

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

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**30 September 2018**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
30 September 2018

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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 30 September 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 30 September 2018;
- the condensed consolidated income statement for the three and nine month periods ended 30 September 2018;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2018;
- the condensed consolidated statement of changes in restricted investment accounts for the nine month period ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 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 30 September 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.

17 October 2018  
Doha  
State of Qatar

Gopal Balasubramaniam  
Qatar Auditors Registry Number 251  
KPMG

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

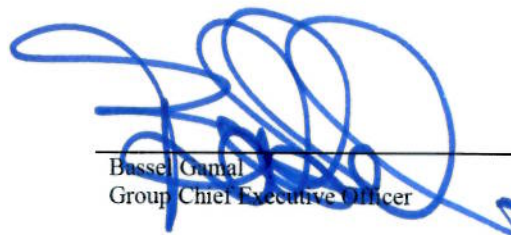
As at 30 September 2018

		<i>30 September 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>30 September 2017 (Reviewed) QAR'000</i>
<b>Assets</b>				
Cash and balances with central banks		6,235,500	5,546,386	6,780,665
Due from banks		2,748,054	4,875,690	5,436,986
Financing assets	6	106,378,019	102,613,499	99,265,902
Investment securities	7	30,689,536	30,402,263	30,747,433
Investment in associates		571,967	668,512	904,939
Investment properties		1,311,822	1,943,937	1,512,034
Asset held for sale	8	-	245,686	-
Fixed assets		484,992	511,302	522,167
Intangible assets		390,842	411,314	404,360
Other assets		3,698,371	3,156,287	3,781,530
<b>Total assets</b>		<b>152,509,103</b>	<b>150,374,876</b>	<b>149,356,016</b>
<b>Liabilities, equity of unrestricted investment account holders and equity</b>				
<b>Liabilities</b>				
Due to banks		15,660,373	17,191,126	17,302,163
Customers' current accounts		15,161,981	16,600,080	16,332,268
Sukuk financing		8,415,896	7,057,282	9,641,126
Other liabilities		4,885,869	3,431,752	3,072,325
<b>Total liabilities</b>		<b>44,124,119</b>	<b>44,280,240</b>	<b>46,347,882</b>
<b>Equity of unrestricted investment account holders</b>	9	<b>87,713,926</b>	<b>85,214,471</b>	<b>82,329,405</b>
<b>Equity</b>				
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		240,210	170,173	161,234
Foreign currency translation reserve	14	(258,753)	(137,224)	(140,860)
Other reserves	15	216,820	216,820	216,820
Proposed cash dividends	16	-	1,181,466	-
Share-based payment reserve	17	9,310	11,185	10,929
Retained earnings		3,842,720	2,768,147	3,677,993
<b>Total equity attributable to equity holders of the bank</b>		<b>15,128,926</b>	<b>15,289,186</b>	<b>14,911,279</b>
Non-controlling interests		1,542,132	1,590,979	1,767,450
Sukuk eligible as additional capital	18	4,000,000	4,000,000	4,000,000
<b>Total equity</b>		<b>20,671,058</b>	<b>20,880,165</b>	<b>20,678,729</b>
<b>Total liabilities, equity of unrestricted investment account holders and equity</b>		<b>152,509,103</b>	<b>150,374,876</b>	<b>149,356,016</b>

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 October 2018 and were signed on its behalf by:



Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani  
Chairman



Bassem Gamal  
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 and nine month periods ended 30 September 2018

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2018	2017	2018	2017
	(Reviewed) QAR'000	(Reviewed) QAR'000	(Reviewed) QAR'000	(Reviewed) QAR'000
	<i>Note</i>			
Net income from financing activities		1,264,742	3,931,732	3,673,580
Net income from investing activities		129,432	596,351	509,019
<b>Total income from financing and investing activities, net</b>		1,394,174	4,528,083	4,182,599
Fee and commission income		155,155	532,121	499,201
Fee and commission expense		(35,716)	(118,205)	(104,309)
<b>Net fee and commission income</b>		119,439	413,916	394,892
Net foreign exchange gain		28,114	150,980	84,026
Share of results of associates		12,574	(3,364)	29,523
Other income		21,736	18,232	31,440
<b>Total income</b>		1,576,037	5,107,847	4,722,480
Staff costs		(151,910)	(482,706)	(462,638)
Depreciation and amortisation		(22,757)	(68,435)	(68,027)
Sukuk holders' share of profit		(66,815)	(180,317)	(165,425)
Other expenses		(109,579)	(309,178)	(300,420)
<b>Total expenses</b>		(351,061)	(1,040,636)	(996,510)
Net impairment losses on due from banks		-	(1,287)	-
Net impairment losses on investment securities		(119,245)	(181,451)	(221,045)
Net impairment losses on financing assets		(78,993)	(367,493)	(400,299)
Net impairment (losses) / reversals on other financial instruments		-	4,821	-
Other impairment losses		(1,874)	(1,185)	(3,879)
<b>Net profit for the period before tax and return to unrestricted investment account holders</b>		1,024,864	3,520,616	3,100,747
Less: return to unrestricted investment account holders		(433,779)	(1,547,624)	(1,320,287)
<b>Net profit for the period before tax</b>		591,085	1,972,992	1,780,460
Tax expense		(3,577)	(14,746)	(14,366)
<b>Net profit for the period</b>		587,508	1,958,246	1,766,094
<b>Net profit for the period attributable to:</b>				
Equity holders of the Bank		610,105	2,005,325	1,775,213
Non-controlling interests		(22,597)	(47,079)	(9,119)
<b>Net profit for the period</b>		587,508	1,958,246	1,766,094
<b>Earnings per share</b>				
Basic / diluted earnings per share (QAR per share)	13	2.88	2.58	8.49
		2.58	8.49	7.51

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine month period ended 30 September 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 the Bank</i>	<i>Non-controlling interests</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
-----QAR'000-----														
<b>Balance at 31 December 2017 (Audited)</b>	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
Early adoption of FAS 30 (note 2(c))	-	-	-	-	-	-	-	-	-	(930,752)	(930,752)	(46,266)	-	(977,018)
<b>Restated balance at 1 January 2018</b>	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	-	-	-	-	-	(121,529)	-	-	-	-	(121,529)	-	-	(121,529)
Fair value reserve movement	-	-	-	-	70,037	-	-	-	-	-	70,037	-	-	70,037
Net profit / (losses) for the period	-	-	-	-	-	-	-	-	-	2,005,325	2,005,325	(47,079)	-	1,958,246
Total recognised income and expense for the period	-	-	-	-	70,037	(121,529)	-	-	-	2,005,325	1,953,833	(47,079)	-	1,906,754
Cash dividends paid to shareholders (Note 16)	-	-	-	-	-	-	-	(1,181,466)	-	-	(1,181,466)	-	-	(1,181,466)
Share-based payment (Note 17)	-	-	-	-	-	-	-	-	(1,875)	-	(1,875)	(1,865)	-	(3,740)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	46,363	-	46,363
<b>Balance at 30 September 2018 (Reviewed)</b>	2,362,932	6,370,016	2,263,736	81,935	240,210	(258,753)	216,820	-	9,310	3,842,720	15,128,926	1,542,132	4,000,000	20,671,058

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 nine month period ended 30 September 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 the Bank</i>	<i>Non-controlling interests</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
-----QAR'000-----														
Balance at 1 January 2017 (Audited)	2,362,932	6,370,016	2,170,280	81,935	195,089	(194,335)	216,820	1,122,393	10,223	1,902,780	14,238,133	1,760,528	4,000,000	19,998,661
Foreign currency translation reserve movement	-	-	-	-	-	53,475	-	-	-	-	53,475	-	-	53,475
Fair value reserve movement	-	-	-	-	(33,855)	-	-	-	-	-	(33,855)	-	-	(33,855)
Net profit / (losses) for the period	-	-	-	-	-	-	-	-	-	1,775,213	1,775,213	(9,119)	-	1,766,094
Total recognised income and expense for the period	-	-	-	-	(33,855)	53,475	-	-	-	1,775,213	1,794,833	(9,119)	-	1,785,714
Cash dividends paid to shareholders (Note 16)	-	-	-	-	-	-	-	(1,122,393)	-	-	(1,122,393)	-	-	(1,122,393)
Share-based payment (Note 17)	-	-	-	-	-	-	-	-	706	-	706	702	-	1,408
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	15,339	-	15,339
Balance at 30 September 2017 (Reviewed)	2,362,932	6,370,016	2,170,280	81,935	161,234	(140,860)	216,820	-	10,929	3,677,993	14,911,279	1,767,450	4,000,000	20,678,729

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 nine month period ended 30 September 2018

<i>Investment</i>	<i>Movements during the period</i>						<i>At 30 September 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	(75,206)	(2,967)	33,677	(11,943)	(157)	826,996
	<b>956,756</b>	<b>(81,940)</b>	<b>(2,967)</b>	<b>33,677</b>	<b>(11,943)</b>	<b>(157)</b>	<b>893,426</b>

<i>Investment</i>	<i>Movements during the period</i>						<i>At 30 September 2017 (Reviewed) QAR'000</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>	
	Real Estate Portfolio	73,164	(2,912)	-	-	-	
Equity Securities Portfolio	892,856	(77,488)	(26,786)	15,504	(312)	(1,798)	801,976
	<b>966,020</b>	<b>(80,400)</b>	<b>(26,786)</b>	<b>15,504</b>	<b>(312)</b>	<b>(1,798)</b>	<b>872,228</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2018

	<i>For the nine month period ended 30 September</i>	
	<i>2018 (Reviewed) QAR'000</i>	<i>2017 (Reviewed) QAR'000</i>
<b>Cash flows from operating activities</b>		
Net profit for the period before tax	1,972,992	1,780,460
Net changes in operating assets and liabilities	<u>(6,160,843)</u>	<u>(7,832,436)</u>
<b>Net cash flows used in operating activities</b>	<u>(4,187,851)</u>	<u>(6,051,976)</u>
<b>Cash flows from investing activities</b>		
Net changes in investment securities	(292,501)	158,294
Net changes in fixed and intangible assets	(34,876)	(45,374)
Net changes in associate companies	-	(17,411)
Net changes in investment properties	475,000	-
Dividends received from associate companies	8,838	11,489
<b>Net cash flows from investing activities</b>	<u>156,461</u>	<u>106,998</u>
<b>Cash flows from financing activities</b>		
Change in equity of unrestricted investment accountholders	2,499,455	987,763
Profit paid on sukuk eligible as additional capital	(205,000)	(85,000)
Net proceeds from sukuk issue	1,363,180	2,851,377
Net movement in non-controlling interests	249	15,335
Cash dividends paid to equity holders of the Bank	<u>(1,181,466)</u>	<u>(1,122,393)</u>
<b>Net cash flows from financing activities</b>	<u>2,476,418</u>	<u>2,647,082</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(1,554,972)</u>	<u>(3,297,896)</u>
Cash and cash equivalents - beginning of the period	<u>5,629,501</u>	<u>10,656,507</u>
<b>Cash and cash equivalents - end of the period (Note 19)</b>	<u>4,074,529</u>	<u>7,358,611</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the period ended 30 September 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 and nine months period ended 30 September 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	
			30 September 2018	31 December 2017
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%
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	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%
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	31.58%	31.58%
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)	Luxembourg	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 Portfooy 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%	-
Admiral Holdco LLC (iv)	Qatar	Holding Company	50.13%	-
Admiral Operations Limited (iv)	Cayman Islands	Vessel operating company	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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 30 September 2018

### 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 nine month period ended 30 September 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 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 No. 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS No. 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. This standard shall be effective for the financial periods beginning on or after 1 January 2019 with early adoption permitted.

The Group is currently evaluating the impact of this standard.

###### *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 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.

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 of the current period.

Subsequently, 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 has 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 remains the same as ECL regulations.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
**(c) Early adoption of FAS 30**

The early adoption of FAS 30 has resulted in changes in the accounting policies for the measurement of impairment on financial assets. Set out below are the FAS 30 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).

**(i) Impact of early adopting FAS 30**

The impact from the early adoption of FAS 30 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:

	<b>Retained earnings</b>	<b>Non- controlling interests</b>	<b>Total</b>
	<b>QAR'000</b>	<b>QAR'000</b>	<b>QAR'000</b>
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 other financial instruments subject to credit risk	102,346	2	102,348
	<b>930,752</b>	<b>46,266</b>	<b>977,018</b>
Opening balance under FAS 30 on date of initial application of 1 January 2018	<b>1,837,395</b>	<b>1,544,713</b>	<b>3,382,108</b>

**(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 FAS 30 as at 1 January 2018.

	<b>31 December 2017</b>	<b>Expected credit losses</b>	<b>1 January 2018</b>
	<b>QAR'000</b>	<b>QAR'000</b>	<b>QAR'000</b>
	<b>(Audited)</b>	<b>(Reviewed)</b>	<b>(Reviewed)</b>
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
Other financial instruments subject to credit risk	19,980	102,348	122,328
	<b>1,286,244</b>	<b>977,018</b>	<b>2,263,262</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
**(c) Early adoption of FAS 30 (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
<b>Exposures subject to expected credit losses as at 30 September 2018</b>				
Due from banks	2,583,528	173,328	23,439	2,780,295
Debt type investments carried at amortised cost	28,215,375	59,598	106,503	28,381,476
Financing assets*	92,937,658	14,322,199	1,079,789	108,339,646
Other financial instruments subject to credit risk	10,313,904	841,870	20,420	11,176,194
	<b>134,050,465</b>	<b>15,396,995</b>	<b>1,230,151</b>	<b>150,677,611</b>
<b>Closing balance - impairment allowances as at 31 December 2017</b>				
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
Other financial instruments subject to credit risk	-	-	19,980	19,980
	-	29,585	1,256,659	1,286,244
<b>Opening balance of expected credit losses (Day 1 impact) - as at 1 January 2018</b>				
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 other financial instruments subject to credit risk	90,093	12,255	-	102,348
	<b>408,582</b>	<b>568,436</b>	-	<b>977,018</b>
<b>Write off / transfers for the period</b>				
Due from banks	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-
Financing assets	(144,582)	(52,432)	(92,390)	(289,404)
Other financial instruments subject to credit risk	-	-	-	-
	<b>(144,582)</b>	<b>(52,432)</b>	<b>(92,390)</b>	<b>(289,404)</b>
<b>Charge / (reversal) for the period (net) including foreign currency translation</b>				
Due from banks	557	730	-	1,287
Debt type investments carried at amortised cost	2,049	12,931	-	14,980
Financing assets	(6,762)	52,186	322,069	367,493
Other financial instruments subject to credit risk	(13,985)	9,164	-	(4,821)
	<b>(18,141)</b>	<b>75,011</b>	<b>322,069</b>	<b>378,939</b>
<b>Closing balance - as at 30 September 2018 (Reviewed)</b>				
Due from banks	854	730	23,439	25,023
Debt type investments carried at amortised cost	2,139	12,931	44,327	59,397
Financing assets	166,758	585,520	1,398,592	2,150,870
Other financial instruments subject to credit risk	76,108	21,419	19,980	117,507
	<b>245,859</b>	<b>620,600</b>	<b>1,486,338</b>	<b>2,352,797</b>

\*Net of suspended profit

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Early adoption of FAS 30 (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 early adoption of FAS 30 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**

FAS 30 replace the 'incurred loss' model 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 new standard, credit losses are recognised earlier than under FAS 11.

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) Early adoption of FAS 30 (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 FAS 30 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) Early adoption of FAS 30 (continued)**
**(v) Changes to Group financial risk management objectives and policies (continued)**
**Credit quality assessments**

Pursuant to the early adoption of FAS 30, 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 30 September 2018.

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-	596	27,995,313	17,853,806	1,217,134	47,066,849
A+ to A-	2,264,217	19,045	1,211,176	734,211	4,228,649
BBB to BBB-	50,479	79,335	72,616,594	5,246,576	77,992,984
BB+ to B-	971	166,845	11,848,502	3,551,290	15,567,608
Unrated	464,032	120,938	4,809,568	426,983	5,821,521
<b>Total</b>	<b>2,780,295</b>	<b>28,381,476</b>	<b>108,339,646</b>	<b>11,176,194</b>	<b>150,677,611</b>

**3. OPERATING SEGMENTS**

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

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

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

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

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

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

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

**3. OPERATING SEGMENTS (CONTINUED)**
**Information about operating segments**

<i>30 September 2018 (Reviewed)</i>	<i>Corporate banking QAR'000</i>	<i>Personal banking QAR'000</i>	<i>Group function QAR'000</i>	<i>Local &amp; international subsidiaries QAR'000</i>	<i>Total QAR'000</i>
External revenue:					
Total income from financing and investing activities	3,203,157	937,513	154,731	232,682	4,528,083
Net fee and commission income	220,027	146,683	23,814	23,392	413,916
Net foreign exchange gain	-	-	71,294	79,686	150,980
Share of results of associates	-	-	14,021	(17,385)	(3,364)
Other income	-	-	-	18,232	18,232
Inter segment revenue	(875,986)	317,481	558,505	-	-
<b>Total segment income</b>	<b>2,547,198</b>	<b>1,401,677</b>	<b>822,365</b>	<b>336,607</b>	<b>5,107,847</b>
Staff costs, other expenses and depreciation and amortization	(182,930)	(322,265)	(120,731)	(234,393)	(860,319)
Sukuk holders' share of profit	-	-	(180,317)	-	(180,317)
Return to unrestricted investment account holders	(1,057,388)	(300,041)	(157,598)	(32,597)	(1,547,624)
Other material non-cash items:					
Net impairment losses on due from banks	-	-	(848)	(439)	(1,287)
Net impairment losses on investment securities	-	-	(179,825)	(1,626)	(181,451)
Net impairment losses on financing assets	(136,834)	(50,377)	(184,063)	3,781	(367,493)
Net impairment (losses) / reversals on other financial instruments	-	-	11,177	(6,356)	4,821
Other impairment losses	-	-	-	(1,185)	(1,185)
<b>Reportable segment net profit before tax</b>	<b>1,170,046</b>	<b>728,994</b>	<b>10,160</b>	<b>63,792</b>	<b>1,972,992</b>
Tax expense	-	-	-	(14,746)	(14,746)
<b>Reportable segment net profit after tax</b>	<b>1,170,046</b>	<b>728,994</b>	<b>10,160</b>	<b>49,046</b>	<b>1,958,246</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**3. OPERATING SEGMENTS (CONTINUED)**

Information about operating segments

<i>30 September 2017 (Reviewed)</i>	<i>Corporate banking QAR'000</i>	<i>Personal banking QAR'000</i>	<i>Group function QAR'000</i>	<i>Local &amp; international subsidiaries QAR'000</i>	<i>Total QAR'000</i>
External revenue:					
Total income from financing and investing activities	2,668,444	878,959	312,818	322,378	4,182,599
Net fee and commission income	193,294	116,648	33,858	51,092	394,892
Net foreign exchange gain	-	-	68,279	15,747	84,026
Share of results of associates	-	-	21,143	8,380	29,523
Other income	-	-	18,000	13,440	31,440
Inter segment revenue	(761,128)	220,140	540,988	-	-
<b>Total segment income</b>	<b>2,100,610</b>	<b>1,215,747</b>	<b>995,086</b>	<b>411,037</b>	<b>4,722,480</b>
Staff costs, other expenses and depreciation and amortization	(171,307)	(297,458)	(130,652)	(231,668)	(831,085)
Sukuk holders' share of profit	-	-	(165,425)	-	(165,425)
Return to unrestricted investment account holders	(706,575)	(219,593)	(328,068)	(66,051)	(1,320,287)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(178,300)	(42,745)	(221,045)
Net impairment losses on financing assets	(156,812)	(55,828)	(149,054)	(38,605)	(400,299)
Other impairment losses	-	-	-	(3,879)	(3,879)
<b>Reportable segment net profit before tax</b>	<b>1,065,916</b>	<b>642,868</b>	<b>43,587</b>	<b>28,089</b>	<b>1,780,460</b>
Tax expense	-	-	-	(14,366)	(14,366)
<b>Reportable segment net profit after tax</b>	<b>1,065,916</b>	<b>642,868</b>	<b>43,587</b>	<b>13,723</b>	<b>1,766,094</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## 3. OPERATING SEGMENTS (CONTINUED)

<i>30 September 2018 (Reviewed)</i>	<i>Corporate banking QAR'000</i>	<i>Personal banking QAR'000</i>	<i>Group function QAR'000</i>	<i>Local &amp; international subsidiaries QAR'000</i>	<i>Total QAR'000</i>
Reportable segment assets	<u>95,729,823</u>	<u>18,720,373</u>	<u>33,086,113</u>	<u>4,972,794</u>	<u>152,509,103</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>56,998,792</u>	<u>34,453,556</u>	<u>36,573,703</u>	<u>3,811,994</u>	<u>131,838,045</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 &amp; 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**  
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**4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS**

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	<i>Fair value through equity</i>	<i>Fair value through income statement</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
<i>30 September 2018 (Reviewed)</i>					
Cash and balances with central banks	-	-	6,235,500	6,235,500	6,235,500
Due from banks	-	-	2,748,054	2,748,054	2,748,054
Financing assets	-	-	106,378,019	106,378,019	106,378,019
Investment securities:					
- Measured at fair value	407,453	1,959,871	-	2,367,324	2,367,324
- Measured at amortised cost	-	-	28,322,212	28,322,212	28,267,258
Other assets	-	-	1,196,917	1,196,917	1,196,917
	<b>407,453</b>	<b>1,959,871</b>	<b>144,880,702</b>	<b>147,248,026</b>	<b>147,193,072</b>
Due to banks	-	-	15,660,373	15,660,373	15,660,373
Customers' current accounts	-	-	15,161,981	15,161,981	15,161,981
Sukuk financing	-	-	8,415,896	8,415,896	8,415,896
Other liabilities	-	-	4,885,869	4,885,869	4,885,869
Equity of unrestricted investment account holders	-	-	87,713,926	87,713,926	87,713,926
	-	-	<b>131,838,045</b>	<b>131,838,045</b>	<b>131,838,045</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**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.



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

The fair value of financial assets and liabilities carried at amortised cost are equal to the carrying value, hence, not included in the fair value hierarchy, except for investment securities carried at amortised cost for which the fair value amounts to QAR 2,309 million (31 December 2017: QAR 2,341 million), which is derived using level 1 fair value hierarchy. During the period ended 30 September 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:

	<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 30 September 2018</i>
	<i>(Audited)</i>				<i>(Reviewed)</i>
<b>Equity investments:</b>					
at fair value through equity	267,534	22,880	351	(290,765)	-
at fair value through income statement	1,140,472	3,410	78,913	149,329	1,372,124
<b>Debt investments</b>					
at fair value through income statement	7,433	-	45,500	-	52,933
	<b>1,415,439</b>	<b>26,290</b>	<b>124,764</b>	<b>(141,436)</b>	<b>1,425,057</b>

	<i>At 1 January 2017</i>	<i>Total gain recorded in consolidated income statement / fair value reserve</i>	<i>Purchases</i>	<i>Sales/ transfers</i>	<i>At 31 December 2017</i>
	<i>(Audited)</i>				<i>(Audited)</i>
<b>Equity investments:</b>					
at fair value through equity	352,261	523	185,753	(271,003)	267,534
at fair value through income statement	750,093	48,817	378,913	(37,351)	1,140,472
<b>Debt investments</b>					
at fair value through income statement	-	-	7,433	-	7,433
	<b>1,102,354</b>	<b>49,340</b>	<b>572,099</b>	<b>(308,354)</b>	<b>1,415,439</b>

**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 166.5 million (30 September 2017: QAR 221 million) as impairment on equity investment securities which were recognised under "Net impairment losses on investment securities" in the condensed consolidated income statement.

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**5. IMPAIRMENT (CONTINUED)**
*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 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 FAS 30. 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 367.5 million (30 September 2017: QAR 400.3 million) as impairment on financing assets which was recognised under “Net impairment loss on financing assets” in the condensed consolidated income statement. Further, the Group has recognised losses of QAR 15 million (30 September 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>30 September 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>30 September 2017 (Reviewed) QAR'000</i>
Total financing assets	<b>116,295,994</b>	110,752,651	108,777,508
Less: Deferred profit	<b>(7,700,538)</b>	(6,848,417)	(8,285,201)
Allowance for impairment*	<b>(2,150,870)</b>	(1,198,498)	(1,146,461)
Suspended profit	<b>(66,567)</b>	(92,237)	(79,944)
<b>Net financing assets</b>	<b><u>106,378,019</u></b>	<u>102,613,499</u>	<u>99,265,902</u>

*Note:*

The impaired financing assets net of deferred profit amounted to QAR 1,146 million as at 30 September 2018 representing 1.1% 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

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## 7. INVESTMENT SECURITIES

	30 September 2018 (Reviewed)			31 December 2017 (Audited)			30 September 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
<b>Investments classified as fair value through income statement</b>									
• equity-type investments	20,282	1,832,021	1,852,303	14,482	1,531,573	1,546,055	2,852	1,456,787	1,459,639
• debt-type investments									
- Fixed rate	18,248	7,433	25,681	29,642	7,433	37,075	-	29,468	29,468
- Floating rate	-	81,887	81,887	-	-	-	-	-	-
	<b>38,530</b>	<b>1,921,341</b>	<b>1,959,871</b>	<b>44,124</b>	<b>1,539,006</b>	<b>1,583,130</b>	<b>2,852</b>	<b>1,486,255</b>	<b>1,489,107</b>
<b>Debt-type investments classified at amortised cost</b>									
- State of Qatar Sukuk and QCB Murabaha	1,744,131	25,958,073	27,702,204	2,065,815	25,627,227	27,693,042	2,067,870	25,787,262	27,855,132
- Fixed rate	526,277	153,128	679,405	310,947	267,345	578,292	327,164	232,715	559,879
- Floating rate	-	-	-	-	36,400	36,400	-	180,867	180,867
<b>Less: allowance for impairment*</b>	<b>(14,320)</b>	<b>(45,077)</b>	<b>(59,397)</b>	<b>-</b>	<b>(44,327)</b>	<b>(44,327)</b>	<b>-</b>	<b>(44,327)</b>	<b>(44,327)</b>
	<b>2,256,088</b>	<b>26,066,124</b>	<b>28,322,212</b>	<b>2,376,762</b>	<b>25,886,645</b>	<b>28,263,407</b>	<b>2,395,034</b>	<b>26,156,517</b>	<b>28,551,551</b>
<b>Equity-type investments classified as fair value through equity</b>									
	295,892	111,561	407,453	288,192	267,534	555,726	247,765	459,010	706,775
	<b>2,590,510</b>	<b>28,099,026</b>	<b>30,689,536</b>	<b>2,709,078</b>	<b>27,693,185</b>	<b>30,402,263</b>	<b>2,645,651</b>	<b>28,101,782</b>	<b>30,747,433</b>

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

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**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 its Associate, 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>30 September 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>30 September 2017 (Reviewed) QAR'000</i>
Term accounts	<b>71,387,449</b>	70,147,196	66,275,257
Saving accounts	<b>13,115,325</b>	12,670,889	12,668,813
Call accounts	<b>3,166,817</b>	2,348,373	3,343,741
	<b>87,669,591</b>	85,166,458	82,287,811
Share in fair value reserve	<b>44,335</b>	48,013	41,594
<b>Total</b>	<b>87,713,926</b>	85,214,471	82,329,405

**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.

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**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 30 September</i>		<i>For the nine month period ended 30 September</i>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<b>679,994</b>	610,105	<b>2,005,325</b>	1,775,213
Weighted average number of shares outstanding during the period	236,293	236,293	236,293	236,293
Basic and diluted earnings per share (QAR)	<b>2.88</b>	2.58	<b>8.49</b>	7.51

**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 at 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 nine month period ended 30 September 2018, the Group has recognised QAR 3.7 million as share-based payment reversal in the condensed consolidated income statement (30 September 2017: QAR 1.4 million as share-based payment expense).

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**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>30 September 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>30 September 2017 (Reviewed) QAR'000</i>
Cash and balances with central banks (excluding restricted QCB and other central banks reserve account)	1,662,364	953,882	2,125,850
Due from banks	<u>2,412,165</u>	<u>4,675,619</u>	<u>5,232,761</u>
<b>Total</b>	<b><u>4,074,529</u></b>	<b><u>5,629,501</u></b>	<b><u>7,358,611</u></b>

**20. CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>30 September 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>30 September 2017 (Reviewed) QAR'000</i>
<b>a) Contingent liabilities</b>			
Unused financing facilities	4,442,257	5,894,185	5,897,949
Guarantees	11,306,388	11,043,258	10,775,191
Letters of credit	<u>2,205,564</u>	<u>1,379,262</u>	<u>2,014,901</u>
	<b><u>17,954,209</u></b>	<b><u>18,316,705</u></b>	<b><u>18,688,041</u></b>
<b>b) Commitments</b>			
Investment commitment	<u>185,470</u>	<u>301,879</u>	<u>225,949</u>
<b>Total</b>	<b><u>18,139,679</u></b>	<b><u>18,618,584</u></b>	<b><u>18,913,990</u></b>

**Lease commitments**

Operating lease rentals are payable as follows:

	<i>30 September 2018 (Reviewed) QAR'000</i>	<i>31 December 2017 (Audited) QAR'000</i>	<i>30 September 2017 (Reviewed) QAR'000</i>
Less than one year	18,091	13,952	17,602
After one year but not more than five years	57,079	70,485	73,216
More than five years	<u>-</u>	<u>-</u>	<u>2,039</u>
	<b><u>75,170</u></b>	<b><u>84,437</u></b>	<b><u>92,857</u></b>

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**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>30 September 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>
<b>Assets:</b>						
Financing assets	174,226	1,300,443	1,439,544	105,275	1,332,770	1,593,545
<b>Equity of unrestricted investment account holders</b>	<b>59,731</b>	<b>1,144,434</b>	<b>29,705</b>	104,548	1,093,389	246
<b>Off balance sheet items:</b>						
Contingent liabilities, guarantees and other commitments	-	488,434	-	-	355,931	-
	<i>For the nine month period ended 30 September 2018 (Reviewed)</i>			<i>For the nine month period ended 30 September 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>
<b>Consolidated statement of income items:</b>						
Income from financing activities	5,451	40,822	66,205	7,374	55,247	58,697
Profit paid on deposits	989	16,243	1	931	9,454	243
Fee and commission	-	1,538	-	375	2,166	-

Key management personnel compensation for the period comprised:

	<i>For the nine month period ended 30 September</i>	
	<i>2018 (Reviewed)</i>	<i>2017 (Reviewed)</i>
	<i>QAR'000</i>	<i>QAR'000</i>
Key management remuneration	<u>62,546</u>	<u>64,557</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**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 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:

	<i>30 September 2018 QAR'000 (Reviewed)</i>	<i>31 December 2017 QAR'000 (Audited)</i>	<i>30 September 2017 QAR'000 (Reviewed)</i>
Common Equity Tier 1 (CET 1) Capital	<b>13,561,440</b>	14,548,876	13,485,834
Additional Tier 1 Capital	<b>4,000,000</b>	4,000,000	4,000,000
Other Tier 1 capital	<b>60,352</b>	64,527	61,512
Tier 2 capital	<b>1,296,536</b>	440,829	498,530
<b>Total eligible capital</b>	<b>18,918,328</b>	19,054,232	18,045,876
<b>Risk weighted assets</b>	<b>106,871,759</b>	110,006,647	109,018,763
<b>Common equity tier 1 (CET 1) capital adequacy ratio*</b>	<b>12.7%</b>	13.2%	12.4%
<b>QCB minimum</b>	<b>9.25%</b>	9.0%	9.0%
<b>Total capital adequacy ratio*</b>	<b>17.7%</b>	17.3%	16.6%
<b>QCB minimum including ICAAP pillar II capital charge</b>	<b>14.25%</b>	14.0%	14.0%

\*Had the Group not early adopted FAS 30, total capital adequacy ratio and common equity tier 1 (CET 1) capital adequacy ratio would have been as follows:

	<i>30 September 2018</i>
<b>Common equity tier 1 (CET 1) ratio</b>	<b>13.6%</b>
<b>Total capital adequacy ratio</b>	<b>17.7%</b>

**23. COMPARATIVE FIGURES**

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current period. However, such reclassifications did not have any effect on the condensed consolidated income statement or the total consolidated equity for the comparative period/year.