

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2018

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Contents	Page(s)
Independent auditor's review report	1
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 - 29



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 31 March 2018 condensed consolidated interim financial statements of Qatar Islamic Bank (Q.P.S.C) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise:

- the condensed consolidated statement of financial position as at 31 March 2018;
- the condensed consolidated income statement for the three month period ended 31 March 2018;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2018;
- the condensed consolidated statement of changes in restricted investment accounts for the three month period ended 31 March 2018;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2018;
- 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 31 March 2018 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.

15 April 2018
Doha
State of Qatar


Gopal Balasubramaniam
Qatar Auditors Registry Number 251
KPMG

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

		31 March 2018 (Reviewed) QAR'000	31 December 2017 (Audited) QAR'000	31 March 2017 (Reviewed) QAR'000
Assets				
Cash and balances with central banks		5,515,597	5,546,386	5,260,374
Due from banks		5,231,763	4,875,690	11,154,687
Financing assets	6	104,644,847	102,613,499	99,509,272
Investment securities	7	30,179,326	30,402,263	20,334,294
Investment in associates		665,662	668,512	852,660
Investment properties		1,340,258	1,943,937	1,434,475
Asset held for sale	8	-	245,686	-
Fixed assets		506,991	511,302	523,144
Intangible assets		403,593	411,314	422,141
Other assets		3,314,014	3,156,287	3,830,424
Total assets		151,802,051	150,374,876	143,321,471
Liabilities, equity of unrestricted investment account holders and equity				
Liabilities				
Due to banks		18,490,043	17,191,126	9,281,336
Customers' current accounts		17,433,922	16,600,080	18,933,149
Sukuk financing		7,331,921	7,057,282	6,792,237
Other liabilities		4,340,576	3,431,752	3,857,138
Total liabilities		47,596,462	44,280,240	38,863,860
Equity of unrestricted investment account holders	9	84,904,846	85,214,471	85,005,964
Equity				
Share capital		2,362,932	2,362,932	2,362,932
Legal reserve	10	6,370,016	6,370,016	6,370,016
Risk reserve	11	2,263,736	2,263,736	2,170,280
General reserve	12	81,935	81,935	81,935
Fair value reserve		189,551	170,173	188,931
Foreign currency translation reserve	14	(227,778)	(137,224)	(188,444)
Other reserves	15	216,820	216,820	216,820
Proposed cash dividends	16	-	1,181,466	-
Share-based payment reserve	17	9,906	11,185	10,201
Retained earnings		2,462,643	2,768,147	2,458,130
Total equity attributable to equity holders of the bank		13,729,761	15,289,186	13,670,801
Non-controlling interests		1,570,982	1,590,979	1,780,846
Sukuk eligible as additional capital	18	4,000,000	4,000,000	4,000,000
Total equity		19,300,743	20,880,165	19,451,647
Total liabilities, equity of unrestricted investment account holders and equity		151,802,051	150,374,876	143,321,471

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 April 2018 and were signed on its behalf by:



 Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
 Chairman



 Bassel Ghalib
 Group Chief Executive Officer

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three month period ended 31 March 2018

	Note	For the three month period ended 31 March	
		2018 (Reviewed) QAR'000	2017 (Reviewed) QAR'000
Net income from financing activities		1,273,144	1,138,507
Net income from investing activities		166,937	187,291
Total net income from financing and investing activities		1,440,081	1,325,798
Fee and commission income		180,102	167,982
Fee and commission expense		(39,429)	(35,554)
Net fee and commission income		140,673	132,428
Net foreign exchange gain		49,570	25,251
Share of results of associates		42	7,401
Other income		5,773	5,539
Total income		1,636,139	1,496,417
Staff costs		(161,898)	(152,209)
Depreciation and amortisation		(22,931)	(22,392)
Sukuk holders' share of profit		(52,595)	(44,629)
Other expenses		(105,854)	(91,922)
Total expenses		(343,278)	(311,152)
Net impairment losses on due from banks		(142)	-
Net impairment losses on investment securities		(66,270)	(44,300)
Net impairment losses on financing assets		(155,401)	(131,708)
Net impairment reversals on other financial instruments		14,513	-
Other impairment reversals		908	-
Net profit for the period before tax and return to unrestricted investment account holders		1,086,469	1,009,257
Less: return to unrestricted investment account holders		(487,451)	(439,440)
Net profit for the period before tax		599,018	569,817
Tax expense		(2,505)	(7,116)
Net profit for the period		596,513	562,701
Net profit for the period attributable to:			
Equity holders of the Bank		625,248	555,350
Non-controlling interests		(28,735)	7,351
Net profit for the period		596,513	562,701
Earnings per share			
Basic / diluted earnings per share (QAR per share)	13	2.65	2.35

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2018

	<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 controlling the Bank</i>	<i>Non-controlling interests</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
Balance at 31 December 2017 (Audited)	2,362,932	6,370,016	2,263,736	81,935	170,173	(137,224)	216,820	1,181,466	11,185	2,768,147	15,289,186	1,590,979	4,000,000	20,880,165
Adoption of ECL regulations (note 2(c))	-	-	-	-	-	-	-	-	-	(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	1,181,466	11,185	1,837,395	14,358,434	1,544,713	4,000,000	19,903,147
Foreign currency translation reserve movement	-	-	-	-	-	(90,554)	-	-	-	-	(90,554)	-	-	(90,554)
Fair value reserve movement	-	-	-	-	19,378	-	-	-	-	-	19,378	-	-	19,378
Net profit for the period	-	-	-	-	-	-	-	-	-	625,248	625,248	(28,735)	-	596,513
Total recognised income and expense for the period	-	-	-	-	19,378	(90,554)	-	-	-	625,248	554,072	(28,735)	-	525,337
Cash dividends paid to shareholders (Note 16)	-	-	-	-	-	-	-	(1,181,466)	-	-	(1,181,466)	-	-	(1,181,466)
Share-based payment (Note 17)	-	-	-	-	-	-	-	-	(1,279)	-	(1,279)	(1,272)	-	(2,551)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	56,276	-	56,276
Balance at 31 March 2018 (Reviewed)	2,362,932	6,370,016	2,263,736	81,935	189,551	(227,778)	216,820	-	9,906	2,462,643	13,729,761	1,570,982	4,000,000	19,300,743

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 three month period ended 31 March 2018

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Risk reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>Other reserves</i>	<i>Proposed cash dividends</i>	<i>Share - based payment reserve</i>	<i>Retained earnings</i>	<i>Total equity attributable to shareholders of the Bank</i>	<i>Non-controlling interests</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
Balance at 1 January 2017 <i>(Audited)</i>	2,362,932	6,370,016	2,170,280	81,935	195,089	(194,335)	216,820	1,122,393	10,223	1,902,780	14,238,133	1,760,528	4,000,000	19,998,661
Foreign currency translation reserve movement	-	-	-	-	-	5,891	-	-	-	-	5,891	-	-	5,891
Fair value reserve movement	-	-	-	-	(6,158)	-	-	-	-	-	(6,158)	-	-	(6,158)
Net profit for the period	-	-	-	-	-	-	-	-	-	555,350	555,350	7,351	-	562,701
Total recognised income and expense for the period	-	-	-	-	(6,158)	5,891	-	-	-	555,350	555,083	7,351	-	562,434
Cash dividends paid to shareholders (Note 16)	-	-	-	-	-	-	-	(1,122,393)	-	-	(1,122,393)	-	-	(1,122,393)
Share-based payment (Note 17)	-	-	-	-	-	-	-	-	(22)	-	(22)	(22)	-	(44)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	12,989	-	12,989
Balance at 31 March 2017 <i>(Reviewed)</i>	2,362,932	6,370,016	2,170,280	81,935	188,931	(188,444)	216,820	-	10,201	2,458,130	13,670,801	1,780,846	4,000,000	19,451,647

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the three month period ended 31 March 2018

<i>Investment</i>	<i>Movements during the period</i>						
	<i>At 1 January 2018 (Audited) QAR'000</i>	<i>Investment (withdrawals) QAR'000</i>	<i>Revaluation QAR'000</i>	<i>Gross income QAR'000</i>	<i>Dividends paid QAR'000</i>	<i>Bank's fee as an agent QAR'000</i>	<i>At 31 March 2018 (Reviewed) QAR'000</i>
	Real Estate Portfolio	73,164	(6,734)	-	-	-	-
Equity Securities Portfolio	883,592	13,102	(7,710)	15,934	-	-	904,918
	956,756	6,368	(7,710)	15,934	-	-	971,348

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2018

	<i>For the three month period ended 31 March</i>	
	<i>2018 (Reviewed) QAR'000</i>	<i>2017 (Reviewed) QAR'000</i>
Cash flows from operating activities		
Net profit for the period before tax	599,018	569,817
Net changes in operating assets and liabilities	(105,166)	(1,889,074)
Net cash flows from / (used in) operating activities	493,852	(1,319,257)
Cash flows from investing activities		
Net changes in investment securities	336,348	(231,930)
Net changes in fixed and intangible assets	(19,626)	(18,497)
Net changes in associate companies	-	1,733
Net changes in investment properties	475,416	(470,171)
Dividends received from associate companies	5,000	5,000
Net cash flows from / (used in) investing activities	797,138	(713,865)
Cash flows from financing activities		
Change in equity of unrestricted investment accountholders	(309,625)	3,664,322
Profit paid on sukuk eligible as additional capital	(205,000)	(85,000)
Net proceeds from Sukuk issue	271,180	-
Net movement in non-controlling interests	7,464	12,984
Cash dividends paid to equity holders of the Bank	(1,181,466)	(1,122,393)
Net cash flows (used in) / from financing activities	(1,417,447)	2,469,913
Net (decrease) / increase in cash and cash equivalents	(126,457)	436,791
Cash and cash equivalents - beginning of the period	5,629,501	10,656,507
Cash and cash equivalents - end of the period (Note 19)	5,503,044	11,093,298

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2018

1. REPORTING ENTITY

Qatar Islamic Bank Q.P.S.C (“QIB” or the “Bank”) is an entity domiciled in the State of Qatar and was incorporated on 8 July 1982 as a Qatari Public Shareholding Company under Emiri Decree no. 45 of 1982. The commercial registration number of the Bank is 8338. The address of the Bank’s registered office is at P.O. Box 559, Doha, State of Qatar. The condensed consolidated interim financial statements of the Bank for the three month period ended 31 March 2018 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:

	Country of Incorporation	Principal Business Activity	Effective percentage of ownership	
			31 March 2018	31 December 2017
Arab Finance House				
Aqar Real Estate Development and Investment Company W.L.L.(“Aqar”) (i)	Lebanon	Banking	99.99%	99.99%
Durat Al Doha Real Estate Investment and Development W.L.L. (ii)	Qatar	Investment in real estate	49%	49%
QIB Sukuk Ltd (iii)	Qatar	Investment in real estate	39.87%	39.87%
QIB Sukuk Funding Limited	Cayman Island	Sukuk issuance	100%	100%
	Qatar	Financing company	100%	100%
QIB (UK)	United Kingdom	Investment banking	99.71%	99.71%
QInvest LLC	Qatar	Investment banking	50.13%	50.13%
Verdi Luxembourg SARL (iv)	Luxembourg	Investment in real estate	50.13%	50.13%
Q Business Services (iv)	Cayman Island	Investment holding company	50.13%	50.13%
Q Liquidity Limited (iv)	Cayman Island	Placements	50.13%	50.13%
QInvest Holding Mauritius (iv)	Mauritius	Investment holding company	50.13%	50.13%
Q Exhibit (iv)	Mauritius	Investment holding company	-	50.13%
QInvest Luxembourg S.a.r.l. (iv)	Luxembourg	Investments	50.13%	50.13%
QI St Edmund’s Terrace 2 Limited (iv)	Cayman Island	To provide financing facility	50.13%	50.13%
QInvest IBFin LLC (Previously known as QInvest Comms Holding LLC) (iv)	Qatar	Investment holding company	50.13%	50.13%
QI One Wall Street Invest Co. (iv)	Cayman Island	Investment holding company	50.13%	50.13%
QEthika 1 (iv)	Cayman Island	Investment holding company	50.13%	50.13%
QNGPV1 (iv)	Cayman Island	Investment holding company	50.13%	50.13%
QInvest Euro PE QFC LLC (iv)	Qatar	Investment holding company	50.13%	50.13%
QInvest Rio LLC (iv)	Qatar	Investment holding company	31.6%	31.6%
Rio income s.a.r.l. (iv)	Luxembourg	Investment in lease	45.12%	45.12%
Q Tomahawk LLC (iv)	Cayman Island	Investment holding company	50.13%	50.13%
QInvest Refin LLC (iv)	Qatar	To provide financing facility	50.13%	50.13%
Q Alloy S.a.r.l (iv)	Luxemburg	To provide financing facility	50.13%	50.13%
QSeven 1 LP (iv)	Cayman Island	Investment in real estate	45.62%	45.62%
Q Magnolia LLC (iv)	Cayman Island	Investment in real estate	50.13%	50.13%
Qinvest Portfoy Yonetimi A.S. (iv)	Turkey	Asset Management	50.13%	50.13%
BOH LLC (iv)	Qatar	Holding company	50.13%	50.13%
Alloy Holdco LLC (iv)	Qatar	Investment holding company	50.13%	-

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 2017 except for the changes in the policies as disclosed in note 2(c). In addition, results for the three month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 2017 except for changes as disclosed in note 2(c).

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 2017 except for the changes in the policies as disclosed in note 2(c)(v) which may result in additional disclosures at year end.

(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 2017 except for the following changes.

New standards and interpretations**i. New standards, amendments and interpretations effective from 1 January 2018**

There are no new accounting standards, amendments and interpretations that are effective from 1 January 2018.

ii. New standards, amendments and interpretations issued but not yet effective*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.

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 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.

Expected credit losses (‘ECL’)

FAS 30 introduces the Credit Losses approach with a forward-looking ‘expected credit loss’ model. The Credit Losses approach for receivables and off balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss. The new impairment model will apply to financial assets which are subject to credit risk, and a number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

The standard is effective from financial periods beginning on or after 1 January 2020 with early adoption permitted.

QCB has however issued ECL regulations (“ECL regulations”) via its circular 9 of 2017 for all banks operating in Qatar. As required by the QCB, the Group has adopted the ECL regulations, which are similar to FAS 30, with effect from 1 January 2018 and as permitted by those ECL regulations, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and non-controlling interest of the current period.

(c) Adoption of ECL regulations

The adoption of the ECL regulations has resulted in changes in the accounting policies for the measurement of impairment on financial assets. Set out below are the ECL regulations transition impact disclosures for the Group. Further details of the specific changes to accounting policies applied in the current period are described in more detail in note 2(c)(iv).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2018

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(c) Adoption of ECL regulations (continued)
(i) Impact of adopting the ECL regulations

The impact from the adoption of the ECL regulations as at 1 January 2018 has been to decrease retained earnings by QAR 930.8 million and decrease the non-controlling interests by QAR 46.2 million:

	Retained earnings	Non- controlling interests	Total
	QAR'000	QAR'000	QAR'000
Closing balance (31 December 2017 - Audited)	2,768,147	1,590,979	4,359,126
<i>Impact on recognition of expected credit losses</i>			
Expected credit losses for due from banks	297	-	297
Expected credit losses for debt type investments carried at amortised cost	90	-	90
Expected credit losses for financing assets	828,019	46,264	874,283
Expected credit losses for off-balance sheet exposures subject to credit risk	102,346	2	102,348
	930,752	46,266	977,018
Opening balance under ECL regulations on date of initial application of 1 January 2018	1,837,395	1,544,713	3,382,108

(ii) Expected credit loss / impairment allowances

The following table reconciles the closing impairment allowance for financial assets in accordance with the existing FAS as at 31 December 2017 to the opening ECL allowance determined in accordance with the ECL regulations as at 1 January 2018.

	31 December 2017	Expected credit losses	1 January 2018
	QAR'000	QAR'000	QAR'000
	(Audited)	(Reviewed)	(Reviewed)
Due from banks	23,439	297	23,736
Debt type investments carried at amortised cost	44,327	90	44,417
Financing assets	1,198,498	874,283	2,072,781
Off balance sheet exposures subject to credit risk	19,980	102,348	122,328
	1,286,244	977,018	2,263,262

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2018

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of ECL regulations (continued)

(iii) Exposure and movement of expected credit loss / impairment allowances

	Stage 1	Stage 2	Stage 3	Total
	QAR'000	QAR'000	QAR'000	QAR'000
Exposures subject to expected credit losses as at 31 March 2018				
Due from banks	4,923,492	1,137	23,439	4,948,068
Debt type investments carried at amortised cost	27,699,389	55,419	106,443	27,861,251
Financing assets	90,973,042	14,005,752	1,121,502	106,100,296
Off balance sheet exposures subject to credit risk	10,655,185	851,540	19,980	11,526,705
	<u>134,251,108</u>	<u>14,913,848</u>	<u>1,271,364</u>	<u>150,436,320</u>
Closing balance - impairment allowances as at 31 December 2017 (under FAS)				
Due from banks	-	-	23,439	23,439
Debt type investments carried at amortised cost	-	-	44,327	44,327
Financing assets	-	29,585	1,168,913	1,198,498
Off balance sheet exposures subject to credit risk	-	-	19,980	19,980
	-	<u>29,585</u>	<u>1,256,659</u>	<u>1,286,244</u>
Opening balance of expected credit losses (Day 1 impact) - as at 1 January 2018				
Expected credit losses for due from banks	297	-	-	297
Expected credit losses for debt type investments carried at amortised cost	90	-	-	90
Expected credit losses for financing assets	318,102	556,181	-	874,283
Expected credit losses for off-balance sheet exposures subject to credit risk	90,093	12,255	-	102,348
	<u>408,582</u>	<u>568,436</u>	-	<u>977,018</u>
Write off / transfers for the period				
Due from banks	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-
Financing assets	(65,000)	(29,585)	(50,781)	(145,366)
Off balance sheet exposures subject to credit risk	-	-	-	-
	<u>(65,000)</u>	<u>(29,585)</u>	<u>(50,781)</u>	<u>(145,366)</u>
Charge / (reversal) for the period (net) including foreign currency translation				
Due from banks	2	140	-	142
Debt type investments carried at amortised cost	251	1,420	-	1,671
Financing assets	19,175	56,958	79,268	155,401
Off balance sheet exposures subject to credit risk	(15,596)	1,083	-	(14,513)
	<u>3,832</u>	<u>59,601</u>	<u>79,268</u>	<u>142,701</u>
Closing balance - as at 31 March 2018 (Reviewed)				
Due from banks	299	140	23,439	23,878
Debt type investments carried at amortised cost	341	1,420	44,327	46,088
Financing assets	272,277	613,139	1,197,400	2,082,816
Off balance sheet exposures subject to credit risk	74,497	13,338	19,980	107,815
	<u>347,414</u>	<u>628,037</u>	<u>1,285,146</u>	<u>2,260,597</u>

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Adoption of ECL regulations (continued)****(iv) Changes in accounting policies and significant estimates and judgements***Key changes to the Group's accounting policies*

The key changes to the Group's accounting policies resulting from the adoption of the ECL regulations are summarised below. Since the comparative financial information has not been restated, the accounting policies in respect of the financial instruments for comparative periods are based on existing FAS and applicable QCB regulations as disclosed in the audited consolidated financial statements as of and for the year ended 31 December 2017.

Impairment of financial assets

The ECL regulations replace the 'incurred loss' model in existing FAS with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under the ECL regulations, credit losses are recognised earlier than under the existing FAS.

Key changes in the Group's accounting policy for impairment of financial assets are listed below:

The Group applies a three-stage approach to measuring ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk (i. Local sovereign that carry credit rating of (Aaa) or (Aa) and carry (zero) credit weight in accordance with capital adequacy instructions of the QCB ii. Externally rated debt instruments of rating Aaa or Aa. iii. Other financial assets which the Group may classify as such after obtaining QCB's no objection) at the reporting date. For these assets, 12-month ECL are recognised and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but profit is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default as the weight.

Stage 3: Non-performing - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the QCB's instructions. For these assets, lifetime ECL is recognised according to QCB's instructions as disclosed in most recent annual financial statements. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Adoption of ECL regulations (continued)****(iv) Changes in accounting policies and significant estimates and judgements (continued)**Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition following criteria are considered:

- I. Two notches down for rating from 1 to 4 or one notch down for ratings from 5 to 6
- II. Facilities restructured during previous twelve months
- III. Facilities overdue by 60 days as at the reporting date
- IV. Any other reason as per management discretion that evidence a significant increase in credit risk

Credit risk grades

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)

The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various portfolios in which the Bank has taken exposures.

(v) Changes to Group financial risk management objectives and policies**Credit Risk Measurement**

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under the ECL regulations as detailed in note 2(c)(iv).

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of ECL regulations (continued)

(v) Changes to Group financial risk management objectives and policies (continued)

Credit quality assessments

Pursuant to the adoption of the ECL regulations, the Group has mapped its internal credit rating scale to a third party rating agency's rating scale. 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 31 March 2018.

Rating grade	Due from banks	Debt type investments carried at amortised cost	Financing assets	Off balance sheet exposures subject to credit risk	Total
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
AAA to AA-	1,243	27,509,161	15,807,249	335,970	43,653,623
A+ to A-	2,903,473	19,066	937,500	679,232	4,539,271
BBB to BBB-	1,445,322	54,508	73,133,951	4,629,378	79,263,159
BB+ to B-	724	119,781	12,221,004	4,356,337	16,697,846
Unrated	597,306	158,735	4,000,592	1,525,788	6,282,421
Total	4,948,068	27,861,251	106,100,296	11,526,705	150,436,320

3. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Chief Executive Officer reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

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

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

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

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

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

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

3. OPERATING SEGMENTS (CONTINUED)
Information about operating segments

<i>31 March 2018 (Reviewed)</i>	<i>Corporate banking QAR'000</i>	<i>Personal banking QAR'000</i>	<i>Group function QAR'000</i>	<i>Local & international subsidiaries QAR'000</i>	<i>Total QAR'000</i>
External revenue:					
Total income from financing and investing activities	1,010,470	302,228	61,947	65,436	1,440,081
Net fee and commission income	79,524	43,162	7,222	10,765	140,673
Net foreign exchange gain	-	-	22,196	27,374	49,570
Share of results of associates	-	-	5,361	(5,319)	42
Other income	-	-	-	5,773	5,773
Inter segment revenue	(285,177)	99,589	185,588	-	-
Total segment income	804,817	444,979	282,314	104,029	1,636,139
Staff costs, other expenses and depreciation and amortization	(59,114)	(107,357)	(41,234)	(82,978)	(290,683)
Sukuk holders' share of profit	-	-	(52,595)	-	(52,595)
Return to unrestricted investment account holders	(331,105)	(92,020)	(54,811)	(9,515)	(487,451)
Other material non-cash items:					
Net impairment losses on due from banks	-	-	(142)	-	(142)
Net impairment losses on investment securities	-	-	(62,976)	(3,294)	(66,270)
Net impairment losses on financing assets	(24,672)	(6,349)	(116,611)	(7,769)	(155,401)
Net impairment reversals on other financial instruments	-	-	14,099	414	14,513
Other impairment reversals	-	-	-	908	908
Reportable segment net profit before tax	389,926	239,253	(31,956)	1,795	599,018
Tax expense	-	-	-	(2,505)	(2,505)
Reportable segment net profit after tax	389,926	239,253	(31,956)	(710)	596,513

3. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

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

3. OPERATING SEGMENTS (CONTINUED)

<i>31 March 2018 (Reviewed)</i>	<i>Corporate banking QAR'000</i>	<i>Personal banking QAR'000</i>	<i>Group function QAR'000</i>	<i>Local & international subsidiaries QAR'000</i>	<i>Total QAR'000</i>
Reportable segment assets	<u>94,531,598</u>	<u>18,087,257</u>	<u>33,936,437</u>	<u>5,246,759</u>	<u>151,802,051</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>59,274,718</u>	<u>34,244,123</u>	<u>34,866,067</u>	<u>4,116,400</u>	<u>132,501,308</u>
<i>31 December 2017 (Audited)</i>	<i>Corporate banking QAR'000</i>	<i>Personal banking QAR'000</i>	<i>Group function QAR'000</i>	<i>Local & international subsidiaries QAR'000</i>	<i>Total QAR'000</i>
Reportable segment assets	<u>91,833,574</u>	<u>18,762,338</u>	<u>34,547,416</u>	<u>5,231,548</u>	<u>150,374,876</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>58,520,527</u>	<u>32,893,803</u>	<u>33,957,204</u>	<u>4,123,177</u>	<u>129,494,711</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2018

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>
31 March 2018 (Reviewed)					
Cash and balances with central banks	-	-	5,515,597	5,515,597	5,515,597
Due from banks	-	-	5,231,763	5,231,763	5,231,763
Financing assets	-	-	104,644,847	104,644,847	104,644,847
Investment securities:					
- Measured at fair value	499,816	1,864,347	-	2,364,163	2,364,163
- Measured at amortised cost	-	-	27,815,163	27,815,163	27,733,782
Other assets	-	-	1,029,394	1,029,394	1,029,394
	499,816	1,864,347	144,236,764	146,600,927	146,519,546
Due to banks	-	-	18,490,043	18,490,043	18,490,043
Customers' current accounts	-	-	17,433,922	17,433,922	17,433,922
Sukuk financing	-	-	7,331,921	7,331,921	7,331,921
Other liabilities	-	-	4,340,576	4,340,576	4,340,576
Equity of unrestricted investment account holders	-	-	84,904,846	84,904,846	84,904,846
	-	-	132,501,308	132,501,308	132,501,308

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
At 31 March 2018
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 2017 (Audited)</i>					
Cash and balances with central banks	-	-	5,546,386	5,546,386	5,546,386
Due from banks	-	-	4,875,690	4,875,690	4,875,690
Financing assets	-	-	102,613,499	102,613,499	102,613,499
Investment securities:					
- Measured at fair value	555,726	1,583,130	-	2,138,856	2,138,856
- Measured at amortised cost	-	-	28,263,407	28,263,407	28,202,221
Other assets	-	-	974,325	974,325	974,325
	<u>555,726</u>	<u>1,583,130</u>	<u>142,273,307</u>	<u>144,412,163</u>	<u>144,350,977</u>
Due to banks	-	-	17,191,126	17,191,126	17,191,126
Customers' current accounts	-	-	16,600,080	16,600,080	16,600,080
Sukuk financing	-	-	7,057,282	7,057,282	7,057,282
Other liabilities	-	-	3,431,752	3,431,752	3,431,752
Equity of unrestricted investment account holders	-	-	85,214,471	85,214,471	85,214,471
	<u>-</u>	<u>-</u>	<u>129,494,711</u>	<u>129,494,711</u>	<u>129,494,711</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 31 March 2018

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

As at 31 March 2018 and 31 December 2017, the Group held the following financial instruments measured at fair value:

<i>31 March 2018 (Reviewed)</i>	<i>Total</i>	<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1) QAR'000</i>	<i>Significant observable inputs (Level 2) QAR'000</i>	<i>Significant unobservable inputs (Level 3) QAR'000</i>
Shari'a compliant risk management instruments (assets)	340,431	-	340,431	-
Investments securities:				
Quoted equity-type investments classified as fair value through income statement	21,859	21,859	-	-
Quoted debt-type investments classified as fair value through income statement	25,843	25,843	-	-
Unquoted debt-type investments classified as fair value through income statement	62,032	-	54,599	7,433
Unquoted equity-type investments classified as fair value through income statement	1,754,613	-	389,751	1,364,862
Quoted equity-type investments classified as fair value through equity	245,132	245,132	-	-
Unquoted equity-type investments classified as fair value through equity	254,684	-	-	254,684
Shari'a compliant risk management instruments (liabilities)	226,432	-	226,432	-
		<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1) QAR'000</i>	<i>Significant observable inputs (Level 2) QAR'000</i>	<i>Significant unobservable inputs (Level 3) QAR'000</i>
<i>31 December 2017 (Audited)</i>	<i>Total</i>			
Shari'a compliant risk management instruments (assets)	381,677	-	381,677	-
Investments securities:				
Quoted equity-type investments classified as fair value through income statement	14,482	14,482	-	-
Quoted debt-type investments classified as fair value through income statement	29,642	29,642	-	-
Unquoted debt-type investments classified as fair value through income statement	7,433	-	-	7,433
Unquoted equity-type investments classified as fair value through income statement	1,531,573	-	391,099	1,140,474
Quoted equity-type investments classified as fair value through equity	288,192	288,192	-	-
Unquoted equity-type investments classified as fair value through equity	267,534	-	-	267,534
Shari'a compliant risk management instruments (liabilities)	174,587	-	174,587	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2018

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 for which the fair value amounts to QAR 2,092 million (31 December 2017: QAR 2,341 million), which is derived using level 1 fair value hierarchy. During the period ended 31 March 2018, 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:

	At 1 January 2018	Total gain recorded in consolidated income statement / fair value reserve	Purchases	Sales/ transfers	At 31 March 2018
Equity investments:					
at fair value through equity	267,534	21,117	73,721	(107,688)	254,684
at fair value through income statement	1,140,474	34,699	193,329	(3,640)	1,364,862
Debt investments					
at fair value through income statement	7,433	-	-	-	7,433
	1,415,441	55,816	267,050	(111,328)	1,626,979

	At 1 January 2017	Total gain recorded in consolidated income statement / fair value reserve	Purchases	Sales/ transfers	At 31 December 2017
Equity investments:					
at fair value through equity	352,261	523	185,753	(271,003)	267,534
at fair value through income statement	750,093	48,817	378,915	(37,351)	1,140,474
Debt investments					
at fair value through income statement	-	-	7,433	-	7,433
	1,102,354	49,340	572,101	(308,354)	1,415,441

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 64.6 million (31 March 2017: QAR 44.3 million) as impairment on equity investment securities which were recognised under "Net impairment losses on investment securities" in the condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2018

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 recognised based on ECL regulations. Please refer note 2 for accounting policies regarding measurement and recognition of impairment losses. Losses are recognised in condensed consolidated income statement and reflected in an allowance account. The Group has provided QAR 155 million (31 March 2017: QAR 132 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 losses of QAR 1.7 million (31 March 2017: QAR Nil million) as impairment on investment securities which was recognised under “Net impairment losses on investment securities” in the condensed consolidated income statement.

6. FINANCING ASSETS

	<i>31 March 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>31 March 2017 (Reviewed) QAR'000</i>
Total financing assets	114,666,930	110,752,651	108,538,042
Less: Deferred profit	(7,837,561)	(6,848,417)	(8,029,059)
Allowance for impairment*	(2,082,816)	(1,198,498)	(924,325)
Suspended profit	(101,706)	(92,237)	(75,386)
Net financing assets	<u>104,644,847</u>	<u>102,613,499</u>	<u>99,509,272</u>

Note:

The impaired financing assets net of deferred profit amounted to QAR 1,223 million as at 31 March 2018 representing 1.2% of the total financing assets net of deferred profit (31 December 2017: QAR 1,209 million, representing 1.2% of the total financing assets net of deferred profit).

*For stage wise exposure and allowance for impairment refer note 2c(iii).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

At 31 March 2018

7. INVESTMENT SECURITIES

	31 March 2018 (Reviewed)			31 December 2017 (Audited)			31 March 2017 (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
Investments classified as fair value through income statement									
• equity-type investments	21,859	1,754,613	1,776,472	14,482	1,531,573	1,546,055	6,682	1,109,303	1,115,985
• debt-type investments									
- Fixed rate	25,843	25,633	51,476	29,642	7,433	37,075	39,979	-	39,979
- Floating rate	-	36,399	36,399	-	-	-	-	-	-
	47,702	1,816,645	1,864,347	44,124	1,539,006	1,583,130	46,661	1,109,303	1,155,964
Debt-type investments classified at amortised cost									
- State of Qatar Sukuk and QCB Murabaha	1,585,478	25,642,227	27,227,705	2,065,815	25,627,227	27,693,042	2,144,557	13,822,831	15,967,388
- Fixed rate	408,311	225,235	633,546	310,947	267,345	578,292	2,314,473	61,566	2,376,039
- Floating rate	-	-	-	-	36,400	36,400	127,400	144,467	271,867
Less: allowance for impairment*	-	(46,088)	(46,088)	-	(44,327)	(44,327)	-	(46,496)	(46,496)
	1,993,789	25,821,374	27,815,163	2,376,762	25,886,645	28,263,407	4,586,430	13,982,368	18,568,798
Equity-type investments classified as fair value through equity									
	245,132	254,684	499,816	288,192	267,534	555,726	141,204	468,328	609,532
	2,286,623	27,892,703	30,179,326	2,709,078	27,693,185	30,402,263	4,774,295	15,559,999	20,334,294

*For stage wise exposure and allowance for impairment refer note 2c(iii).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2018

8. ASSET HELD FOR SALE

On 7 February 2018, management of the Group executed the sale agreement with Malaysia Building Society Bhd (MBSB) and disposed off its stake in the Asian Finance Bank (AFB) for a consideration of QAR 317.3 million. The related loss on this transaction amounted to QAR 0.9 million and has been presented in the consolidated income statement.

9. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	<i>31 March 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>31 March 2017 (Reviewed) QAR'000</i>
Term accounts	69,094,258	70,147,196	68,121,547
Saving accounts	13,409,628	12,670,889	13,424,319
Call accounts	2,360,739	2,348,373	3,423,097
	84,864,625	85,166,458	84,968,963
Share in fair value reserve	40,221	48,013	37,001
Total	84,904,846	85,214,471	85,005,964

10. 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.

11. 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 2017: QAR 93.4 million was transferred to risk reserve).

12. 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 31 March 2018

13. 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 outstanding during the period.

	<i>For the three month period ended 31 March</i>	
	2018	2017
	(Reviewed)	(Reviewed)
Profit for the period attributable to equity holders of the Bank	<u>625,248</u>	<u>555,350</u>
Weighted average number of shares outstanding during the period	236,293	236,293
Basic and diluted earnings per share (QAR)	<u>2.65</u>	<u>2.35</u>

14. 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.

15. 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 in year end.

16. 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 2017 (47.5% cash dividends (QAR 4.75 per share) amounting to QAR 1,122 million for the year ended 31 December 2016) in the general assembly meeting held on 21 February 2018.

17. 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 has happened.

For the three month period ended 31 March 2018, the Group has recognised a reversal of QAR 2.5 million for share-based payments in the condensed consolidated income statement (31 March 2017: QAR 0.04 million as reversal of share-based payment expense).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2018

18. 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.

19. CASH AND CASH EQUIVALENTS

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

	<i>31 March 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>31 March 2017 (Reviewed) QAR'000</i>
Cash and balances with central banks (excluding restricted QCB and other central banks reserve account)	1,229,126	953,882	695,732
Due from banks	<u>4,273,918</u>	<u>4,675,619</u>	<u>10,397,566</u>
Total	<u>5,503,044</u>	<u>5,629,501</u>	<u>11,093,298</u>

20. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>31 March 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>31 March 2017 (Reviewed) QAR'000</i>
a) Contingent liabilities			
Unused financing facilities	4,695,644	5,894,185	5,610,130
Guarantees	11,386,908	11,043,258	10,377,953
Letters of credit	<u>1,305,747</u>	<u>1,379,262</u>	<u>2,943,675</u>
	<u>17,388,299</u>	<u>18,316,705</u>	<u>18,931,758</u>
b) Commitments			
Investment commitment	<u>349,765</u>	<u>301,879</u>	<u>242,544</u>
Total	<u>17,738,064</u>	<u>18,618,584</u>	<u>19,174,302</u>

Lease commitments

Operating lease rentals are payable as follows:

	<i>31 March 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>31 March 2017 (Reviewed) QAR'000</i>
Less than one year	6,740	13,952	20,252
After one year but not more than five years	<u>98,953</u>	<u>70,485</u>	<u>69,802</u>
	<u>105,693</u>	<u>84,437</u>	<u>90,054</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2018

21. 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>31 March 2018 (Reviewed)</i>			<i>31 December 2017 (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>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
Assets:						
Financing assets	92,807	1,174,655	1,425,955	105,275	1,332,770	1,593,545
Equity of unrestricted investment account holders	70,699	1,389,004	51,962	104,548	1,093,389	246
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	57,566	327,562	-	-	355,931	-
	<i>For the three month period ended 31 March 2018 (Reviewed)</i>			<i>For the three month period ended 31 March 2017 (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>
Consolidated statement of income items:						
Income from financing activities	1,256	12,605	27,061	3,111	19,252	20,004
Profit paid on deposits	551	6,295	-	85	1,878	242
Fee and Commission	-	324	-	96	-	-

Key management personnel compensation for the period comprised:

	<i>For the three month period ended 31 March</i>	
	<i>2018 (Reviewed)</i>	<i>2017 (Reviewed)</i>
	<i>QAR'000</i>	<i>QAR'000</i>
Key management remuneration	<u>20,844</u>	<u>20,805</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 At 31 March 2018

22. CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the capital 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 and is 14.25% for 2018.

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:

	31 March 2018 QAR'000 (Reviewed)	31 December 2017 QAR'000 (Audited)	31 March 2017 QAR'000 (Reviewed)
Common Equity Tier 1 (CET 1) Capital	13,616,357	14,548,876	13,170,234
Additional Tier 1 Capital	4,000,000	4,000,000	4,000,000
Other Tier 1 capital	62,441	64,527	56,495
Tier 2 capital	1,332,050	440,829	441,428
Total eligible capital	19,010,848	19,054,232	17,668,157
Risk weighted assets	109,222,726	110,006,647	106,535,522
Common equity tier 1 (CET 1) capital adequacy ratio*	12.5%	13.2%	12.4%
QCB minimum	9.25%	9.0%	9.0%
Total capital adequacy ratio*	17.4%	17.3%	16.6%
QCB minimum including ICAAP pillar II capital charge	14.25%	14.0%	14.0%

*Had the Group not adopted the ECL regulations, total capital adequacy ratio and common equity tier 1 (CET 1) ratio would have been as follows:

	31 March 2018
Common equity tier 1 (CET 1) ratio	13.4%
Total capital adequacy ratio	17.4%

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.