

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

31 March 2019

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2019

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

Introduction

We have reviewed the accompanying 31 March 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 31 March 2019;
- the condensed consolidated income statement for the three month period ended 31 March 2019;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2019;
- the condensed consolidated statement of changes in restricted investment accounts for the three month period ended 31 March 2019;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2019;
- 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 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 April 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 31 March 2019

		<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
		<i>2019</i>	<i>2018</i>	<i>2018</i>
		<i>(Reviewed)</i>	<i>(Audited)</i>	<i>(Reviewed)</i>
	<i>Notes</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
Assets				
Cash and balances with central banks		5,599,417	7,298,914	5,515,597
Due from banks		6,076,982	6,424,153	5,231,763
Financing assets	6	106,305,671	102,209,930	104,644,847
Investment securities	7	31,647,855	31,473,601	30,550,702
Investment in associates		567,387	568,392	665,662
Investment properties		1,232,871	1,231,107	1,340,258
Fixed assets		474,401	479,468	506,991
Intangible assets		397,850	385,740	403,593
Other assets		3,035,788	3,161,060	2,942,638
Total assets		155,338,222	153,232,365	151,802,051
Liabilities, equity of unrestricted investment account holders and equity				
Liabilities				
Due to banks		11,561,064	17,233,968	18,490,043
Customers' current accounts		15,109,286	15,420,808	17,433,922
Sukuk financing		11,869,738	9,189,047	7,402,178
Other liabilities		3,919,769	5,471,990	4,270,319
Total liabilities		42,459,857	47,315,813	47,596,462
Equity of unrestricted investment account holders	8	92,649,792	85,177,175	84,904,846
Equity				
Share capital		2,362,932	2,362,932	2,362,932
Legal reserve	9	6,370,016	6,370,016	6,370,016
Risk reserve	10	2,318,875	2,318,875	2,263,736
General reserve	11	81,935	81,935	81,935
Fair value reserve		114,452	154,458	189,551
Foreign currency translation reserve	13	(320,322)	(348,424)	(227,778)
Other reserves	14	216,820	216,820	216,820
Share-based payment reserve	16	-	-	9,906
Retained earnings		3,767,450	4,263,684	2,462,643
Total equity attributable to equity holders of the bank		14,912,158	15,420,296	13,729,761
Non-controlling interests		1,316,415	1,319,081	1,570,982
Sukuk eligible as additional capital	17	4,000,000	4,000,000	4,000,000
Total equity		20,228,573	20,739,377	19,300,743
Total liabilities, equity of unrestricted investment account holders and equity		155,338,222	153,232,365	151,802,051

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



Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman



Bassel Camar
Group Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three month period ended 31 March 2019

	Note	For the three month period ended 31 March	
		2019	2018
		(Reviewed) QAR'000	(Reviewed) QAR'000
Net income from financing activities		1,448,728	1,273,144
Net income from investing activities		226,499	166,937
Total net income from financing and investing activities		1,675,227	1,440,081
Fee and commission income		180,395	180,102
Fee and commission expense		(40,624)	(39,429)
Net fee and commission income		139,771	140,673
Net foreign exchange gain		23,161	49,570
Share of results of associates		1,682	42
Other income		9,645	5,773
Total income		1,849,486	1,636,139
Staff costs		(150,136)	(161,898)
Depreciation and amortisation		(20,326)	(22,931)
Sukuk holders' share of profit		(77,627)	(52,595)
Other expenses		(96,648)	(105,854)
Total expenses		(344,737)	(343,278)
Net impairment losses on investment securities		(14,749)	(66,270)
Net impairment losses on financing assets		(193,477)	(155,401)
Other impairment reversals		5,972	15,279
Net profit for the period before tax and return to unrestricted investment account holders		1,302,495	1,086,469
Less: return to unrestricted investment account holders		(622,601)	(487,451)
Net profit for the period before tax		679,894	599,018
Tax expense		(5,795)	(2,505)
Net profit for the period		674,099	596,513
Net profit for the period attributable to:			
Equity holders of the Bank		685,232	625,248
Non-controlling interests		(11,133)	(28,735)
Net profit for the period		674,099	596,513
Earnings per share			
Basic / diluted earnings per share (QAR per share)	12	2.90	2.65

The attached notes 1 to 24 form part of these condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 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 -----												
Balance at 31 December 2018 <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	-	-	-	-	-	28,102	-	-	28,102	-	-	28,102
Fair value reserve movement	-	-	-	-	(40,006)	-	-	-	(40,006)	-	-	(40,006)
Net profit for the period	-	-	-	-	-	-	-	685,232	685,232	(11,133)	-	674,099
Total recognised income and expense for the period	-	-	-	-	(40,006)	28,102	-	685,232	673,328	(11,133)	-	662,195
Cash dividends paid to shareholders (Note 15)	-	-	-	-	-	-	-	(1,181,466)	(1,181,466)	-	-	(1,181,466)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	8,467	-	8,467
Balance at 31 March 2019 <i>(Reviewed)</i>	2,362,932	6,370,016	2,318,875	81,935	114,452	(320,322)	216,820	3,767,450	14,912,158	1,316,415	4,000,000	20,228,573

The attached notes 1 to 24 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 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>Share - based payment reserve</i>	<i>Retained earnings</i>	<i>Total equity attributable to equity holders of the Bank</i>	<i>Non-controlling interests</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
	----- QAR'000 -----												
Balance at 31 December 2017 <i>(Audited)</i>	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	-	-	-	-	-	(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 15)	-	-	-	-	-	-	-	-	(1,181,466)	(1,181,466)	-	-	(1,181,466)
Share-based payment (Note 16)	-	-	-	-	-	-	-	(1,279)	-	(1,279)	(1,272)	-	(2,551)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	56,276	-	56,276
Balance at 31 March 2018 <i>(Reviewed)</i>	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 24 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 2019

<i>Investment</i>	<i>Movements during the period</i>						<i>At 31 March 2019 (Reviewed) QAR'000</i>
	<i>At 1 January 2019 (Audited) QAR'000</i>	<i>Investment 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>	
	Real Estate Portfolio	66,430	-	-	-	-	
Equity Securities Portfolio	555,461	1,434	3,611	14,181	(1,645)	(1,045)	571,997
	621,891	1,434	3,611	14,181	(1,645)	(1,045)	638,427

<i>Investment</i>	<i>Movements during the period</i>						<i>At 31 March 2018 (Reviewed) QAR'000</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>	
	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

The attached notes 1 to 24 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2019

	<i>For the three month period ended 31 March</i>	
	<i>2019 (Reviewed) QAR'000</i>	<i>2018 (Reviewed) QAR'000</i>
Cash flows from operating activities		
Net profit for the period before tax	679,894	599,018
Net changes in operating assets and liabilities	(12,008,671)	(105,166)
Net cash flows (used in) / from operating activities	(11,328,777)	493,852
Cash flows from investing activities		
Net changes in investment securities	(61,830)	336,348
Net changes in fixed and intangible assets	(46,942)	(19,626)
Net changes in investment properties	-	475,416
Dividends received from associate companies	5,000	5,000
Net cash flows (used in) / from investing activities	(103,772)	797,138
Cash flows from financing activities		
Change in equity of unrestricted investment account holders	7,472,616	(309,625)
Profit paid on sukuk eligible as additional capital	(205,000)	(205,000)
Net proceeds from sukuk issue	2,730,000	271,180
Net movement in non-controlling interests	8,467	7,464
Cash dividends paid to equity holders of the Bank	(1,181,466)	(1,181,466)
Net cash flows from / (used in) financing activities	8,824,617	(1,417,447)
Net decrease in cash and cash equivalents	(2,607,932)	(126,457)
Cash and cash equivalents - beginning of the period	9,087,614	5,629,501
Cash and cash equivalents - end of the period (Note 18)	6,479,682	5,503,044

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 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:

	Country of Incorporation	Principal Business Activity	Effective percentage of ownership	
			31 March 2019	31 December 2018
Arab Finance House	Lebanon	Banking	99.99%	99.99%
Aqar Real Estate Development and Investment Company W.L.L.(“Aqar”) (i)	Qatar	Investment in real estate	49%	49%
Durat Al Doha Real Estate Investment and Development W.L.L. (ii)	Qatar	Investment in real estate	39.87%	39.87%
QIB Sukuk Ltd (iii)	Cayman Island	Sukuk issuance	100%	100%
QIB Sukuk Funding Limited	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%
QInvest Luxembourg S.a.r.l. (iv)	Luxembourg	Investments	50.13%	50.13%
QI St Edmund’s Terrace 2 Limited (iv)	Cayman Island	Investment holding company	50.13%	50.13%
QInvest IBFin LLC (Previously known as QInvest Comms Holding LLC) (iv)	Qatar	To provide financing facility	50.13%	50.13%
QI One Wall Street Invest Co. (iv)	Cayman Island	Investment holding company	50.13%	50.13%
QEthika 1 (iv)	Cayman Island	Investment holding company	50.13%	50.13%
QInvest Euro PE QFC LLC (iv)	Qatar	Investment holding company	50.13%	50.13%
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%
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%	50.13%
Admiral Holdco LLC (iv)	Qatar	Holding Company	50.13%	50.13%
QInvest RE-Equity LLC (iv)	Qatar	Investment holding company	50.13%	50.13%
QSeven 1 LP (iv)	Cayman Island	Investment in real estate	45.62%	45.62%
Admiral Operations Limited (iv)	Cayman Island	Vessel operating company	37.60%	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 month period ended 31 March 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.

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.

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.

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)**

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

QCB earlier issued ECL regulations (“ECL regulations”) via its circular 9 of 2017 as applicable for Islamic banks operating in Qatar. The Group had 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. 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 interests as at 1 January 2018.

Subsequently in 2018, QCB issued circular 26 of 2018 for Islamic banks operating in Qatar with respect to early adoption of FAS 30 effective 1 January 2018 and superseding its earlier circular 9 of 2017. Therefore, the Group had early adopted FAS 30 with effect from 1 January 2018. However, the Group did not identify any adjustments while adopting FAS 30 and overriding the ECL regulations. The requirements for restatement of comparative figures and adjustments to transition remain the same as ECL regulations.

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 2019 (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	1,177,824	324,781	104,979	67,643	1,675,227
Net fee and commission income	75,989	46,383	10,278	7,121	139,771
Net foreign exchange gain	-	-	22,945	216	23,161
Share of results of associates	-	-	2,365	(683)	1,682
Other income	-	-	-	9,645	9,645
Inter segment revenue	(368,657)	136,328	232,329	-	-
Total segment income	885,156	507,492	372,896	83,942	1,849,486
Staff costs, other expenses and depreciation and amortization	(63,230)	(110,858)	(29,169)	(63,853)	(267,110)
Sukuk holders' share of profit	-	-	(77,627)	-	(77,627)
Return to unrestricted investment account holders	(412,710)	(122,737)	(73,569)	(13,585)	(622,601)
Other material non-cash items:					
Net impairment (losses) / reversals on investment securities	-	-	(16,249)	1,500	(14,749)
Net impairment losses on financing assets	(139,521)	(49,664)	-	(4,292)	(193,477)
Other impairment reversals / (losses)	-	-	6,749	(777)	5,972
Reportable segment net profit before tax	269,695	224,233	183,031	2,935	679,894
Tax expense	-	-	-	(5,795)	(5,795)
Reportable segment net profit after tax	269,695	224,233	183,031	(2,860)	674,099

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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	(60,197)	(107,448)	(40,060)	(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 investment securities	-	-	(62,976)	(3,294)	(66,270)
Net impairment losses on financing assets	(111,424)	(36,208)	-	(7,769)	(155,401)
Other impairment reversals	-	-	13,957	1,322	15,279
Reportable segment net profit before tax	302,091	209,303	85,829	1,795	599,018
Tax expense	-	-	-	(2,505)	(2,505)
Reportable segment net profit after tax	302,091	209,303	85,829	(710)	596,513

Note:

Certain segmental income and expenses for the three-month period ended 31 March 2018 were reclassified in the condensed consolidated interim financial statements for the three-month period ended 31 March 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 31 March 2019

3. OPERATING SEGMENTS (CONTINUED)

<i>31 March 2019 (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>94,846,563</u>	<u>18,417,303</u>	<u>37,377,447</u>	<u>4,696,909</u>	<u>155,338,222</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>55,892,029</u>	<u>38,117,588</u>	<u>37,294,008</u>	<u>3,806,024</u>	<u>135,109,649</u>
<i>31 December 2018 (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>91,400,552</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 31 March 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>
31 March 2019 (Reviewed)					
Cash and balances with central banks	-	-	5,599,417	5,599,417	5,599,417
Due from banks	-	-	6,076,982	6,076,982	6,076,982
Financing assets	-	512,143	105,793,528	106,305,671	106,305,671
Investment securities:					
- Measured at fair value	475,006	1,948,025	-	2,423,031	2,423,031
- Measured at amortised cost	-	-	29,224,824	29,224,824	29,234,592
Other assets	-	-	598,418	598,418	598,418
	475,006	2,460,168	147,293,169	150,228,343	150,238,111
Due to banks	-	-	11,561,064	11,561,064	11,561,064
Customers' current accounts	-	-	15,109,286	15,109,286	15,109,286
Sukuk financing	-	-	11,869,738	11,869,738	11,869,738
Other liabilities	-	-	3,919,769	3,919,769	3,919,769
Equity of unrestricted investment account holders	-	-	92,649,792	92,649,792	92,649,792
	-	-	135,109,649	135,109,649	135,109,649

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 31 March 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
 As at and for the period ended 31 March 2019

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 2,681 million (31 December 2018: QAR 2,484 million) for which the fair value amounts to QAR 2,691 million (31 December 2018: QAR 2,458 million), which is derived using level 1 fair value hierarchy. During the period ended 31 March 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 gain recorded in consolidated income statement / fair value reserve</i>	<i>Purchases</i>	<i>Sales / transfers</i>	<i>At 31 March 2019</i>
	<i>(Audited)</i>				<i>(Reviewed)</i>
	----- QAR'000 -----				
Equity investments:					
at fair value through income statement	1,441,957	(16,906)	44,747	(82,947)	1,386,851
Financing assets classified as FVTIS	494,929	7,776	10,061	(623)	512,143
	1,936,886	(9,130)	54,808	(83,570)	1,898,994
	<i>At 1 January 2018</i>	<i>Total 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 -----				
Equity investments:					
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
Debt investments					
at fair value through income statement	7,433	(7,433)	-	-	-
Financing assets classified as FVTIS	522,019	(7,678)	-	(19,412)	494,929
	1,937,456	(98,944)	413,353	(314,979)	1,936,886

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 31 March 2019

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 16.4 million (31 March 2018: QAR 64.6 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 193.5 million (31 March 2018: QAR 155.4 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 1.7 million (31 March 2018: impairment losses of QAR 1.7 million) on investment securities which was recognised under “Net impairment losses on investment securities” in the condensed consolidated income statement.

6. FINANCING ASSETS

	31 March 2019 (Reviewed) QAR'000	31 December 2018 (Audited) QAR'000	31 March 2018 (Reviewed) QAR'000
Total financing assets	116,363,179	112,407,272	114,666,930
Less: Deferred profit	(7,651,709)	(8,004,893)	(7,837,561)
Expected credit losses on financing assets - performing (Stage 1 and 2) *	(1,081,389)	(930,024)	(885,416)
Allowance for impairment on financing assets – credit impaired (Stage 3) *	(1,265,463)	(1,199,780)	(1,197,400)
Suspended profit	(58,947)	(62,645)	(101,706)
Net financing assets	<u>106,305,671</u>	<u>102,209,930</u>	<u>104,644,847</u>

Note:

Net financing assets includes hybrid instruments amounting to QAR 512 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 1,324 million as at 31 March 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 31 March 2019

7. INVESTMENT SECURITIES

	31 March 2019 (Reviewed)			31 December 2018 (Audited)			31 March 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
Investments classified as fair value through income statement									
• equity-type investments	18,162	1,828,022	1,846,184	15,934	1,927,331	1,943,265	21,859	1,754,613	1,776,472
• debt-type investments									
- Fixed rate	20,002	-	20,002	16,608	-	16,608	25,843	25,633	51,476
- Floating rate	-	81,839	81,839	-	81,894	81,894	-	36,399	36,399
	38,164	1,909,861	1,948,025	32,542	2,009,225	2,041,767	47,702	1,816,645	1,864,347
Debt-type investments classified at amortised cost									
- State of Qatar Sukuk and QCB Murabaha	1,924,800	26,532,269	28,457,069	1,845,212	26,358,874	28,204,086	1,596,007	26,001,095	27,597,102
- Fixed rate	677,879	201,099	878,978	620,868	233,766	854,634	410,290	225,235	635,525
Less: allowance for impairment*	(5,025)	(106,198)	(111,223)	(6,013)	(106,900)	(112,913)	-	(46,088)	(46,088)
	2,597,654	26,627,170	29,224,824	2,460,067	26,485,740	28,945,807	2,006,297	26,180,242	28,186,539
Equity-type investments classified as fair value through equity									
	306,190	168,816	475,006	408,737	77,290	486,027	245,132	254,684	499,816
	2,942,008	28,705,847	31,647,855	2,901,346	28,572,255	31,473,601	2,299,131	28,251,571	30,550,702

*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 31 March 2019

8. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	<i>31 March 2019 (Reviewed) QAR'000</i>	<i>31 December 2018 (Audited) QAR'000</i>	<i>31 March 2018 (Reviewed) QAR'000</i>
Term accounts	75,936,358	69,571,701	69,094,258
Saving accounts	14,164,940	13,011,774	13,409,628
Call accounts	2,501,381	2,547,708	2,360,739
	92,602,679	85,131,183	84,864,625
Share in fair value reserve	47,113	45,992	40,221
Total	92,649,792	85,177,175	84,904,846

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 outstanding during the period.

	<i>For the three month period ended 31 March</i>	
	<i>2019 (Reviewed)</i>	<i>2018 (Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	685,232	625,248
Weighted average number of shares outstanding during the period	236,293	236,293
Basic and diluted earnings per share (QAR)	2.90	2.65

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 31 March 2019

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 has happened.

During the year 2018, the management had reassessed the vesting conditions linked to the share option plan and have 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:

	31 March 2019 (Reviewed) QAR'000	31 December 2018 (Audited) QAR'000	31 March 2018 (Reviewed) QAR'000
Cash and balances with central banks (excluding restricted QCB and other central banks reserve account)	1,240,406	2,779,967	1,229,126
Due from banks	5,239,276	6,307,647	4,273,918
Total	6,479,682	9,087,614	5,503,044

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

	<i>31 March 2019 (Reviewed) QAR'000</i>	<i>31 December 2018 (Audited) QAR'000</i>	<i>31 March 2018 (Reviewed) QAR'000</i>
a) Contingent liabilities			
Unused financing facilities	4,781,611	4,808,855	4,695,644
Guarantees	10,918,667	11,090,785	11,386,908
Letters of credit	2,340,405	2,077,304	1,305,747
	<u>18,040,683</u>	<u>17,976,944</u>	<u>17,388,299</u>
b) Commitments			
Investment commitment	<u>80,818</u>	<u>152,678</u>	<u>349,765</u>
Total	<u>18,121,501</u>	<u>18,129,622</u>	<u>17,738,064</u>

Lease commitments

Operating lease rentals are payable as follows:

	<i>31 March 2019 (Reviewed) QAR'000</i>	<i>31 December 2018 (Audited) QAR'000</i>	<i>31 March 2018 (Reviewed) QAR'000</i>
Less than one year	5,491	13,113	6,740
After one year but not more than five years	56,180	51,279	98,953
	<u>61,671</u>	<u>64,392</u>	<u>105,693</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 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 2019 (Reviewed)</i>			<i>31 December 2018 (Audited)</i>		
	<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>
Assets:						
Financing assets	142,244	1,220,318	1,472,852	157,905	1,334,045	1,456,204
Equity of unrestricted investment account holders	67,397	779,658	23,469	50,811	1,061,279	25,150
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	18	390,359	-	-	470,999	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 31 March 2019

20. RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>For the three month period ended</i>			<i>For the three month period ended</i>		
	<i>31 March 2019 (Reviewed)</i>			<i>31 March 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>
Consolidated statement of income items:						
Income from financing activities	2,064	17,169	20,664	1,256	12,605	27,061
Profit paid on deposits	341	5,756	-	551	6,295	-
Fee and commission	147	342	-	-	324	-

Key management personnel compensation for the period comprised:

	<i>For the three month period ended</i>	
	<i>31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>QAR'000</i>	<i>QAR'000</i>
Key management remuneration	19,757	20,844

21. 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 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>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>	<i>(Reviewed)</i>
Common Equity Tier 1 (CET 1) Capital	14,770,534	14,841,497	13,616,357
Additional Tier 1 Capital	4,000,000	4,000,000	4,000,000
Other Tier 1 capital	55,313	56,566	62,441
Tier 2 capital	1,206,191	1,064,101	1,332,050
Total eligible capital	20,032,038	19,962,164	19,010,848
Risk weighted assets	106,844,041	106,398,661	109,222,726
Common equity tier 1 (CET 1) capital adequacy ratio	13.8%	13.9%	12.5%
QCB minimum	9.5%	9.25%	9.25%
Total capital adequacy ratio	18.7%	18.8%	17.4%
QCB minimum including ICAAP pillar II capital charge	14.5%	14.25%	14.25%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 31 March 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	QAR'000	QAR'000	QAR'000
Exposures subject to expected credit losses as at 31 March 2019				
Due from banks	6,075,786	1,308	20,647	6,097,741
Debt type investments carried at amortised cost	29,167,469	62,056	106,522	29,336,047
Financing assets*	91,598,611	15,105,367	1,265,463	107,969,441
Other financial instruments subject to credit risk	11,070,838	658,587	21,603	11,751,028
	<u>137,912,704</u>	<u>15,827,318</u>	<u>1,414,235</u>	<u>155,154,257</u>
Opening balance of expected credit losses / impairment losses as at 1 January 2019				
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	56,188	14,402	20,199	90,789
	<u>267,609</u>	<u>739,927</u>	<u>1,346,803</u>	<u>2,354,339</u>
Fair value adjustments**	43,437	-	-	43,437
Opening balance of expected credit losses / impairment losses as at 1 January 2019 (excluding fair value adjustments)	311,046	739,927	1,346,803	2,397,776
Net transfer between stages				
Due from banks	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-
Financing assets	(1,794)	(2,850)	4,644	-
Other financial instruments subject to credit risk	-	-	-	-
	<u>(1,794)</u>	<u>(2,850)</u>	<u>4,644</u>	<u>-</u>
Write off / transfers for the period				
Due from banks	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-
Financing assets	(3,395)	(3)	(16,468)	(19,866)
Other financial instruments subject to credit risk	-	-	-	-
	<u>(3,395)</u>	<u>(3)</u>	<u>(16,468)</u>	<u>(19,866)</u>
Charge / (reversal) for the period (net) including foreign currency translation				
Due from banks	(74)	-	-	(74)
Debt type investments carried at amortised cost	(1,527)	(163)	-	(1,690)
Financing assets	34,614	81,356	77,507	193,477
Other financial instruments subject to credit risk	2,270	(8,529)	361	(5,898)
	<u>35,283</u>	<u>72,664</u>	<u>77,868</u>	<u>185,815</u>
Closing balance of expected credit losses / impairment losses - as at 31 March 2019 (Reviewed)				
Due from banks	112	-	20,647	20,759
Debt type investments carried at amortised cost	607	4,439	106,177	111,223
Financing assets	281,963	799,426	1,265,463	2,346,852
Other financial instruments subject to credit risk	58,458	5,873	20,560	84,891
	<u>341,140</u>	<u>809,738</u>	<u>1,412,847</u>	<u>2,563,725</u>

*net of suspended profit

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 As at and for the period ended 31 March 2019

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 31 March 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	QAR'000	QAR'000	QAR'000	QAR'000
AAA to AA-	11,907	28,716,977	16,709,640	1,522,539	46,961,063
A+ to A-	5,519,110	62,673	2,240,774	732,283	8,554,840
BBB to BBB-	122,301	98,534	72,058,621	5,784,561	78,064,017
BB+ to B-	5,123	248,277	11,965,983	3,662,018	15,881,401
Unrated	439,300	209,586	4,994,423	49,627	5,692,936
Total	6,097,741	29,336,047	107,969,441	11,751,028	155,154,257

23. SHARE SPLIT

On 20 February 2019, the Extraordinary General Meeting of the Bank approved the par value of the ordinary share to be QAR 1 instead of QAR 10, as per the instructions from the Qatar Financial Markets Authority, and amendment of the related Articles of Association. The share split has not yet been implemented pending completion of certain legal formalities, as at the end of the reporting period.

24. 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.