated statement of income items:</b>						
Income from financing activities	<b>3,900</b>	<b>48,747</b>	<b>41,264</b>	2,954	26,746	46,510
Profit paid on deposits	<b>960</b>	<b>9,535</b>	-	704	10,996	-
Fee and commission	<b>310</b>	<b>1,053</b>	-	-	1,300	-

Key management personnel compensation for the period comprised:

	<i>For the six month period ended 30 June</i>	
	<i>2019 (Reviewed)</i>	<i>2018 (Reviewed)</i>
	<i>QAR'000</i>	<i>QAR'000</i>
Key management remuneration	<b>38,476</b>	40,719

**21. CAPITAL ADEQUACY RATIO**

As per Qatar Central Bank regulations, the Group has calculated the capital adequacy ratios in accordance with Basel III guidelines. The Group's minimum QCB regulatory limit, including the Capital Conservation Buffer, ICAAP pillar II capital charge and the applicable Domestically Systemically Important Bank ("DSIB") Buffer is 14.5% for 2019.

The table below summarises the composition of prevailing regulatory capital and the ratios of the Group. The Group complied with the externally imposed capital requirements to which they are subject to:

	<i>30 June 2019 QAR'000 (Reviewed)</i>	<i>31 December 2018 QAR'000 (Audited)</i>	<i>30 June 2018 QAR'000 (Reviewed)</i>
Common Equity Tier 1 (CET 1) Capital	<b>14,752,303</b>	14,841,497	13,564,788
Additional Tier 1 Capital	<b>4,000,000</b>	4,000,000	4,000,000
Other Tier 1 capital	<b>54,523</b>	56,566	60,424
Tier 2 capital	<b>1,308,615</b>	1,064,101	1,317,897
<b>Total eligible capital</b>	<b>20,115,441</b>	19,962,164	18,943,109
<b>Risk weighted assets</b>	<b>108,774,449</b>	106,398,661	108,510,017
<b>Common equity tier 1 (CET 1) capital adequacy ratio</b>	<b>13.6%</b>	13.9%	12.5%
<b>QCB minimum</b>	<b>9.5%</b>	9.25%	9.25%
<b>Total capital adequacy ratio</b>	<b>18.5%</b>	18.8%	17.5%
<b>QCB minimum including ICAAP pillar II capital charge</b>	<b>14.5%</b>	14.25%	14.25%

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 30 June 2019

**22. FINANCIAL RISK MANAGEMENT**

The Group's financial risk management policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

**Exposure and movement of expected credit loss / impairment allowances**

	Stage 1	Stage 2	Stage 3	Total
	----- QAR'000 -----			
<b>Exposures subject to expected credit losses as at 30 June 2019</b>				
Due from banks	3,277,865	70,775	20,647	3,369,287
Debt type investments carried at amortised cost	30,228,423	78,198	102,057	30,408,678
Financing assets*	92,124,122	15,336,146	1,252,600	108,712,868
Other financial instruments subject to credit risk	11,027,771	618,874	20,855	11,667,500
	<u>136,658,181</u>	<u>16,103,993</u>	<u>1,396,159</u>	<u>154,158,333</u>
<b>Opening balance of expected credit losses / impairment losses as at 1 January 2019</b>				
Due from banks	186	-	20,647	20,833
Debt type investments carried at amortised cost	2,134	4,602	106,177	112,913
Financing assets	209,101	720,923	1,199,780	2,129,804
Other financial instruments subject to credit risk	56,187	14,403	20,199	90,789
	<u>267,608</u>	<u>739,928</u>	<u>1,346,803</u>	<u>2,354,339</u>
Fair value adjustments**	43,437	-	-	43,437
<b>Opening balance of expected credit losses / impairment losses as at 1 January 2019 (excluding fair value adjustments)</b>	311,045	739,928	1,346,803	2,397,776
<b>Net transfer between stages</b>				
Due from banks	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-
Financing assets	(3,240)	1,089	2,151	-
Other financial instruments subject to credit risk	-	-	-	-
	<u>(3,240)</u>	<u>1,089</u>	<u>2,151</u>	<u>-</u>
<b>Write off / transfers for the period</b>				
Due from banks	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-
Financing assets	(3,276)	-	(16,970)	(20,246)
Other financial instruments subject to credit risk	-	-	-	-
	<u>(3,276)</u>	<u>-</u>	<u>(16,970)</u>	<u>(20,246)</u>
<b>Charge / (reversal) for the period (net) including foreign currency translation</b>				
Due from banks	(16)	30	-	14
Debt type investments carried at amortised cost	(1,690)	(369)	(11,327)	(13,386)
Financing assets	126,816	103,276	67,639	297,731
Other financial instruments subject to credit risk	19,936	(10,116)	656	10,476
	<u>145,046</u>	<u>92,821</u>	<u>56,968</u>	<u>294,835</u>
<b>Closing balance of expected credit losses / impairment losses - as at 30 June 2019 (Reviewed)</b>				
Due from banks	170	30	20,647	20,847
Debt type investments carried at amortised cost	444	4,233	94,850	99,527
Financing assets	372,838	825,288	1,252,600	2,450,726
Other financial instruments subject to credit risk	76,123	4,287	20,855	101,265
	<u>449,575</u>	<u>833,838</u>	<u>1,388,952</u>	<u>2,672,365</u>

\*net of suspended profit, deferred profit and excluding financing assets carried at FVIS

\*\* pertaining to financing assets carried at fair value through income statement.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**22. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**Credit quality assessments**

The table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on third party rating agency's rating scale (or their equivalent) as at 30 June 2019.

Rating grade	Due from banks	Debt type investments carried at amortised cost	Financing assets	Other financial instruments subject to credit risk	Total
----- QAR'000 -----					
AAA to AA-	248,879	29,683,867	16,920,285	2,017,330	48,870,361
A+ to A-	2,491,589	172,485	2,668,619	729,288	6,061,981
BBB to BBB-	14,377	99,092	72,141,126	6,395,519	78,650,114
BB+ to B-	22,702	169,322	11,826,371	2,485,215	14,503,610
Unrated	591,740	283,912	5,156,467	40,148	6,072,267
<b>Total</b>	<b>3,369,287</b>	<b>30,408,678</b>	<b>108,712,868</b>	<b>11,667,500</b>	<b>154,158,333</b>

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