



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

## **CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019**

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Qatar Islamic Bank (Q.P.S.C.)

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the accompanying consolidated financial statements of Qatar Islamic Bank (Q.P.S.C.) (the 'Bank') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of income, changes in equity, cash flows, changes in restricted investment accounts and sources and uses of charity fund for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the applicable provisions of Qatar Central Bank regulations ('QCB regulations').

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Bank's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**INDEPENDENT AUDITOR'S REPORT (continued)**

*Key Audit Matters (continued)*

<p><u>Impairment of financial assets subject to credit risk</u> - refer to notes 4(b), 9, 10, 11 and 20 in the consolidated financial statements</p>	<p><u>How the matter was addressed in our audit</u></p>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• Impairment of financial assets subject to credit risk involves:           <ul style="list-style-type: none"> <li>- complex accounting requirements, including assumptions, estimates and judgements underlying the determination of adjustments on transition;</li> <li>- modelling risk (e.g. inappropriate methodology and design decisions);</li> <li>- susceptibility to management bias when making judgements to determine expected credit loss outcomes; and</li> <li>- complex disclosure requirements.</li> </ul> </li> <li>• The Group's net financial assets subject to credit risk, both on and off balance sheet, were QAR 174.9 billion as at 31 December 2019, hence a material portion of the consolidated statement of financial position. Furthermore, the total impairment recognized by the Group on these financial assets amounted to QAR 626.3 million, in the year ended 31 December 2019, which represents 21% of the net profit of the Group, hence a material portion of the consolidated statement of income.</li> </ul>	<p>Our audit procedures in this area included the following, among others:</p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the accounting policies based on the requirements of FAS 30, our business understanding and industry practice.</li> <li>• Confirming our understanding of management's processes, systems and controls implemented, including controls over model development.</li> <li>• Identifying and testing the relevant controls.</li> <li>• Involving information risk management (IRM) specialists to test IT systems and relevant controls.</li> <li>• Evaluating the reasonableness of management's key judgements and estimates made in provision calculations, including selection of methods, models, assumptions and data sources.</li> <li>• Involving Financial Risk Management (FRM) specialists:           <ul style="list-style-type: none"> <li>○ to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates; and</li> <li>○ for evaluating the appropriateness and testing the mathematical accuracy of ECL models applied.</li> </ul> </li> <li>• Involving valuation specialists to evaluate the inputs, assumptions and techniques used by the valuers engaged by the Group for the valuation of the real estate collaterals, relating to the determination of ECL.</li> <li>• Assessing the completeness, accuracy and relevance of data.</li> <li>• Evaluating the reasonableness of and testing the post-model adjustments.</li> <li>• Performing detailed credit risk assessment of a sample of performing and non-performing financing assets in line with QCB regulations.</li> <li>• Assessing the adequacy of the Group's disclosures by reference to the requirement of the relevant accounting standards and QCB regulations.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT (continued)**

*Key Audit Matters (continued)*

Valuation of investment securities - refer to notes 3(d), 5(b) and 11 in the consolidated financial statements	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• The valuation of investment securities involves complex accounting requirements, including assumptions, estimates and judgements underlying the determination of fair values.</li> <li>• The carrying value of investment securities as at 31 December 2019 was QAR 33.3 billion or 20.3% of the Group's total assets as at 31 December 2019, hence a material portion of the consolidated statement of financial position.</li> <li>• Of the total investment securities, 5.5% comprise unquoted equity securities at fair value, the measurement of which requires use of estimates and judgements.</li> </ul>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• Testing controls over the process of valuation of investment securities.</li> <li>• Agreeing the valuation of the quoted equity and debt securities to externally quoted prices.</li> <li>• For unquoted equity securities, assessing the appropriateness of the valuation methodology and challenging the key underlying assumptions, such as pricing inputs and discount factors.</li> <li>• Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly input into the pricing models;</li> <li>• We assessed the adequacy of the Group's disclosure in relation to the valuation of investment securities by reference to the requirements of the relevant accounting standards and QCB regulations.</li> </ul>

*Other Information*

The Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's annual report (Annual Report), but does not include the Bank's consolidated financial statements and our auditor's report thereon.

Prior to the date of this auditor's report, we obtained the report of Board of Directors, which forms part of the Annual Report, and the remaining sections of the Annual Report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT (continued)

### *Responsibilities of the Board of Directors for the Consolidated Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by AAOIFI and the QCB regulations, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## INDEPENDENT AUDITOR'S REPORT (continued)

### *Auditor's responsibilities for the Audit of the Consolidated Financial Statements (continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have read the report of the Board of Directors to be included in the Annual Report, and the financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the applicable provisions of the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Articles of Association and the amendments thereto having occurred during the year which might have had a material effect on the Bank's consolidated financial position or performance as at and for the year ended 31 December 2019.

2 February 2020  
Doha  
State of Qatar

Yacoub Hobeika  
Qatar Auditors Registry Number 289  
KPMG

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**Qatar Islamic Bank (Q.P.S.C)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December**



	Notes	2019 QAR'000	2018 QAR'000
<b>Assets</b>			
Cash and balances with central banks	8	7,402,932	7,298,914
Due from banks	9	3,552,284	6,424,153
Financing assets	10	113,753,593	102,209,930
Investment securities	11	33,271,763	31,473,601
Investment in associates	12	544,735	568,392
Investment properties	13	2,175,459	1,231,107
Fixed assets	14	451,748	479,468
Intangible assets	15	400,260	385,740
Other assets	16	1,966,437	3,161,060
<b>Total assets</b>		<b>163,519,211</b>	<b>153,232,365</b>
<b>Liabilities, equity of unrestricted investment account holders and equity</b>			
<b>Liabilities</b>			
Due to banks	17	14,355,068	17,233,968
Customers' current accounts	18	14,979,086	15,420,808
Sukuk financing	19	10,933,892	9,189,047
Other liabilities	20	4,450,379	5,471,990
<b>Total liabilities</b>		<b>44,718,425</b>	<b>47,315,813</b>
<b>Equity of unrestricted investment account holders</b>	21	<b>96,641,474</b>	<b>85,177,175</b>
<b>Equity</b>			
Share capital	22(a)	2,362,932	2,362,932
Legal reserve	22(b)	6,370,016	6,370,016
Risk reserve	22(c)	2,380,093	2,318,875
General reserve	22(d)	81,935	81,935
Fair value reserve	22(f)	242,377	154,458
Foreign currency translation reserve	22(g)	(316,204)	(348,424)
Other reserves	22(h)	216,820	216,820
Proposed cash dividends	22(i)	1,240,539	1,181,466
Retained earnings	22(e)	4,554,498	3,082,218
<b>Total equity attributable to equity holders of the bank</b>		<b>17,133,006</b>	<b>15,420,296</b>
Non-controlling interests	23	1,026,306	1,319,081
Sukuk eligible as additional capital	24	4,000,000	4,000,000
<b>Total equity</b>		<b>22,159,312</b>	<b>20,739,377</b>
<b>Total liabilities, equity of unrestricted investment account holders and equity</b>		<b>163,519,211</b>	<b>153,232,365</b>

These consolidated financial statements were approved by the Board of Directors on 15 January 2020 and were signed on its behalf by:

Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani  
Chairman

Bassel Gamal  
Group Chief Executive Officer

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

**Qatar Islamic Bank (Q.P.S.C)**  
**CONSOLIDATED STATEMENT OF INCOME**  
**For the year ended 31 December**



		2019	2018
	<i>Note</i>	<i>QAR'000</i>	<i>QAR'000</i>
Net income from financing activities	25	5,867,186	5,328,589
Net income from investing activities	26	1,062,636	672,591
<b>Net income from financing and investing activities</b>		<b>6,929,822</b>	<b>6,001,180</b>
Fee and commission income		868,823	732,257
Fee and commission expense		(175,670)	(156,415)
<b>Net fee and commission income</b>	27	<b>693,153</b>	<b>575,842</b>
Net foreign exchange gain	28	58,607	259,227
Share of results of associates	12	(1,196)	(552)
Other income		57,859	47,182
<b>Total income</b>		<b>7,738,245</b>	<b>6,882,879</b>
Staff costs	29	(640,163)	(653,323)
Depreciation and amortisation	14,15	(83,361)	(89,015)
Sukuk holders' share of profit		(376,226)	(255,092)
Other expenses	30	(377,493)	(402,081)
<b>Total expenses</b>		<b>(1,477,243)</b>	<b>(1,399,511)</b>
Net impairment losses on investment securities	11	(94,353)	(237,709)
Net impairment losses on financing assets	10	(624,069)	(505,074)
Other impairment (losses) / reversals		(14,941)	23,216
<b>Net profit for the year before tax and return to unrestricted investment account holders</b>		<b>5,527,639</b>	<b>4,763,801</b>
Less: Return to unrestricted investment account holders	21	(2,531,900)	(2,125,416)
<b>Profit before tax</b>		<b>2,995,739</b>	<b>2,638,385</b>
Tax (expense) / credit	31	(11,151)	2,310
<b>Net profit for the year</b>		<b>2,984,588</b>	<b>2,640,695</b>
<b>Net profit for the year attributable to:</b>			
Equity holders of the Bank		3,055,423	2,755,311
Non-controlling interests		(70,835)	(114,616)
<b>Net profit for the year</b>		<b>2,984,588</b>	<b>2,640,695</b>
<b>Earnings per share</b>			
Basic / diluted earnings per share (QAR per share)	34	1.21	1.08

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

**Qatar Islamic Bank (Q.P.S.C)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December**

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividend	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Sukuk eligible as additional capital	Total equity
Balance at 31 December 2018	2,362,932	6,370,016	2,318,875	81,935	154,458	(348,424)	216,820	1,181,466	3,082,218	15,420,296	1,319,081	4,000,000	20,739,377
Foreign currency translation reserve movement	-	-	-	-	-	32,220	-	-	-	32,220	-	-	32,220
Fair value reserve movement	-	-	-	-	87,919	-	-	-	-	87,919	-	-	87,919
Net profit for the year	-	-	-	-	-	-	-	-	3,055,423	3,055,423	(70,835)	-	2,984,588
Total recognised income and expense for the year	-	-	-	-	87,919	32,220	-	-	3,055,423	3,175,562	(70,835)	-	3,104,727
Cash dividends paid to shareholders (Note 22)	-	-	-	-	-	-	-	(1,181,466)	-	(1,181,466)	-	-	(1,181,466)
Transfer to risk reserve (Note 22)	-	-	61,218	-	-	-	-	-	(61,218)	-	-	-	-
Proposed cash dividends (Note 22)	-	-	-	-	-	-	-	1,240,539	(1,240,539)	-	-	-	-
Social and Sports Fund appropriation (Note 39)	-	-	-	-	-	-	-	-	(76,386)	(76,386)	-	-	(76,386)
Profit on Sukuk eligible as additional capital (Note 24)	-	-	-	-	-	-	-	-	(205,000)	(205,000)	-	-	(205,000)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(221,940)	-	(221,940)
<b>Balance at 31 December 2019</b>	<b>2,362,932</b>	<b>6,370,016</b>	<b>2,380,093</b>	<b>81,935</b>	<b>242,377</b>	<b>(316,204)</b>	<b>216,820</b>	<b>1,240,539</b>	<b>4,554,498</b>	<b>17,133,006</b>	<b>1,026,306</b>	<b>4,000,000</b>	<b>22,159,312</b>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

**Qatar Islamic Bank (Q.P.S.C)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December**

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividend	Share - based payment reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Sukuk eligible as additional capital	Total equity
Balance at 31 December 2017	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
Transition adjustment on early adoption of FAS 30 at 1 January 2018 3(a) (ii)	-	-	-	-	-	-	-	-	-	(930,752)	(930,752)	(46,266)	-	(977,018)
Restated balance at 1 January 2018	2,362,932	6,370,016	2,263,736	81,935	170,173	(137,224)	216,820	1,181,466	11,185	1,837,395	14,358,434	1,544,713	4,000,000	19,903,147
Foreign currency translation reserve movement	-	-	-	-	-	(211,200)	-	-	-	-	(211,200)	-	-	(211,200)
Fair value reserve movement	-	-	-	-	(15,715)	-	-	-	-	-	(15,715)	-	-	(15,715)
Net profit for the year	-	-	-	-	-	-	-	-	-	2,755,311	2,755,311	(114,616)	-	2,640,695
Total recognised income and expense for the year	-	-	-	-	(15,715)	(211,200)	-	-	-	2,755,311	2,528,396	(114,616)	-	2,413,780
Cash dividends paid to shareholders (Note 22)	-	-	-	-	-	-	-	(1,181,466)	-	-	(1,181,466)	-	-	(1,181,466)
Transfer to risk reserve (Note 22)	-	-	55,139	-	-	-	-	-	-	(55,139)	-	-	-	-
Proposed cash dividends (Note 22)	-	-	-	-	-	-	-	1,181,466	-	(1,181,466)	-	-	-	-
Social and Sports Fund appropriation (Note 39)	-	-	-	-	-	-	-	-	-	(68,883)	(68,883)	-	-	(68,883)
Profit on Sukuk eligible as additional capital (Note 24)	-	-	-	-	-	-	-	-	-	(205,000)	(205,000)	-	-	(205,000)
Share-based payment reserve (Note 22)	-	-	-	-	-	-	-	-	(11,185)	-	(11,185)	(11,127)	-	(22,312)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(99,889)	-	(99,889)
Balance at 31 December 2018	2,362,932	6,370,016	2,318,875	81,935	154,458	(348,424)	216,820	1,181,466	-	3,082,218	15,420,296	1,319,081	4,000,000	20,739,377

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

**Qatar Islamic Bank (Q.P.S.C)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 December**



	Notes	2019 QAR'000	2018 QAR'000
Cash flows from operating activities			
Net profit for the year before tax		2,995,739	2,638,385
<i>Adjustments for:</i>			
Net impairment losses on financing assets	10	624,069	505,074
Net impairment losses on investment securities	11	94,353	237,709
Other impairment (reversals) / losses		14,941	(23,216)
Depreciation and amortisation	14,15	83,361	89,015
Net gain on sale of investment securities		(29,643)	(24,900)
Share of results of associates	12	1,196	552
Amortization of premium on sukuk		1,540	2,087
Fair value (gain) / loss on investment securities carried as fair value through income statement	26	(38,086)	38,064
Employees end of service benefits charge	20	22,004	24,603
Net gain on properties	26	-	(228)
Share based payment expense		-	(22,310)
Profit before changes in operating assets and liabilities		<u>3,769,474</u>	<u>3,464,835</u>
Change in reserve account with Qatar Central Bank		(183,089)	73,557
Change in due from banks		73,594	83,566
Change in financing assets		(12,163,612)	(1,032,257)
Change in other assets		496,425	(96,594)
Change in due to banks		(2,878,900)	42,953
Change in customers' current accounts		(441,721)	(1,179,272)
Change in other liabilities		(1,590,123)	1,806,124
Employees' end of service benefits paid	20	(11,481)	(11,322)
<b>Net cash (used in) / from operating activities</b>		<u>(12,929,433)</u>	<u>3,151,590</u>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(3,616,946)	(4,998,787)
Proceeds from sale / redemption of investment securities		2,304,826	4,358,636
Acquisition of fixed assets		(146,333)	(60,418)
Proceeds from sale of investment in associates		12,660	-
(Acquisition) / disposal of investment properties		(182,910)	475,000
Dividends received from associate companies		6,998	10,836
<b>Net cash used in investing activities</b>		<u>(1,621,705)</u>	<u>(214,733)</u>
<b>Cash flows from financing activities</b>			
Change in equity of unrestricted investment accountholders		11,464,299	(37,294)
Net movement in non-controlling interest		(221,939)	(146,164)
Cash dividends paid to shareholders	22(i)	(1,181,466)	(1,181,466)
Profit paid on sukuk eligible as additional capital		(205,000)	(205,000)
Net proceeds from sukuk financing		1,817,898	2,091,180
<b>Net cash from financing activities</b>		<u>11,673,792</u>	<u>521,256</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(2,877,346)</u>	3,458,113
Cash and cash equivalents at 1 January		9,087,614	5,629,501
<b>Cash and cash equivalents at 31 December</b>	35	<u>6,210,268</u>	<u>9,087,614</u>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

**Qatar Islamic Bank (Q.P.S.C)**  
**CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS**  
**For the year ended 31 December**

<i>Investment</i>	<i>At 1 January 2019</i>	<i>Movements during the year</i>					<i>Bank's fee as an agent</i>	<i>At 31 December 2019</i>
		<i>Investment / (withdrawals)</i>	<i>Revaluation</i>	<i>Gross income</i>	<i>Dividends paid</i>	<i>Admin expense</i>		
Real Estate Portfolio	66,430	-	-	-	-	-	-	66,430
Equity Securities Portfolio	555,461	87,612	26,802	47,729	(9,797)	(253)	(3,917)	703,637
	<b>621,891</b>	<b>87,612</b>	<b>26,802</b>	<b>47,729</b>	<b>(9,797)</b>	<b>(253)</b>	<b>(3,917)</b>	<b>770,067</b>

  

<i>Investment</i>	<i>At 1 January 2018</i>	<i>Movements during the year</i>					<i>Bank's fee as an agent</i>	<i>At 31 December 2018</i>
		<i>Investment / (withdrawals)</i>	<i>Revaluation</i>	<i>Gross income</i>	<i>Dividends paid</i>	<i>Admin expense</i>		
Real Estate Portfolio	73,164	(6,734)	-	-	-	-	-	66,430
Equity Securities Portfolio	883,592	(360,367)	14,924	34,413	(16,092)	(459)	(550)	555,461
	<b>956,756</b>	<b>(367,101)</b>	<b>14,924</b>	<b>34,413</b>	<b>(16,092)</b>	<b>(459)</b>	<b>(550)</b>	<b>621,891</b>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

**Qatar Islamic Bank (Q.P.S.C)**  
**CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND**  
**For the year ended 31 December**



**QR'000**

	<b>2019</b>	2018
<b>Source of charity fund</b>		
Earnings prohibited by Sharia'a during the year	<u>2,480</u>	<u>2,361</u>
<b>Use of charity fund</b>		
Researches, donations and other uses during the year	<u>(2,595)</u>	<u>(3,615)</u>
<b>Decrease of sources over uses</b>	<u>(115)</u>	<u>(1,254)</u>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

## 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 P.O. Box 559 Doha, State of Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2019 comprise the Bank and its subsidiaries (together referred to as “the Group”). The Bank is primarily involved in corporate, retail and investment banking in accordance with Islamic sharia rules as determined by sharia supervisory board of the Bank, and has 29 branches in Qatar and one branch in Sudan. The Parent Company of the Group is Qatar Islamic Bank (Q.P.S.C). The Bank’s shares are listed for trading on the Qatar Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 15 January 2020.

The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

The consolidated financial statements include the financial statements of the Bank and the following principal subsidiaries and special purpose entities:

	Country of Incorporation	Principal Business Activity	Effective percentage of ownership	
			31 December 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 (UK)	United Kingdom	Investment banking	99.71%	99.71%
QInvest LLC (iv)	Qatar	Investment banking	58.17%	50.13%

### Notes:

- i) The Bank has the power to cast majority of the votes in the Board of Directors meetings of Aqar by virtue of representing the highest number of members in the Board.
- ii) Effective from 1 January 2013, the Group has obtained control to govern the financial and operating policies of its previous associate through a management agreement with other shareholders 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) In 2019, the Board of Directors of Qinvest resolved to acquire shares in Qinvest by way of a tender offer to the Bank’s shareholders (the Buyback shares) at a price of US\$0.65 per share (the Purchase Price). The extra ordinary general meeting held on 20 February 2019 approved the proposed buy-back and reduction in share capital. The tender offer was made in November 2019 whereby 97,392,095 shares were bought back. Share capital of Qinvest was accordingly reduced by US\$ 97,392,095 representing 97,392,095 shares of US\$1 per share.

## **2. BASIS OF PREPARATION**

### **a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with the 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. For matters for which no AAOIFI standards or related guidance exist, the Group applies the relevant International Financial Reporting Standards (“IFRSs”).

### **b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for investment securities classified as "Investments at fair value through equity", "Investments at fair value through income statement", "Shari'a compliant risk management instruments", "investment properties" (measured at fair value) and certain financing assets classified as "fair value through income statement".

### **c) Functional and presentational currency**

These consolidated financial statements are presented in Qatari Riyals (“QAR”), which is the Bank’s functional and presentational currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousands.

### **d) Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

#### **a) 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 adoption of this standard did not impact the Group's consolidated financial statements.

###### ***IFRIC 23 Uncertainty over Income Tax Treatments***

IFRIC 23 Uncertainty over Income Tax Treatments was issued by International Accounting and Standards Board in June 2017. The objective of the interpretation is to clarify the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. The adoption of this interpretation did not impact the Group's consolidated financial statements.

##### *ii. New standards, amendments and interpretations issued but not effective from 1 January 2019*

###### ***FAS 33 Investment in sukuk, shares and similar instruments***

FAS 33 supersedes the earlier FAS 25 "Investment in sukuk, 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. The standard shall be effective from the financial periods beginning on or after 1 January 2020, with an option to early adopt.

###### ***Categorization and classification***

FAS 33 contains classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics. Under the standard, each investment is to be categorized as investment in:

- (a) equity-type instruments;
- (b) debt-type instruments, including:
  - (i) monetary debt-type instruments; and
  - (ii) non-monetary debt-type instruments; and
- (c) other investment instruments

Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:

- (a) the Bank's business model for managing the investments; and
- (b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts

Based on the Bank's assessment, the FAS 33 categorization and classification requirements are expected not to have any impact on its consolidated financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(a) New standards and interpretations (continued)**

##### *ii New standards, amendments and interpretations issued but not effective from 1 January 2019 (continued)*

##### ***FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)***

AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) in 2019. 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.

##### ***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 2019. This standard along with FAS 30 ‘Impairment, Credit losses and onerous commitments’ supersede the earlier FAS 11 “Provisions and reserves”.

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

The Group is currently evaluating the impact of this standard.

##### ***FAS 30, “Impairment, Credit Losses and Onerous Commitments”***

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

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **b) Basis of consolidation**

##### **i. Business combinations**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

##### **ii. Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) Basis of consolidation (continued)**

**ii. Business combinations and goodwill (continued)**

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**iii. Associates**

An Associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee, but not to control or joint control over those polices. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate). The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income; its share of post-acquisition movements in reserve is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the consolidated statement of income.

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of these consolidated financial statements, same accounting policies for similar transactions and other events in similar circumstances are used. Gains and losses on decline of shareholding are recognised in the consolidated statement of income.

The Group's share of the results of associates is based on financial statements available up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform to the accounting policies of the Group.

**iv. Funds management**

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Foreign currency**

**i. Foreign currency transactions and balances**

Foreign currency transactions are denominated, or that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The gains and losses on revaluation of foreign currency non-monetary fair value through equity investments are recognised in the consolidated statement of changes in equity.

Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

**ii. Foreign operations**

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in this case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity.

Exchange differences arising from the above process are reported in equity as 'foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of financing and other currency instruments designated as hedges of such investments, are taken to 'equity'. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the spot closing rate.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in equity, and presented in the foreign exchange translation reserve in owners' equity.

**d) Investment securities**

Investment securities comprise investments in debt-type and equity-type financial instruments.

**i. Classification**

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **d) Investment securities (continued)**

##### **Classification (continued)**

###### *Debt-type instruments*

Investments in debt-type instruments are classified into the following categories: 1) at amortised cost, 2) at fair value through statement of income.

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the income statement.

Debt-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement. At inception, a debt-type investment managed on a contractual yield basis can only be designated at fair value through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

###### *Equity-type instruments*

Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through income statement include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

#### **iii. Recognition and derecognition**

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

#### **ii. Measurement**

##### *Initial recognition*

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated statement of income.

##### *Subsequent measurement*

*Investments* at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated statement of income in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated statement of income.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Investment securities (continued)

##### iii. Measurement (continued)

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

##### iii. Measurement principles

###### *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

###### *Fair value measurement*

Fair value is *the* amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

#### e) Financing assets

Financing assets *comprise* Shari'a compliant financing provided by the Group. These include financing provided through Murabaha, Mudaraba, Musharaka, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any) with the exception of certain Murabaha financings which are classified and measured at fair value through income statement (FVTIS).

###### *Murabaha and Musawama*

Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Based on QCB regulations, the Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and does not enter into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Musawama receivables are stated net of deferred profits and impairment allowance (if any). On initial recognition Murabaha receivables are classified and measured at:

- Amortised cost when the contractual terms of the Murabaha receivables give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding; or
- Fair value through income statement ("FVTIS") when the contractual terms of the Murabaha receivables does not give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **e) Financing assets (continued)**

##### *Mudaraba*

*Mudaraba* financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

##### *Musharaka*

*Musharaka financing* are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

##### *Ijarah*

*Ijarah* receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. *Ijarah* receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

##### *Istisna'a*

*Istisna'a* is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

##### *Wakala*

*Wakala* contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment of the Muwakkil funds in a Shari'a compliant transaction. The Wakeel uses the funds based on the nature of the contract and offer an anticipated return to the Muwakkil. *Wakala* contracts are stated at amortised cost.

#### **f) Other financial assets and liabilities**

##### **i. Recognition and initial measurement**

The Group *initially* recognises due from banks, financing assets, customers' current accounts, due to banks, Sukuk financing and certain other assets and other liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated statement of income.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) Other financial assets and liabilities (continued)**

**ii. De-recognition of financial assets and financial liabilities**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated statement of income.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

**iii. Offsetting**

Financial assets and liabilities are offset only when there is a legal enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**iv. Modification of financial assets and liabilities**

**Financial assets**

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value, and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **iv. Modification of financial assets and liabilities (continued)**

##### **Financial assets (continued)**

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement. If such a modification is carried out because of financial difficulties of the financed counterparty, then the gain or loss is presented together with impairment losses. In other cases, it is presented as net income from financing activities.

##### **Financial liabilities**

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated income statement.

#### **g) Impairment of financial assets (other than equity type investments classified as fair value through equity)**

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at fair value through income statement:

- Financial assets that are debt-type instruments;
- Financial guarantee contracts issued; and
- Financing commitments issued.

Impairment and ECL are used interchangeably throughout these consolidated financial statements.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt-type investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

##### **Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **g) Impairment of financial assets (other than equity type investments classified as fair value through equity) (continued)**

##### **Restructured financial assets**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the financed counterparty, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

##### **Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the financed counterparty or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a financing asset by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the financed counterparty will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

#### **h) Impairment on 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 consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

#### **i) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

#### **j) Investment properties**

Investment property held for rental or capital appreciation is measured at fair value with the resulting unrealised gains being recognised in the statement of changes in equity under fair value reserve. Any unrealised losses resulting from re-measurement at fair value is recognized in the 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 losses are recognized in the consolidated statement of income under unrealized re-measurement gains or losses on investment property. In case there are unrealized losses that have been recognized in the consolidated statement of income in a previous financial year, the unrealized gains related to the current financial year is recognized to the extent of crediting back such previous losses in the consolidated statement of income. Any excess of such gains over such prior-year losses is added to the fair value reserve.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **k) Risk Management Instruments**

The Group enters into certain Islamic derivative financial instruments to manage the exposure to foreign exchange rate risks, including unilateral promise to buy/sell currencies. These transactions are translated at prevailing spot exchange rates.

#### **l) Fixed assets**

##### *Recognition and measurement*

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised financing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of related equipment. When parts of an item of fixed asset have different useful lives, they are accounted for as separate items (major components) of fixed assets.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in the consolidated statement of income.

##### *Subsequent costs*

The cost of replacing a component of fixed asset is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in consolidated statement of income as incurred.

Depreciation is recognised in consolidated statement of income on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

	<i>Years</i>
Buildings	20
IT equipment	3-5
Fixtures and fittings	5-7
Motor vehicles	5

Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

#### **m) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**m) Intangible assets (continued)**

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

A summary of the useful lives and amortisation methods of Group's intangible assets are as follows:

	Goodwill	Trade mark	Software
Useful lives	Indefinite	Finite (10 years)	Finite (3 – 5 years)
Amortization method used	Tested for impairment either individually or at cash generating unit level	Amortized on a straight line basis over the periods of availability	Amortized on a straight line basis over the periods of availability
Internally generated or acquired	Acquired	Acquired	Acquired

**n) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **n) Impairment of non-financial assets (continued)**

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **o) Customer current accounts**

Balances in current accounts are recognised when received by the Group. The transactions are measured as the amount received by the Group at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

#### **p) Equity of unrestricted investment account holders**

Equity of unrestricted investment account holders are funds held by the Group, which it can invest at its own discretion. The unrestricted investment account holders authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges a management fee (Mudarib fees) to unrestricted investment account holders of the total income from unrestricted investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the unrestricted investment accounts.

#### **q) Distribution of profit between equity of unrestricted investment account holders and shareholders**

The Group complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year and is distributed between unrestricted investment account holders and shareholders.
- The share of profit of unrestricted investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba fee.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the unrestricted investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at year end are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of unrestricted investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

#### **r) Restricted investment accounts**

Restricted investment accounts represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**s) Sukuk financing**

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears fixed semi-annual profit and mature after 5 years from issuance date. Profits are recognised periodically till maturity. Sukuks are recognised at amortised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as “Sukuk financing”.

**t) Provisions**

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**u) Employee benefits**

**i. Defined contribution plans**

The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff costs in the consolidated statement of income. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

**ii. Employees’ end of service benefits**

The Group provides a provision for all end of service benefits payable to employees in accordance with the Group’s policies, calculated on the basis of individual employee’s salary and period of service at the reporting date.

**iii. Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**iv. Share-based payment transactions**

Employees (selected key employees) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

*Equity-settled transactions*

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**v) Share capital and reserves**

*Dividends on ordinary shares*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders' of the Bank.

**w) Revenue recognition**

*Murabaha and Musawama*

Profit from Murabaha and Musawama transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated statement of income.

*Mudaraba*

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated statement of income on declaration by the Mudarib. In case Mudaraba capital is lost or damaged prior to the inception of work without misconduct or negligence on the part of Mudarib, then such losses are deducted from Mudaraba capital and are treated as loss to the Group. In case of termination or liquidation, unpaid portion by Mudarib is recognized as receivable due from Mudarib.

*Musharaka*

Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

*Ijara*

Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated statement of income.

*Istisna'a*

Revenue and the associated profit margin are recognised in the Group's consolidated statement of income according to the percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

*Wakala*

Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

*Income from investment banking services*

Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

*Fees and commission income*

Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, feasibility study /management, arrangement and syndication fees, are recognized over time as the related services are performed.

*Dividend income*

Dividend income is recognised when the right to receive the dividend is established.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **x) Tax expense**

Taxes are calculated based on the tax laws and regulations in jurisdictions in which the Group operates. The amount of tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the consolidated statement of income except to the extent that it relates to items recognised directly in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable consolidated income statement;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **y) Earnings per share**

The Bank presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### **z) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components, whose operating results are reviewed regularly by the Group Chief Executive Officer (being the chief operating decision maker) of the Group to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**aa) Repossessed collateral**

Repossessed collaterals against settlement of financing assets are stated within the consolidated statement of financial position under "Other assets" at their acquisition value net of allowance for impairment, if any, as required by the QCB.

Unrealised losses due to the reduction in the fair value of such assets in relation to the acquisition cost as at reporting date are included in the consolidated statement of income. In the case of an increase in the fair value of such properties in the future, unrealised gain is recognised in the consolidated statement of income to the extent of unrealised losses previously recognised.

**bb) Earnings prohibited by Shari'a**

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable purposes as defined by the Sharia Supervisory Board.

**cc) Wakala payables**

The Group accepts deposits from customers under wakala arrangement under which return payable to customers is agreed in the wakala agreement. There is no restriction on the Group for the use of funds received under wakala agreements. Wakala payables are carried at cost plus accrued profit.

**dd) Financial guarantees**

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

**ee) Contingent liabilities**

Contingent liabilities include guarantees, letter of credit, the Group's obligations with respect to unilateral promise to buy/sell currencies and others. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements, unless they are remote.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **ff) Comparatives**

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

#### **gg) Shari'a – compliant risk management instruments**

##### **Derivatives held for Risk management Purposes and Hedge Accounting**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the consolidated statement of financial position. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group has elected to continue to apply the hedge accounting requirements of IAS 39. These hedging relationships are discussed below.

##### *Fair Value Hedges*

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective profit method is used, is amortised to profit or loss as part of the recalculated effective profit rate of the item over its remaining life.

##### *Cash Flow Hedges*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to the consolidated statement of income as a reclassification adjustment.

#### **4. FINANCIAL RISK MANAGEMENT**

##### **a) Introduction and overview**

###### **Financial instruments**

Financial instruments comprise of all financial assets and liabilities of the Group. Financial assets include cash and balances with central banks, due from banks, investment securities, financing assets, derivative financial assets and certain other assets. Financial liabilities include customers' current accounts, due to banks, Sukuk financing and certain other liabilities. Financial instruments also include equity of unrestricted investment account holders, contingent liabilities and commitments included in off balance sheet items.

###### **Risk Management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risk
- Other risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital.

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

###### **Risk management framework**

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has established various specialized committees that report directly to it and perform functions on its behalf to support efficient management practice which mainly include Board Executive Committee, Audit and Risk Committee, Policies and Procedures Committee, Nomination and Remuneration Committee and Zakat Committee.

The Board Executive Committee is represented by Board Members with the Group Chief Executive Officer participation, and senior executives of the Bank who bear the responsibility of information under discussion. The Board has appointed the Executive Committee to assist it in discharging its responsibilities in two capacities: Deputising between Board meetings on urgent matters normally reserved for the Board's own decision; and discharging responsibilities delegated by the Board, including credit, market and operational risk matters. While the Board has ultimate credit authority, the Executive Committee, under the Board's current mandate, is responsible for the application of the Credit and Investment Policy in implementing the strategic goals of the Board.

The Executive Committee serves as a tool to coordinate the business. It has, as its primary tasks and responsibilities, the provision of ongoing information to the Board on business developments, regular review of business segments, consultation with and furnishing advice to the Board on strategic decisions and preparation of credit decisions, within its delegated authorities. The Board Executive Committee works to develop the Group's business plan to be presented to the Board.

#### **4. FINANCIAL RISK MANAGEMENT (continued)**

##### **a) Introduction and overview (continued)**

###### **Risk management framework (continued)**

The primary objective of Policies and Procedures Committee is to study, prepare and develop strategies, objectives, policies, systems, plans, and procedures manuals. The Committee ensures that the Group policies and practices are conducted in accordance with the established and approved business operating standards. The Committee reviews the operating efficiency of the respective functions and measures the alignment of functional procedures with corporate objectives and business processes. The Committee is also responsible for the review and consolidation of business development, product alignment and resources distribution across Group. The Committee highlights deviations of policies and procedures from laid down standards to the management for necessary corrective action from time to time and reviews compliance of the same. The Committee is also responsible to develop Group's corporate social responsibility strategy in light of Group's brand values.

Nomination and Remuneration Committee is responsible to develop a remuneration policy to attract, retain and motivate staff, management of the highest caliber who have the skills needed to achieve the Bank's objectives year on year. The Committee is responsible to ensure that it balances the interests of the shareholders, the Bank and its employees. The Committee meets several times during the year to perform and comply with its mandate.

Zakat Committee is responsible to promote interdependence and integration among members of the Muslim community by channelling contributions of Zakat. The Committee identifies key players in the field of humanitarian aid, general development and other channels that can be used to distribute Zakat proceeds. The Committee is responsible to develop good relationships with charitable, humanitarian aid groups and institutions that provide assistance in general development in order to evaluate recipients who would receive Zakat proceeds. It also, develops a Zakat collection and disbursement policy of the Bank for monitoring the result of the Zakat contributions and introducing accountability. The Committee also ensures that Zakat is calculated and distributed as per Shari'a rules and standards.

Audit and Risk Committee's objective is to assist the Board to fulfil its corporate governance and oversight responsibilities related to the Group. This risk management, financial reports, systems of internal control, the internal and external audit functions and the process of monitoring compliance with laws and regulations and the Group's code of business conduct. The Committee role is to report to the Board and provide appropriate advice and recommendations on matters relevant to the Audit and Risk Committee charter in order to facilitate decision making to the Board.

The Audit and Risk Committee is assisted in these functions by the Internal Audit and Compliance Departments.

In addition to the above mentioned committees, the management has also established a number of multi-functional internal committees such as the Management Committee, Credit & Investment Committee, Assets and Liabilities Committee (ALCO) and Special Assets Committee which are responsible for developing and monitoring Group's risk management policies in their specified areas.

A separate Risk Management Group, reporting to the Group Chief Executive Officer and the Audit and Risk Committee, assists in carrying out the oversight responsibility of the Board.

Risk Group function operates within a Board approved Risk Appetite framework. The framework identifies key risks faced by the Bank and sets accordingly appropriate risk limits and controls. The group monitors risks and adherence to limits. The Group Risk appetite framework, policies and systems are reviewed regularly, to reflect changes in market conditions, products and services offered.

The Bank's risk appetite statement defines the risk tolerance that translated into a framework of risk limits, targets or measures for major risk categories through the Bank and Banking Group. The setting of the risk appetite thus ensures that risk is proactively managed to the Framework.

The Board as well as Management reviews and approves the Risk Appetite & Framework on an annual basis to ensure that it is consistent with the Bank's business environment, stakeholder requirements and strategy. The risk appetite tolerance levels are set at different trigger levels, with clearly defined escalation and action schemes.

#### 4. FINANCIAL RISK MANAGEMENT (continued)

##### b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's financing assets, due from banks, investment securities, contingent exposures and certain other assets.

The Group's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval and renewal of financing assets;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Renewals and reviews of financing assets are subject to the same review process;
- Diversification of financing and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

A comprehensive framework of credit risk limits is in place that monitors the overall quality of the Bank's credit portfolio as well as the underlying portfolios. In addition, specific concentration risk appetites are defined on product, geographical and counterparty level that are cascaded down into the organization.

The Credit and Investment Committee (CIC) has day to day responsibility for all matters relating to credit risk, including Credit and Investment Policy interpretation and application, exposure portfolio monitoring and country limits. The CIC reviews and manages risk asset policies, approvals, exposures and recoveries related to credit, operational and compliance risks. It acts as a general forum for discussions of any aspect of risk facing or which could potentially face QIB resulting in reputational or financial loss to the bank. It also oversees the operations of the Operational Risk Management committee (ORMC) and the Special Assets Committee (SAC).

In addition, the Group manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

Regular audits of business units and Group credit processes are undertaken by Internal/External Audit and Compliance Divisions.

##### (i) Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown net, before the effect of mitigation through the use of master netting and collateral agreements.

**Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:**

	2019	2018
Balances with central banks	6,660,492	6,668,057
Due from banks	3,552,284	6,424,153
Financing assets	113,753,593	102,209,930
Investment securities – debt type	30,906,716	29,044,308
Other assets	623,887	760,837
	<u>155,496,972</u>	<u>145,107,285</u>
<b>Other credit risk exposures</b>		
Guarantees	10,978,355	11,090,785
Unutilised financing facilities	5,148,244	4,808,855
Letters of credit	4,167,860	2,077,304
	<u>20,294,459</u>	<u>17,976,944</u>

**4. FINANCIAL RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**(i) Maximum exposure to credit risk before collateral held or other credit enhancements**

The above tables represent a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a financing commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the consolidated statement of financial position.

**(ii) Concentration of risks of financial assets with credit risk exposure**

**Geographical sectors**

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit enhancements attached), as categorised by geographical region and based on the country of domicile of its counterparties:

**31 December 2019**

<b>Assets recorded on the consolidated statement of financial position:</b>	<b>Qatar</b>	<b>Other GCC</b>	<b>Other Middle East</b>	<b>Others</b>	<b>Total</b>
Balances with central banks	6,217,570	-	341,334	101,588	6,660,492
Due from banks	1,457,181	366,128	283,171	1,445,804	3,552,284
Financing assets	105,111,165	661,145	380,855	7,600,428	113,753,593
Investment securities – debt type	30,043,657	430,495	28,763	403,801	30,906,716
Other assets	466,939	3,738	86,259	66,951	623,887
	<b>143,296,512</b>	<b>1,461,506</b>	<b>1,120,382</b>	<b>9,618,572</b>	<b>155,496,972</b>

**31 December 2018**

<b>Assets recorded on the consolidated statement of financial position:</b>	<b>Qatar</b>	<b>Other GCC</b>	<b>Other Middle East</b>	<b>Others</b>	<b>Total</b>
Balances with central banks	6,324,483	-	256,921	86,653	6,668,057
Due from banks	4,926,282	2,792	457,731	1,037,348	6,424,153
Financing assets	91,028,659	942,597	204,238	10,034,436	102,209,930
Investment securities – debt type	28,309,148	464,091	48,645	222,424	29,044,308
Other assets	552,529	8,387	82,883	117,038	760,837
	<b>131,141,101</b>	<b>1,417,867</b>	<b>1,050,418</b>	<b>11,497,899</b>	<b>145,107,285</b>

**Off balance sheet items**

**31 December 2019**

	<b>Qatar</b>	<b>Other GCC</b>	<b>Other Middle East</b>	<b>Others</b>	<b>Total</b>
Guarantees	10,626,109	16,966	11,190	324,090	10,978,355
Unutilised financing facilities	4,945,070	55,976	2,145	145,053	5,148,244
Letters of credit	1,160,269	-	4,688	3,002,903	4,167,860
	<b>16,731,448</b>	<b>72,942</b>	<b>18,023</b>	<b>3,472,046</b>	<b>20,294,459</b>

**Off balance sheet items**

**31 December 2018**

	<b>Qatar</b>	<b>Other GCC</b>	<b>Other Middle East</b>	<b>Others</b>	<b>Total</b>
Guarantees	10,598,045	77,311	114,735	300,694	11,090,785
Unutilised financing facilities	4,731,142	1,795	18,288	57,630	4,808,855
Letters of credit	1,176,838	437	-	900,029	2,077,304
	<b>16,506,025</b>	<b>79,543</b>	<b>133,023</b>	<b>1,258,353</b>	<b>17,976,944</b>

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

(ii) Concentration of risks of financial assets with credit risk exposure (continued)

**Industry sectors**

An industry sector analysis of the Group's maximum exposure to credit risk for the components of the consolidated statement of financial position is shown below. The maximum exposure is shown net, before the effect of mitigation through the use of master netting and collateral agreements.

	Net exposure 2019	Net exposure 2018
<b>Funded and unfunded:</b>		
Government	55,750,770	45,610,104
Non-banking Financial Institutions	6,733,239	7,045,492
Industry	6,843,321	8,170,509
Commercial	13,546,948	13,981,884
Services	16,898,110	16,133,986
Contracting	4,336,098	4,541,249
Real estate	21,349,455	20,770,356
Personal	24,101,917	24,017,699
Others	5,937,114	4,836,006
Contingent liabilities	20,294,459	17,976,944
<b>Total</b>	<b>175,791,431</b>	<b>163,084,229</b>

Credit risk exposure

The tables below presents an analysis of counterparties by rating agency designation:

	2019	2018
Equivalent grades		
AAA to AA-	56,574,165	47,997,491
A+ to A-	13,108,837	8,981,245
BBB to BBB-	82,033,261	83,276,623
BB+ to B-	18,301,389	17,771,144
Unrated	5,773,779	5,057,726
<b>Total</b>	<b>175,791,431</b>	<b>163,084,229</b>

(iii) Credit quality

The credit quality of financial assets is managed by Group using internal and external credit risk ratings. The Group follows an internal rating mechanism for grading relationship across its credit portfolio.

The Group utilises a scale ranging from 1 to 10 for credit relationship with 1 to 7 denoting performing grades, 8, 9 and 10 denoting non-performing. All credits are assigned a rating in accordance with defined criteria.

The Group endeavours continuously to improve upon internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All financing relationships are reviewed at least once in a year and more frequently in case of non-performing assets.

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

(iii) Credit quality (continued)

Credit quality analysis

The following table provides the details for the credit quality:

	2019			
	Stage 1	Stage 2	Stage 3	Total
<i>Financing assets</i>				
<b>Performing (Grades 1 to 7)</b>				
Gross amount	105,124,093	17,712,668	-	122,836,761
Deferred profit	(6,362,282)	(1,470,812)	-	(7,833,094)
<b>Carrying amount</b>	<b>98,761,811</b>	<b>16,241,856</b>	<b>-</b>	<b>115,003,667</b>
<b>Non-performing (Grade 8 to 10)</b>				
Gross amount	-	-	1,541,393	1,541,393
Deferred profit	-	-	(26,332)	(26,332)
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>1,515,061</b>	<b>1,515,061</b>
Allowance for impairment	(600,037)	(650,037)	(1,448,613)	(2,698,687)
Suspended profit	-	-	(66,448)	(66,448)
<b>Net carrying amount</b>	<b>98,161,774</b>	<b>15,591,819</b>	<b>-</b>	<b>113,753,593</b>
	2018			
	Stage 1	Stage 2	Stage 3	Total
<i>Financing assets</i>				
<b>Performing (Grades 1 to 7)</b>				
Gross amount	94,727,969	16,387,311	-	111,115,280
Deferred profit	(6,384,475)	(1,589,015)	-	(7,973,490)
<b>Carrying amount</b>	<b>88,343,494</b>	<b>14,798,296</b>	<b>-</b>	<b>103,141,790</b>
<b>Non-performing (Grade 8 to 10)</b>				
Gross amount	-	-	1,291,992	1,291,992
Deferred profit	-	-	(31,403)	(31,403)
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>1,260,589</b>	<b>1,260,589</b>
Allowance for impairment	(209,101)	(720,923)	(1,199,780)	(2,129,804)
Suspended profit	-	(1,836)	(60,809)	(62,645)
<b>Net carrying amount</b>	<b>88,134,393</b>	<b>14,075,537</b>	<b>-</b>	<b>102,209,930</b>

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

(iii) Credit quality (continued)

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Investment securities – Debt type (amortised cost)</i>								
Performing (AAA to B- and NR)	30,721,370	78,523	-	30,799,893	28,891,442	60,755	-	28,952,197
Substandard (CCC+ to CCC-)	-	-	-	-	-	-	-	-
Doubtful (C)	-	-	-	-	-	-	-	-
Loss (D)	-	-	102,057	102,057	-	-	106,522	106,522
	<b>30,721,370</b>	<b>78,523</b>	<b>102,057</b>	<b>30,901,950</b>	<b>28,891,442</b>	<b>60,755</b>	<b>106,522</b>	<b>29,058,719</b>
Allowance for impairment	(1,039)	(4,337)	(94,850)	(100,226)	(2,134)	(4,602)	(106,177)	(112,913)
<b>Carrying amount</b>	<b>30,720,331</b>	<b>74,186</b>	<b>7,207</b>	<b>30,801,724</b>	<b>28,889,308</b>	<b>56,153</b>	<b>345</b>	<b>28,945,806</b>
<i>Due from banks and central banks</i>								
Performing (AAA to B- and NR)	9,986,261	226,560	-	10,212,821	12,746,023	346,373	-	13,092,396
Substandard (CCC+ to CCC-)	-	-	-	-	-	-	-	-
Doubtful (C)	-	-	-	-	-	-	-	-
Loss (D)	-	-	20,647	20,647	-	-	20,647	20,647
	<b>9,986,261</b>	<b>226,560</b>	<b>20,647</b>	<b>10,233,468</b>	<b>12,746,023</b>	<b>346,373</b>	<b>20,647</b>	<b>13,113,043</b>
Allowance for impairment	(38)	(7)	(20,647)	(20,692)	(186)	-	(20,647)	(20,833)
<b>Carrying amount</b>	<b>9,986,223</b>	<b>226,553</b>	<b>-</b>	<b>10,212,776</b>	<b>12,745,837</b>	<b>346,373</b>	<b>-</b>	<b>13,092,210</b>
<i>Financing commitments and financial guarantee</i>								
Performing (Grades 1 to 7)	19,526,953	732,606	-	20,259,559	17,255,354	701,391	-	17,956,745
Non-performing (Grade 8 to 10)	-	-	34,900	34,900	-	-	20,199	20,199
	<b>19,526,953</b>	<b>732,606</b>	<b>34,900</b>	<b>20,294,459</b>	<b>17,255,354</b>	<b>701,391</b>	<b>20,199</b>	<b>17,976,944</b>
Allowance for impairment	(64,486)	(6,485)	(14,920)	(85,891)	(56,188)	(14,402)	(20,199)	(90,789)
<b>Carrying amount</b>	<b>19,462,467</b>	<b>726,121</b>	<b>19,980</b>	<b>20,208,568</b>	<b>17,199,166</b>	<b>686,989</b>	<b>-</b>	<b>17,886,155</b>

**4. FINANCIAL RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**(iii) Credit quality (continued)**

**Cash and cash equivalents**

The Group held cash and balances with central bank 2,701 million at 31 December 2019 (2018: 2,780 million). These balances are held with counterparties that are rated at least AA- to AA++, based on external rating agencies except QAR 443 million (2018: 344 million) which is unrated.

At 31 December 2019 and 2018, none of the financial assets in other assets were either past due or impaired and did not have any expected credit loss allowance recognised against them.

**Collateral**

The Group obtains collateral and other credit enhancements in ordinary course of business from counterparties. On an overall basis, during the year there was no discernable deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group.

The fair value of the collateral held against credit-impaired financing assets as at 31 December 2019 is QR 120.6 million (2018: QR 124.3 million).

The contractual amount of financial assets written off during the period, subject to enforcement activity as at 31 December 2019 is QR 76.7 million (2018: QR 4.3 million).

**Renegotiated financing assets**

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated financing assets as at 31 December 2019 amounted to QAR 8.9 million (2018: QAR 100 million). These mainly represent Ijarah and Istisna' financing that have been restructured upon completion of underlying assets and based on the expected future cash flows.

**(iv) Repossessed collateral**

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the consolidated statement of financial position within other assets.

**(v) Write-off policy**

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

This determination is made after considering information such as the occurrence of significant changes in the financed counterparty's / issuer's financial position such that the financed counterparty/ issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status.

**4. FINANCIAL RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**(vi) 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 including internal credit risk grading system, external risk ratings, where available, delinquency status of accounts, credit judgement and, where possible, relevant historical experience. The Group may also determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

- I. Two notches downgrade for rating from 1 to 4 or one notch downgrade for ratings from 5 and 6
- II. Facilities restructured during previous twelve months
- III. Facilities overdue by more than 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 financed counterparty. Exposures are subject to on-going 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 geographies in which the Group has exposures.

Renegotiated financial assets

The contractual terms of a financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing whose terms have been modified may be derecognised and the renegotiated financing recognised as a new financing at fair value. Where possible, the Group seeks to restructure financing rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new financing conditions. Management continuously reviews renegotiated financing to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are restructured due to credit reasons in past 12 months will be classified under Stage 2.

**4. FINANCIAL RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**(vi) Inputs, assumptions and techniques used for estimating impairment (continued)**

Definition of default

The Group considers a financial asset to be in default when:

- the financed counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financed counterparty is past due more than 90 days on any material credit obligation to the Group.
- rated internally as 8, 9 or 10 corresponding to the Qatar Central Bank (QCB) categories of substandard, doubtful and loss, respectively.

In assessing whether a financed counterparty is in default, the Group considers indicators that are:

- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are updated from the World economic outlook: IMF country data and other reliable sources which provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

#### **4. FINANCIAL RISK MANAGEMENT (continued)**

##### **b) Credit risk (continued)**

##### **(vi) Inputs, assumptions and techniques used for estimating impairment (continued)**

###### *Forward-looking information incorporated in the ECL models (continued)*

In addition to the base economic scenario, the Bank's Credit risk team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure plausible events are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2019 and 31 December 2019, for all portfolios the Bank concluded that three scenarios appropriately captured represents forward looking approach. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed based on credit risk assessment following QCB rule and management assessment under each of the base, and the other scenarios, multiplied by the associated scenario weightings. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a 12 month ECL (Stage 1), or lifetime ECL (Stages 2). These ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes.

###### **Economic variable assumptions**

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 were GDP and Oil prices (Oil price 2020: \$60.49/Barrel, 2021: \$57.96/ Barrel) and (GDP 2020 : 2.75%, 2021: 3%).

###### *Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models These statistical models are based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external PD data where available.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and The bank assumes that the very high Haircut percentage applied to Collateral value as per QCB is compensating any other factors affecting LGD as Discount factor, recovery or Admin Costs.

###### *LGD estimation includes:*

- *Recovery Rate:* Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default Would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.
- *Discounting Rate:* Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

###### **Loss allowance**

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Comparative amounts represent allowance account for credit losses and reflect measurement basis under relevant FAS.

**Qatar Islamic Bank (Q.P.S.C)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the year ended 31 December 2019**

**QR'000**

**4. FINANCIAL RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**Loss allowance (continued)**

<i>Financing assets</i>	2019				2018			
	Stage 1	Stage 2	Stage 3	Total ECL	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	209,101	720,923	1,199,780	2,129,804	-	29,585	1,168,913	1,198,498
Impact of initial application	-	-	-	-	318,102	556,181	-	874,283
Fair value adjustments	43,437	-	-	43,437	-	-	-	-
	252,538	720,923	1,199,780	2,173,241	318,102	585,766	1,168,913	2,072,781
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	(3,420)	44,182	(40,762)	-	(7,720)	7,720	-	-
Transfers to Stage 3	(1,224)	(5,623)	6,847	-	-	(15,536)	15,536	-
Impairment allowance for the period, net	355,324	(109,452)	378,197	624,069	16,232	193,026	295,816	505,074
Amounts reversed / written off	(3,188)	-	(96,202)	(99,390)	(91,202)	(40,070)	(63,336)	(194,608)
Foreign currency translation and adjustments	7	7	753	767	(26,311)	(9,983)	(217,149)	(253,443)
Balance at 31 December	600,037	650,037	1,448,613	2,698,687	209,101	720,923	1,199,780	2,129,804

  

<i>Debt type investments carried at amortised cost</i>	2019				2018			
	Stage 1	Stage 2	Stage 3	Total ECL	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	2,134	4,602	106,177	112,913	-	-	44,327	44,327
Impact of initial application	-	-	-	-	90	-	-	90
	2,134	4,602	106,177	112,913	90	-	44,327	44,417
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Impairment allowance for the period, net	(1,095)	(265)	(11,327)	(12,687)	2,044	4,602	61,850	68,496
Amounts reversed / written off	-	-	-	-	-	-	-	-
Foreign currency translation and adjustments	-	-	-	-	-	-	-	-
Balance at 31 December	1,039	4,337	94,850	100,226	2,134	4,602	106,177	112,913

**4. FINANCIAL RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**Loss allowance (continued)**

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total ECL	Stage 1	Stage 2	Stage 3	Total ECL
<i>Due from banks and central banks</i>								
Balance at 1 January	186	-	20,647	20,833	-	-	23,439	23,439
Impact of initial application	-	-	-	-	297	-	-	297
	186	-	20,647	20,833	297	-	23,439	23,736
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Impairment allowance for the period, net	(148)	7	-	(141)	(111)	-	-	(111)
Amounts reversed / written off	-	-	-	-	-	-	-	-
Foreign currency translation and adjustments	-	-	-	-	-	-	(2,792)	(2,792)
Balance at 31 December	38	7	20,647	20,692	186	-	20,647	20,833
<i>Off balance sheet exposures subject to credit risk</i>								
Balance at 1 January	56,187	14,403	20,199	90,789	-	-	19,980	19,980
Impact of initial application	-	-	-	-	90,092	12,256	-	102,348
	56,187	14,403	20,199	90,789	90,092	12,256	19,980	122,328
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	(9,888)	9,888	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Impairment allowance for the period, net	8,299	(7,918)	14,701	15,082	(24,017)	(7,741)	219	(31,539)
Amounts reversed / written off	-	-	(19,980)	(19,980)	-	-	-	-
Foreign currency translation and adjustments	-	-	-	-	-	-	-	-
Balance at 31 December	64,486	6,485	14,920	85,891	56,187	14,403	20,199	90,789

#### **4. FINANCIAL RISK MANAGEMENT (continued)**

##### **c) Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

##### **(i) Management of liquidity risk**

The Group maintains a portfolio of high quality liquid assets, largely made up of QCB Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB and other regulators. The Market Risk Department monitors the liquidity risk of the Bank on a daily basis through a Liquidity Management dashboard which captures many liquidity parameters both under normal and stressed market conditions. The dashboard includes threshold points which will help proactively identify any liquidity constraints, the remedial actions that will be taken under each situation along with the responsible persons. All liquidity policies and procedures are subject to review and approval by ALCO and the Board of Directors.

The Group monitor its liquidity risk according to QCB's guidelines on Basel III through two key ratios, the Liquidity Coverage Ratio (LCR) to monitor the short term (30 days) resilience of the bank's liquidity and non-risk based Leverage Ratio to act as a credible supplementary measure to the risk-based capital requirements.

The Liquidity Ratio computed as per QCB guidelines is 105.3% (2018: 115.8%)

##### **(ii) Exposure to liquidity risk**

A key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to customer deposits, i.e total assets by maturities against total liabilities by maturities. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt-type securities for which there is an active and liquid market less any deposits from banks, sukuk issued, other fundings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB.

##### **(iii) Maturity analysis**

Maturity analysis of Group's assets, liabilities and equity of unrestricted investment account holders are prepared on the basis of the remaining period at 31 December to the contractual maturity date. For assets, liabilities and equity of unrestricted investment account holders where there is no contractually agreed maturity date, the maturity analysis is done based on the statistical maturity.

4. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

2019	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with central banks	2,133,774	-	659,875	-	4,609,283	7,402,932
Due from banks	3,518,454	33,830	-	-	-	3,552,284
Financing assets	44,119,785	21,648,525	6,817,825	18,433,027	22,734,431	113,753,593
Investment securities	625,347	546,460	808,126	4,199,829	27,092,001	33,271,763
Investment in associates	3,435	-	-	-	541,300	544,735
Investment properties	-	-	-	-	2,175,459	2,175,459
Fixed assets	34	150	1,749	91,565	358,250	451,748
Intangible assets	6	341	220	13,088	386,605	400,260
Other assets	345,818	64,448	136,938	202,547	1,216,686	1,966,437
<b>Total assets</b>	<b>50,746,653</b>	<b>22,293,754</b>	<b>8,424,733</b>	<b>22,940,056</b>	<b>59,114,015</b>	<b>163,519,211</b>

Liabilities and equity of unrestricted investment account holders

Liabilities

Due to banks	11,177,173	1,019,884	1,388,907	526,455	242,649	14,355,068
Customers' current accounts	14,979,086	-	-	-	-	14,979,086
Sukuk financing	-	-	2,875,600	3,276,000	4,782,292	10,933,892
Other liabilities	2,979,642	162,751	465,558	368,603	473,825	4,450,379
<b>Total liabilities</b>	<b>29,135,901</b>	<b>1,182,635</b>	<b>4,730,065</b>	<b>4,171,058</b>	<b>5,498,766</b>	<b>44,718,425</b>

Equity of unrestricted investment account holders

<b>Total liabilities and equity of unrestricted investment account holders</b>	<b>87,355,472</b>	<b>13,595,053</b>	<b>21,577,071</b>	<b>12,195,103</b>	<b>6,637,200</b>	<b>141,359,899</b>
<b>Maturity gap</b>	<b>(36,608,819)</b>	<b>8,698,701</b>	<b>(13,152,338)</b>	<b>10,744,953</b>	<b>52,476,815</b>	<b>22,159,312</b>

**4. FINANCIAL RISK MANAGEMENT (continued)**

**c) Liquidity risk (continued)**

**(iii) Maturity analysis (continued)**

2018	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with central banks	1,583,755	29,222	1,196,212	18,293	4,471,432	7,298,914
Due from banks	6,255,073	32,090	136,990	-	-	6,424,153
Financing assets	25,887,734	23,709,669	6,924,742	20,018,498	25,669,287	102,209,930
Investment securities	1,696,183	556,240	1,288,489	3,375,244	24,557,445	31,473,601
Investment in associates	-	-	-	-	568,392	568,392
Investment properties	-	-	-	-	1,231,107	1,231,107
Fixed assets	130	139	1,836	99,155	378,208	479,468
Intangible assets	19	521	2,867	9,556	372,777	385,740
Other assets	784,619	49,240	138,835	195,321	1,993,045	3,161,060
<b>Total assets</b>	<b>36,207,513</b>	<b>24,377,121</b>	<b>9,689,971</b>	<b>23,716,067</b>	<b>59,241,693</b>	<b>153,232,365</b>

Liabilities and equity of unrestricted investment account holders

Liabilities

Due to banks	12,219,689	2,484,799	566,535	1,677,455	285,490	17,233,968
Customers' current accounts	15,420,808	-	-	-	-	15,420,808
Sukuk financing	91,000	-	1,456,860	3,413,172	4,228,015	9,189,047
Other liabilities	3,299,351	432,273	1,327,332	56,387	356,647	5,471,990
<b>Total liabilities</b>	<b>31,030,848</b>	<b>2,917,072</b>	<b>3,350,727</b>	<b>5,147,014</b>	<b>4,870,152</b>	<b>47,315,813</b>

Equity of unrestricted investment account holders

Equity of unrestricted investment account holders	51,282,766	11,260,304	17,659,126	4,489,905	485,074	85,177,175
<b>Total liabilities and equity of unrestricted investment account holders</b>	<b>82,313,614</b>	<b>14,177,376</b>	<b>21,009,853</b>	<b>9,636,919</b>	<b>5,355,226</b>	<b>132,492,988</b>
<b>Maturity gap</b>	<b>(46,106,101)</b>	<b>10,199,745</b>	<b>(11,319,882)</b>	<b>14,079,148</b>	<b>53,886,467</b>	<b>20,739,377</b>

4. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

Maturity analysis of undiscounted cashflows

2019	Carrying amount	Gross undiscounted cashflows	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years
<b>Non-derivative financial liabilities</b>							
Due to banks	14,355,068	15,348,639	11,967,933	1,206,895	1,322,570	592,017	259,224
Customers' current accounts	14,979,086	14,955,617	14,955,617	-	-	-	-
Sukuk financing	10,933,892	11,997,140	54,330	81,900	3,022,980	3,669,670	5,168,260
Other liabilities	4,450,379	6,408,809	6,012,050	55,350	54,072	-	287,337
<b>Total liabilities</b>	<b>44,718,425</b>	<b>48,710,205</b>	<b>32,989,930</b>	<b>1,344,145</b>	<b>4,399,622</b>	<b>4,261,687</b>	<b>5,714,821</b>
Equity of unrestricted account holders	96,641,474	99,170,432	58,831,496	12,870,669	17,563,184	8,705,543	1,199,540
	<b>141,359,899</b>	<b>147,880,637</b>	<b>91,821,426</b>	<b>14,214,814</b>	<b>21,962,806</b>	<b>12,967,230</b>	<b>6,914,361</b>
2018							
<b>Non-derivative financial liabilities</b>							
Due to banks	17,233,968	17,523,637	12,298,747	2,571,089	580,075	1,788,235	285,491
Customers' current accounts	15,420,808	15,366,504	15,366,504	-	-	-	-
Sukuk financing	9,189,047	9,974,440	93,720	81,900	1,630,210	3,734,190	4,434,420
Other liabilities	5,471,990	5,983,749	5,656,994	865	143,007	12,491	170,392
<b>Total liabilities</b>	<b>47,315,813</b>	<b>48,848,330</b>	<b>33,415,965</b>	<b>2,653,854</b>	<b>2,353,292</b>	<b>5,534,916</b>	<b>4,890,303</b>
Equity of unrestricted account holders	85,177,175	87,500,321	51,957,876	11,535,377	18,549,779	4,924,508	532,780
	<b>132,492,988</b>	<b>136,348,651</b>	<b>85,373,841</b>	<b>14,189,231</b>	<b>20,903,071</b>	<b>10,459,424</b>	<b>5,423,083</b>

d) Market risks

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by the Group's Market Risk Department on a daily basis. Regular reports are submitted to the ALCO and heads of each business unit.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates

As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and profit rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

Non-trading portfolios primarily arise from the profit rate and management of the Group's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's debt-type and equity-type investments.

**4. FINANCIAL RISK MANAGEMENT (continued)**

**d) Market risks (continued)**

**(i) Management of market risks**

Overall authority for market risk is vested in ALCO. Group Market Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO/ BoD) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification measurement, assessment and controlling the market risk in a prudent way to ensure safeguarding interests of all shareholders. The Group views market risk management as a core competency and its purpose is not to neutralise market risks, but rather maximize risk/return tradeoffs within clearly defined limits. The existence of market risk requires the measurement of the magnitude of the exposure. This measure is an essential precursor to the management of the risk that takes the form of either reducing the exposure through hedging or maintaining sufficient capital to protect the Group from the risk of operational capacity impairment.

**(ii) Exposure to market risks – trading portfolios**

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based on historical simulation. Taking account of market data from the previous three years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations in which there is severe general market illiquidity.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

The overall structure of VaR limits is subject to review and approval by ALCO. VaR limits are allocated to trading portfolios. VaR is monitored and reported daily to the Senior Management.

A summary of the VaR position of the Group's trading portfolios at 31 December and during the year is as follows:

	<b>At 31 December</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
<b>2019</b>				
<b>Equity price risk 10-day VaR @99%</b>	<b>17,335</b>	<b>13,432</b>	<b>17,358</b>	<b>10,319</b>
<b>2018</b>				
<b>Equity price risk 10-day VaR @99%</b>	<b>15,665</b>	<b>18,592</b>	<b>24,909</b>	<b>14,502</b>

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity, on individual trading portfolios and the Group's overall position.

**4. FINANCIAL RISK MANAGEMENT (continued)**

**d) Market risks (continued)**

**(iii) Exposure to profit rate risk – non-trading portfolios**

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group Market Risk Treasury in its day-to-day monitoring activities.

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

	Carrying amount	Repricing in:					Effective profit rate
		Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-profit sensitive	
<b>2019</b>							
Cash and balances with central banks	7,402,932	2,793,649	-	-	8,835	4,600,448	-
Due from banks	3,552,284	2,855,719	50,387	-	-	646,178	2.06%
Financing assets	113,753,593	67,317,274	32,752,351	10,762,804	1,044,833	1,876,331	5.26%
Investment securities	33,271,763	341,000	13,931,544	4,237,151	12,481,581	2,280,487	4.04%
	<b>157,980,572</b>	<b>73,307,642</b>	<b>46,734,282</b>	<b>14,999,955</b>	<b>13,535,249</b>	<b>9,403,444</b>	<b>-</b>
Due to banks	14,355,068	11,737,047	2,408,790	209,231	-	-	2.45%
Sukuk financing	10,933,892	2,691,780	2,730,000	5,512,112	-	-	3.40%
	<b>25,288,960</b>	<b>14,428,827</b>	<b>5,138,790</b>	<b>5,721,343</b>	<b>-</b>	<b>-</b>	<b>-</b>
Equity of unrestricted investment account holders	96,641,474	58,219,582	29,259,414	9,162,478	-	-	2.72%
	<b>121,930,434</b>	<b>72,648,409</b>	<b>34,398,204</b>	<b>14,883,821</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit rate sensitivity gap</b>	<b>36,050,138</b>	<b>659,233</b>	<b>12,336,078</b>	<b>116,134</b>	<b>13,535,249</b>	<b>9,403,444</b>	<b>-</b>
<b>Cumulative profit rate sensitivity gap</b>	<b>-</b>	<b>36,050,138</b>	<b>35,390,905</b>	<b>23,054,827</b>	<b>22,938,693</b>	<b>9,403,444</b>	<b>-</b>

**4. FINANCIAL RISK MANAGEMENT (continued)**

**d) Market risks (continued)**

**(iii) Exposure to profit rate risk – non-trading portfolios (continued)**

	Carrying amount	Repricing in:					Non-profit sensitive	Effective profit rate
		Less than 3 months	3-12 months	1-5 years	More than 5 years			
2018								
Cash and balances with central banks	7,298,914	2,709,964	29,222	18,293	144,161	4,397,274	-	
Due from banks	6,424,153	5,972,778	52,740	-	-	398,635	2.18%	
Financing assets	102,209,930	52,062,772	36,009,823	9,982,909	1,160,453	2,993,973	5.48%	
Investment securities	31,473,601	1,267,398	13,477,081	8,388,268	5,729,275	2,611,579	4.12%	
	<b>147,406,598</b>	<b>62,012,912</b>	<b>49,568,866</b>	<b>18,389,470</b>	<b>7,033,889</b>	<b>10,401,461</b>	-	
Due to banks	17,233,968	13,056,558	2,960,348	1,217,062	-	-	3.38%	
Sukuk financing	9,189,047	3,576,302	117,340	5,495,405	-	-	3.47%	
	<b>26,423,015</b>	<b>16,632,860</b>	<b>3,077,688</b>	<b>6,712,467</b>	-	-	-	
Equity of unrestricted investment account holders	85,177,175	51,282,776	28,053,682	5,840,717	-	-	2.87%	
	<b>111,600,190</b>	<b>67,915,636</b>	<b>31,131,370</b>	<b>12,553,184</b>	-	-	-	
Profit rate sensitivity gap	35,806,408	(5,902,724)	18,437,496	5,836,286	7,033,889	10,401,461	-	
Cumulative profit rate sensitivity gap	-	35,806,408	41,709,132	23,271,636	17,435,350	10,401,461	-	

**4. FINANCIAL RISK MANAGEMENT (continued)**

**d) Market risks (continued)**

**(iii) Exposure to profit rate risk – non-trading portfolios (continued)**

**Sensitivity analysis**

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non - standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

<b>Sensitivity of net profit</b>	<b>100 bp parallel increase</b>	<b>100 bp parallel decrease</b>
<b>2019</b>		
At 31 December	<b>134.84 million</b>	<b>(134.84 million)</b>
2018		
At 31 December	103.04 million	(103.04 million)

Overall non-trading profit rate risk positions are managed by Group Treasury, which uses financial investments, advances to banks, deposits from banks and risk management instruments to manage the overall position arising from the Group's non-trading activities. The use of risk management instruments to manage profit rate risk.

**(iv) Exposure to other market risks – non-trading portfolios**

**Foreign currency transactions**

The result of structural foreign exchange positions on the Group's net investments in foreign subsidiaries and branches is recognised in equity. The Group's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Group and its subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk-weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered. In addition to monitoring VaR in respect of foreign currency, the Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the respective functional currency of Group entities, and with regard to the translation of foreign operations into the presentation currency of the Group.

**Net Open currency exposure as at 31 December in QAR '000**

	<b>2019</b>	<b>2018</b>
Net foreign currency exposure:		
Sterling Pounds	<b>4,215</b>	61,027
USD	<b>(12,388,990)</b>	(11,268,853)
Euro	<b>10,197</b>	24,708
Other currencies	<b>229,301</b>	247,154

The exchange rate of QAR against US Dollar has been pegged and the Group's exposure to currency risk is limited to that extent. The Group uses Shari'a compliant forward contracts to mitigate the other currency risks.

**4. FINANCIAL RISK MANAGEMENT (continued)**

**d) Market risks (continued)**

**(iv) Exposure to other market risks – non-trading portfolios (continued)**

**Foreign currency transactions (continued)**

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR on the net profit for the year, with all other variables held constant:

	<b>Increase / (decrease)</b>	
	<b>2019</b>	<b>2018</b>
5% change in currency exchange rate		
Sterling Pound	211	3,051
USD	(619,450)	(563,443)
Euro	510	1,235
Other currencies	11,465	12,358

**Equity price risk**

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through income statement and fair value through equity.

The Group is also exposed to equity price risk and the sensitivity analysis thereof is as follows:

<b>Market Indices</b>	<b>Change in equity price %</b>	<b>Effect on equity</b>		<b>Effect on profit and loss</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Qatar Exchange	+/- <b>10%</b>	<b>27,452</b>	21,191	<b>2,048</b>	1,593
Bahrain Stock Exchange	+/- <b>10%</b>	<b>969</b>	1,697	-	-

The above analysis has been prepared on the assumption that all other variables such as profit rate, foreign exchange rate, etc are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above.

**e) Operational risks**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes but is not limited to, legal risk and Shari'ah compliance risk; however, it does not cover reputational risk & strategic risk.

The Group's objective is to structure a robust, dynamic and sustainable operational risk management framework (ORMF) for identification, assessment, measurement, monitoring/control and reporting.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business and functional unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Regular operational risk identification, assessment and control evaluation
- Incident and risk event management, issue remediation and consistent risk reporting across the bank.
- Early warning of increasing risk exposures through KRI monitoring
- Segregation of duties and dual of control
- Reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Proper Policies and procedures;
- Development of Disaster Recovery and Business continuity plans;
- Protection of information security Assets.
- Training and professional development;
- Ethical and business standards; and
- Risk Transfer, including insurance and outsourcing where this is effective.

**4. FINANCIAL RISK MANAGEMENT (continued)**

**e) Capital management**

**Regulatory capital**

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines as adopted by the QCB.

The Group's regulatory capital position under Basel III and QCB regulations at 31 December was as follows:

	<b>2019</b>	<b>2018</b>
	<b>Basel III</b>	<b>Basel III</b>
Common Equity Tier 1 (CET 1) Capital	<b>16,179,018</b>	14,841,497
Tier 1 capital	<b>20,220,042</b>	18,898,063
Tier 2 capital	<b>1,302,214</b>	1,064,101
Total regulatory capital	<b>21,522,256</b>	19,962,164
<b>Risk weighted assets</b>		
	<b>2019</b>	<b>2018</b>
	<b>Basel III</b>	<b>Basel III</b>
Risk weighted assets for credit risk	<b>100,895,149</b>	97,856,405
Risk weighted assets for market risk	<b>372,172</b>	364,708
Risk weighted assets for operational risk	<b>9,136,707</b>	8,177,548
Total risk weighted assets	<b>110,404,028</b>	106,398,661
Regulatory capital	<b>21,522,256</b>	19,962,164
Common equity tier 1 (CET 1) ratio	<b>14.7%</b>	13.9%
Total capital adequacy ratio	<b>19.5%</b>	18.8%

The minimum requirements for Capital Adequacy Ratio under Basel III as per QCB regulations for the year ended 31 December 2019 are as follows:

	<b>Actual</b>	<b>Minimum limit as per QCB</b>
CET 1 ratio without capital conservation buffer	<b>14.7%</b>	6.00%
CET 1 ratio including capital conservation buffer	<b>14.7%</b>	8.50%
Tier 1 capital ratio including capital conservation buffer	<b>18.3%</b>	10.50%
Total capital ratio including capital conservation buffer	<b>19.5%</b>	12.50%
Total capital including capital conservation buffer and domestic systematic important bank buffer	<b>19.5%</b>	13.50%
Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge	<b>19.5%</b>	14.50%

The Group is currently in the process of analyzing new capital requirements for Profit Rate Risk on Banking Book (PRRBB) and will start setting aside capital based on new standard under Pillar II on or before 30 June 2020.

## **5. USE OF ESTIMATES AND JUDGMENTS**

### **(a) Key sources of estimation uncertainty**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **i. Allowance for credit losses**

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL, refer to note 4 (b) (vi) Inputs, assumptions and techniques used for estimating impairment for more information.

#### **ii. Determining fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair value is determined for each investment individually in accordance with the general valuation policies as set out below;

- i) For quoted investments, the fair value is determined by reference to quoted market bid prices at close of business on the reporting date.
- ii) For unquoted investments, the fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation method.
- iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- iv) Investments, which cannot be measured to fair value using any of the above techniques, are carried at cost less impairment.

**5. USE OF ESTIMATES AND JUDGMENTS (continued)**

**(b) Critical accounting judgements in applying the Group's accounting policies**

**iii. Valuation of financial instruments**

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, sukuk and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

**5. USE OF ESTIMATES AND JUDGMENTS (continued)**

**(b) Critical accounting judgements in applying the Group's accounting policies (continued)**

**iv. Financial asset classification**

The table below analyses investment securities measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurements categorised:

2019	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shari'a compliant risk management instruments (assets)	375,434	-	375,434	-
<b>Investments securities</b>				
Quoted equity-type investments classified as fair value through income statement	78,727	70,660	8,067	-
Quoted debt-type investments classified as fair value through income statement	19,883	19,883	-	-
Unquoted debt-type investments classified as fair value through income statement	85,110	-	85,110	-
Unquoted equity-type investments classified as fair value through income statement	1,290,367	-	406,680	883,687
Quoted equity-type investments classified as fair value through equity	440,693	415,401	25,292	-
Unquoted equity-type investments classified as fair value through equity	555,259	-	160,983	394,276
<b>Financing assets classified as FVTIS</b>	513,445	-	-	513,445
Shari'a compliant risk management instruments (liabilities)	64,526	-	64,526	-

**5. USE OF ESTIMATES AND JUDGMENTS (continued)**

**(b) Critical accounting judgements in applying the Group's accounting policies (continued)**

**iv. Financial asset classification (continued)**

2018	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shari'a compliant risk management instruments (assets)	411,925	-	411,925	-
Investments securities				
Quoted equity-type investments classified as fair value through income statement	15,934	15,934	-	-
Quoted debt-type investments classified as fair value through income statement	16,608	16,608	-	-
Unquoted debt-type investments classified as fair value through income statement	81,894	-	81,894	-
Unquoted equity-type investments classified as fair value through income statement	1,927,331	-	485,374	1,441,957
Quoted equity-type investments classified as fair value through equity	408,737	330,755	77,982	-
Unquoted equity-type investments classified as fair value through equity	77,290	-	77,290	-
Financing assets classified as FVTIS	494,929	-	-	494,929
Shari'a compliant risk management instruments (liabilities)	88,875	-	88,875	-

The fair value of financial assets and liabilities carried at amortised cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investment securities carried at amortised cost for which the fair value amounts to QAR 3,007 million (2018: QAR 2,434 million), which is derived using level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in note 7.

During the years ended 2019 and 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 measurement.

**5. USE OF ESTIMATES AND JUDGMENTS (continued)**

**(b) Critical accounting judgements in applying the Group's accounting policies (continued)**

**iv. Financial asset classification (continued)**

The following table sets out information about significant unobservable inputs at 31 December 2019 and 2018 in measuring financial instruments categorised as level 3 in the fair value hierarchy.

	Valuation technique	Inputs used	Range of inputs	
			2019	2018
Investments at fair value through income statement	Discounted cash flows	Growth rate	0% to 3%	0% to 3%
		Discount rate	6% to 8%	7% to 14%

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

	At 1 January 2019	Total gain / (loss) recorded in consolidated income statement / equity	Purchases	Sales/ transfers	At 31 December 2019
<b>Equity investments</b>					
at fair value through equity	-	441,951	4,339	(52,013)	394,277
at fair value through income statement	1,441,957	(5,192)	45,785	(598,861)	883,689
<b>Financing assets classified as FVTIS</b>	<b>494,929</b>	<b>13,085</b>	<b>57,254</b>	<b>(51,824)</b>	<b>513,444</b>
	<b>1,936,886</b>	<b>449,844</b>	<b>107,378</b>	<b>(702,698)</b>	<b>1,791,410</b>
		Total gain / (loss) recorded			At
	At 1 January 2018	in consolidated income statement / equity	Purchases	Sales/ transfers	31 December 2018
<b>Equity investments</b>					
at fair value through equity	267,532	10,877	937	(279,346)	-
at fair value through income statement	1,140,472	(94,710)	412,416	(16,221)	1,441,957
at fair value through income statement	7,433	(7,433)	-	-	-
<b>Financing assets classified as FVTIS</b>	<b>522,019</b>	<b>(7,678)</b>	<b>-</b>	<b>(19,412)</b>	<b>494,929</b>
	<b>1,937,456</b>	<b>(98,944)</b>	<b>413,353</b>	<b>(314,979)</b>	<b>1,936,886</b>

**v. Useful lives of intangible assets**

The Group's management determines the estimated useful life of its intangible assets for calculating amortisation. This estimate is determined after considering the expected economic benefits to be received from the use of intangible assets.

**5. USE OF ESTIMATES AND JUDGMENTS (continued)**

**(b) Critical accounting judgements in applying the Group's accounting policies (continued)**

**v. Useful lives of intangible assets (continued)**

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

**vi. Useful lives of property and equipment**

The Group's management determines the estimated useful life of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear and technical or commercial obsolescence.

**vii. Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. All non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

**6. 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 monthly basis. The following summary describes the operations in each of the Group's reportable segments.

<b>Corporate banking</b>	Includes services offered to institutional investors, corporates, small and medium enterprises, financial institutions and investment vehicles.
<b>Personal banking</b>	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.
<b>Group function</b>	Treasury, investment, finance and other central functions.
<b>Local &amp; international subsidiaries</b>	Local and international subsidiaries include the Groups local and international subsidiaries all of which are consolidated in the Group financial statements

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.

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

6. OPERATING SEGMENTS (continued)

Information about operating segments

2019

	Corporate banking	Personal banking	Group function	Local & international subsidiaries	Total
External revenue:					
Total net income from financing and investing activities	4,722,056	1,382,600	546,228	278,938	6,929,822
Net fee and commission income	338,100	230,169	64,680	60,204	693,153
Net foreign exchange gain	-	-	64,064	(5,457)	58,607
Share of results of associates	-	-	12,923	(14,119)	(1,196)
Other income	-	-	25,000	32,859	57,859
<b>Total income</b>	<b>5,060,156</b>	<b>1,612,769</b>	<b>712,895</b>	<b>352,425</b>	<b>7,738,245</b>
Sukuk holders' share of profit	-	-	(376,226)	-	(376,226)
Return to unrestricted investment account holders	(1,476,579)	(538,580)	(458,798)	(57,943)	(2,531,900)
Inter segment (cost) / revenue	(1,725,583)	580,983	1,144,600	-	-
<b>Reportable segment net profit after tax</b>	<b>1,545,940</b>	<b>1,085,961</b>	<b>407,249</b>	<b>(54,562)</b>	<b>2,984,588</b>
<b>Reportable segment assets</b>	<b>101,292,679</b>	<b>19,538,847</b>	<b>38,115,941</b>	<b>4,571,744</b>	<b>163,519,211</b>
<b>Reportable segment liabilities and equity of unrestricted investments account holders</b>	<b>55,876,231</b>	<b>38,897,124</b>	<b>42,415,545</b>	<b>4,170,999</b>	<b>141,359,899</b>

**6. OPERATING SEGMENTS (continued)**

**Information about operating segments (continued)**

2018	Corporate banking	Personal banking	Group function	Local & international subsidiaries	Total
External revenue:					
Total net income from financing and investing activities	4,355,732	1,263,776	192,841	188,831	6,001,180
Net fee and commission income	299,401	195,049	37,552	43,840	575,842
Net foreign exchange gain	-	-	91,461	167,766	259,227
Share of results of associates	-	-	15,591	(16,143)	(552)
Other income	-	-	-	47,182	47,182
<b>Total income</b>	<b>4,655,133</b>	<b>1,458,825</b>	<b>337,445</b>	<b>431,476</b>	<b>6,882,879</b>
Sukuk holders' share of profit	-	-	(255,092)	-	(255,092)
Return to unrestricted investment account holders	(1,484,167)	(415,393)	(179,953)	(45,903)	(2,125,416)
Inter segment (cost) / revenue	(1,205,209)	437,622	767,587	-	-
<b>Reportable segment net profit after tax</b>	<b>1,532,712</b>	<b>1,039,503</b>	<b>53,045</b>	<b>15,435</b>	<b>2,640,695</b>
<b>Reportable segment assets</b>	<b>91,400,552</b>	<b>18,298,362</b>	<b>38,827,233</b>	<b>4,706,218</b>	<b>153,232,365</b>
<b>Reportable segment liabilities and equity of unrestricted investments account holders</b>	<b>58,369,504</b>	<b>35,316,924</b>	<b>34,976,783</b>	<b>3,829,777</b>	<b>132,492,988</b>

**7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS**

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

	Fair value through equity	Fair value through income statement	Amortised cost	Total carrying amount	Fair value
<b>2019</b>					
Cash and balances with central banks	-	-	7,402,932	7,402,932	7,402,932
Due from banks	-	-	3,552,284	3,552,284	3,552,284
Financing assets	-	513,445	113,240,148	113,753,593	113,753,593
Investment securities:					
- Equity type instruments	995,952	1,369,094	-	2,365,046	2,365,046
- Debt type instruments	-	104,993	30,801,724	30,906,717	30,881,622
Other assets	-	-	623,887	623,887	623,887
	<b>995,952</b>	<b>1,987,532</b>	<b>155,620,975</b>	<b>158,604,459</b>	<b>158,579,364</b>
Due to banks	-	-	14,355,068	14,355,068	14,355,068
Customers' current accounts	-	-	14,979,086	14,979,086	14,979,086
Sukuk financing	-	-	10,933,892	10,933,892	10,933,892
Other liabilities	-	-	4,450,379	4,450,379	4,450,379
Equity of unrestricted investment account holders	-	-	96,641,474	96,641,474	96,641,474
	-	-	<b>141,359,899</b>	<b>141,359,899</b>	<b>141,359,899</b>

**7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)**

	Fair value through equity	Fair value through income statement	Amortised cost	Total carrying amount	Fair value
2018					
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:					
- Equity type instruments	486,027	1,943,265	-	2,429,292	2,429,292
- Debt type instruments	-	98,502	28,945,806	29,044,309	28,919,830
Other assets	-	-	760,837	760,837	760,837
	<u>486,027</u>	<u>2,536,696</u>	<u>145,144,711</u>	<u>148,167,435</u>	<u>148,042,956</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>

**8. CASH AND BALANCES WITH CENTRAL BANKS**

	2019	2018
Cash in hand	742,440	630,857
Cash reserve with QCB (i)	4,600,448	4,327,271
Other balances with QCB	1,617,122	1,997,212
Balances with other central banks	442,922	343,574
	<u>7,402,932</u>	<u>7,298,914</u>

(i) Cash reserve with QCB represents a mandatory reserve not available for use in the Group's day to day operations.

**9. DUE FROM BANKS**

	2019	2018
Commodity murabaha receivable	2,109,857	4,321,828
Wakala placements	793,591	1,606,426
Mudaraba placements	23,348	118,098
Current accounts	646,178	398,634
Less: Allowance for impairment	(20,690)	(20,833)
	<u>3,552,284</u>	<u>6,424,153</u>

**10. FINANCING ASSETS**

**(a) By type**

	2019	2018
Receivables and balances from financing activities:		
Murabaha	82,662,946	70,236,861
Musawama	18,675,895	16,869,479
Ijarah Muntahia Bittamleek	20,076,735	21,218,805
Istisna'a	848,730	744,665
Mudaraba	18,311	71,323
Others	2,095,537	3,266,139
<b>Total financing assets</b>	<u>124,378,154</u>	<u>112,407,272</u>
Less: Deferred profit	(7,859,426)	(8,004,893)
Total financing assets net of deferred profit	<u>116,518,728</u>	<u>104,402,379</u>
Less: Expected credit losses on financing assets - performing (Stage 1 and 2)	(1,250,074)	(930,024)
Allowance for impairment on financing assets – credit impaired (Stage 3)	(1,448,613)	(1,199,780)
Suspended profit	(66,448)	(62,645)
<b>Net financing assets</b>	<u>113,753,593</u>	<u>102,209,930</u>

Net financing assets includes hybrid instruments amounting to QR 513 million designated as fair value through income statement ('FVTIS') (2018: QR 495 million).

The impaired financing assets net of deferred profit amounted to QAR 1,515 million as at 31 December 2019 representing 1.3% 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).

**10. FINANCING ASSETS (continued)**

(b) Movement in impairment of financing` assets is as follows:

	2019	2018
Balance at 1 January	2,129,804	1,198,498
Adjustments as a result of early adopting FAS 30	-	874,283
Fair value adjustments	43,437	-
Adjusted balance at beginning year	<u>2,173,241</u>	<u>2,072,781</u>
Charge for the year	856,680	638,037
Recoveries during the year	(232,611)	(132,963)
Net impairment losses during the year	<u>624,069</u>	<u>505,074</u>
Written off during the year	(99,390)	(194,608)
Foreign currency translation and adjustments	767	(253,443)
<b>Balance at 31 December*</b>	<u><u>2,698,687</u></u>	<u><u>2,129,804</u></u>

\*For stage wise allowance for impairment refer note 4(b).

10. FINANCING ASSETS (continued)

(c) Movement in the impairment of financing assets – sector wise:

	Corporate			SMEs			Retail			Real estate mortgages			Total		
	Stage 1 Performing	Stage 2	Stage 3 Credit impaired	Stage 1 Performing	Stage 2	Stage 3 Credit impaired	Stage 1 Performing	Stage 2	Stage 3 Credit impaired	Stage 1 Performing	Stage 2	Stage 3 Credit impaired	Stage 1 Performing	Stage 2	Stage 3 Credit impaired
<b>Balance at 1 January 2019</b>	173,291	496,408	606,238	879	5,036	23,989	5,900	50,361	487,421	29,031	169,118	82,132	209,101	720,923	1,199,780
Fair value adjustments	43,437	-	-	-	-	-	-	-	-	-	-	-	43,437	-	-
Transfers between stages	-	588	(588)	-	-	-	(4,644)	37,971	(33,327)	-	-	-	(4,644)	38,559	(33,915)
Charge for the year	178,102	(28,524)	542,372	(202)	475	5,672	102,835	(62,788)	61,012	74,589	(18,615)	1,752	355,324	(109,452)	610,808
Recoveries during the year	-	-	(160,291)	-	-	-	-	-	(71,189)	-	-	(1,131)	-	-	(232,611)
<b>Net impairment losses during the year</b>	178,102	(28,524)	382,081	(202)	475	5,672	102,835	(62,788)	(10,177)	74,589	(18,615)	621	355,324	(109,452)	378,197
Written off during the year	(3,188)	-	(71,550)	-	-	-	-	-	(5,201)	-	-	(19,451)	(3,188)	-	(96,202)
Foreign currency translation and adjustments	7	7	753	-	-	-	-	-	-	-	-	-	7	7	753
<b>Balance at 31 December 2019 (i)</b>	391,649	468,479	916,934	677	5,511	29,661	104,091	25,544	438,716	103,620	150,503	63,302	600,037	650,037	1,448,613

**10. FINANCING ASSETS (continued)**

**(c) Movement in the impairment of financing assets - sector wise (continued)**

	Corporate			SMEs			Retail			Real estate mortgages			Total		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Performing		Credit impaired	Performing		Credit impaired	Performing		Credit impaired	Performing		Credit impaired	Performing		Credit impaired
Balance at 1 January 2018	-	29,585	619,629	-	-	9,255	-	-	479,922	-	-	60,107	-	29,585	1,168,913
Adjustments as a result of early adopting FAS 30	261,727	353,369	-	-	-	-	23,617	22,598	-	32,758	180,214	-	318,102	556,181	-
Adjusted balance at beginning year	261,727	382,954	619,629	-	-	9,255	23,617	22,598	479,922	32,758	180,214	60,107	318,102	585,766	1,168,913
Transfers between stages	(7,720)	(7,816)	15,536	-	-	-	-	-	-	-	-	-	(7,720)	(7,816)	15,536
Charge for the year	53,330	161,150	238,489	879	5,036	14,910	(17,717)	27,763	121,131	(2,794)	(923)	36,783	33,698	193,026	411,313
Recoveries during the year	(17,466)	-	(10,551)	-	-	(176)	-	-	(90,246)	-	-	(14,524)	(17,466)	-	(115,497)
Net impairment losses during the year	35,864	161,150	227,938	879	5,036	14,734	(17,717)	27,763	30,885	(2,794)	(923)	22,259	16,232	193,026	295,816
Written off during the year	(91,202)	(40,070)	(58,994)	-	-	-	-	-	(4,108)	-	-	(234)	(91,202)	(40,070)	(63,336)
Foreign currency translation and adjustments	(25,378)	190	(197,871)	-	-	-	-	-	(19,278)	(933)	(10,173)	-	(26,311)	(9,983)	(217,149)
Balance at 31 December 2018	173,291	496,408	606,238	879	5,036	23,989	5,900	50,361	487,421	29,031	169,118	82,132	209,101	720,923	1,199,780

**10. FINANCING ASSETS (continued)**

**(d) By sector**

<b>2019</b>	<b>Murabaha</b>	<b>Musawama</b>	<b>Ijarah Muntahia Bittamleek</b>	<b>Istisna'a</b>	<b>Mudaraba</b>	<b>Others</b>	<b>Total</b>
Government and related entities	17,018,890	4,005	2,028,945	-	-	-	19,051,840
Non-banking financial institutions	6,119,566	-	920,367	-	-	-	7,039,933
Industry	6,087,101	10,551	2,881	42	-	749,771	6,850,346
Commercial	12,242,661	146,501	1,620,644	3,381	14,111	343,952	14,371,250
Services	12,476,119	86,670	96,684	949	-	732,644	13,393,066
Contracting	4,520,567	22,820	285,256	3,136	-	66,771	4,898,550
Real estate	9,804,530	60,057	14,883,181	831,705	4,200	-	25,583,673
Personal	8,833,506	18,238,892	-	9,252	-	198,432	27,280,082
Others	5,560,006	106,399	238,777	265	-	3,967	5,909,414
Total financing assets	<b>82,662,946</b>	<b>18,675,895</b>	<b>20,076,735</b>	<b>848,730</b>	<b>18,311</b>	<b>2,095,537</b>	<b>124,378,154</b>
Less: Deferred profit							<b>(7,859,426)</b>
Total financing assets net of deferred profit							<b>116,518,728</b>
Less: Expected credit losses on financing assets - performing (Stage 1 and 2)							<b>(1,250,074)</b>
Allowance for impairment on financing assets – credit impaired (Stage 3)							<b>(1,448,613)</b>
Suspended profit							<b>(66,448)</b>
<b>Net financing assets</b>							<b>113,753,593</b>

*Note:*

Details of financing assets related to Sukuk backed assets as at 31 December 2019 are disclosed in Note 20 to the consolidated financial statements.

**10. FINANCING ASSETS (continued)**

**(d) By sector (continued)**

2018	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
Government and related entities	8,360,517	3,366	2,240,098	-	-	-	10,603,981
Non-banking financial institutions	6,431,982	426	951,153	-	-	-	7,383,561
Industry	6,905,533	52,000	3,783	221	-	1,154,739	8,116,276
Commercial Services	12,257,445	307,801	1,748,471	34,725	14,111	506,962	14,869,515
Contracting	8,179,590	88,627	84,382	1,541	-	1,283,418	9,637,558
Real estate	4,373,176	63,593	279,747	7,211	52,907	94,874	4,871,508
Personal	8,738,023	42,735	15,642,146	686,655	4,305	6,394	25,120,258
Others	10,388,285	16,305,155	-	14,312	-	206,098	26,913,850
Others	4,602,310	5,776	269,025	-	-	13,654	4,890,765
<b>Total financing assets</b>	<b>70,236,861</b>	<b>16,869,479</b>	<b>21,218,805</b>	<b>744,665</b>	<b>71,323</b>	<b>3,266,139</b>	<b>112,407,272</b>
Less: Deferred profit							(8,004,893)
Total financing assets net of deferred profit							104,402,379
Less: Expected credit losses on financing assets - performing (Stage 1 and 2)							(930,024)
Allowance for impairment on financing assets – credit impaired (Stage 3)							(1,199,780)
Suspended profit							(62,645)
<b>Net financing assets</b>							<b>102,209,930</b>

**11. INVESTMENT SECURITIES**

	2019			2018		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
<i>Investments classified as fair value through income statement</i>						
• equity-type investments	<b>78,727</b>	<b>1,290,367</b>	<b>1,369,094</b>	15,934	1,927,331	1,943,265
• debt-type investments						
- Fixed rate	<b>19,883</b>	<b>1,673</b>	<b>21,556</b>	16,608	-	16,608
- Floating rate	-	<b>83,437</b>	<b>83,437</b>	-	81,895	81,895
	<b>98,610</b>	<b>1,375,477</b>	<b>1,474,087</b>	32,542	2,009,226	2,041,768
<i>Debt-type investments classified at amortised cost</i>						
(i)						
- State of Qatar Sukuk and QCB Murabaha	<b>1,996,326</b>	<b>27,830,166</b>	<b>29,826,492</b>	1,845,212	26,358,874	28,204,086
- Fixed rate	<b>804,609</b>	<b>270,849</b>	<b>1,075,458</b>	620,868	233,766	854,634
Less: Allowance for impairment*	<b>(5,081)</b>	<b>(95,145)</b>	<b>(100,226)</b>	(6,013)	(106,900)	(112,913)
	<b>2,795,854</b>	<b>28,005,870</b>	<b>30,801,724</b>	2,460,067	26,485,739	28,945,806
<i>Equity-type investments classified as fair value through equity</i>						
	<b>440,693</b>	<b>555,259</b>	<b>995,952</b>	408,737	77,290	486,027
	<b>3,335,157</b>	<b>29,936,606</b>	<b>33,271,763</b>	2,901,346	28,572,255	31,473,601

\*For stage wise allowance for impairment refer note 4(b).

*Notes:*

- (i) The fair value of the investments carried at amortised cost as at 31 December 2019 amounted to QAR 30,882 million (2018: QAR 28,593 million).
- (ii) The fair value hierarchy and the transfers between categories of fair value hierarchy are disclosed in Note 5 (b).

The movement in impairment of debt-type securities carried at amortised cost and equity-type securities carried at fair value through equity is as follows:

	2019	2018
Balance at 1 January	<b>1,250,301</b>	1,066,659
Charge during the year	<b>94,353</b>	237,709
Write off / reversals / transfers during the year	<b>(403,329)</b>	(54,067)
<b>Balance at 31 December</b>	<b>941,325</b>	<b>1,250,301</b>

*Note:*

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.

**12. INVESTMENT IN ASSOCIATES**

Associates' movement during the year is as follows:

	<b>2019</b>	2018
Balance at 1 January	<b>568,392</b>	668,512
Foreign currency translation and other movements	<b>(2,803)</b>	(17,155)
Investments transferred / disposed during the year	<b>(12,660)</b>	(71,577)
Share of results	<b>(1,196)</b>	(552)
Cash dividend	<b>(6,998)</b>	(10,836)
<b>Balance at 31 December</b>	<b><u>544,735</u></b>	<u>568,392</u>

Name of the principal associates	Country of Incorporation	Company's Activities	Ownership %	
			2019	2018
Al Jazeera Finance Company (Q.S.C)	Qatar	Financing	30.00%	30.00%
Al Daman Islamic Insurance	Qatar	Insurance	30.82%	30.01%
Ambit Corporate Finance	India	Financial Service	25.83%	30.77%

The financial position, revenue and result of principal associates based on its financial statements, as at and for the year ended 31 December 2019 and 2018 are as follows:

	Al Jazeera	Al Daman	Ambit Corporate Finance
<b>31 December 2019</b>			
Total assets	<u>1,243,444</u>	<u>1,326,740</u>	<u>624,395</u>
Total liabilities	<u>315,290</u>	<u>181,256</u>	<u>294,484</u>
Total revenue	<u>95,641</u>	<u>55,923</u>	<u>54,597</u>
Net profit	<u>12,962</u>	<u>32,306</u>	<u>(334)</u>
Share of profit	<u>2,473</u>	<u>10,450</u>	<u>320</u>
<b>31 December 2018</b>			
Total assets	<u>1,319,733</u>	<u>1,230,618</u>	<u>540,092</u>
Total liabilities	<u>389,398</u>	<u>899,844</u>	<u>214,414</u>
Total revenue	<u>92,699</u>	<u>72,352</u>	<u>72,829</u>
Net profit	<u>16,320</u>	<u>46,046</u>	<u>14,396</u>
Share of profit	<u>4,197</u>	<u>15,997</u>	<u>1,627</u>

### 13. INVESTMENT PROPERTIES

	2019	2018
Balance at 1 January	1,231,107	1,943,937
Disposals	-	(712,887)
Additions	924,292	-
Changes in fair value	19,173	29,612
Foreign currency translation and adjustments	887	(29,555)
<b>Balance at 31 December</b>	<b>2,175,459</b>	<b>1,231,107</b>

*Note:*

The investment properties are held either to earn rental income or for capital appreciation.

### 14. FIXED ASSETS

	Land and buildings	IT equipment	Fixtures and fittings	Motor vehicles	Work in Progress	Total
<b>Cost:</b>						
Balance at 1 January 2019	414,634	177,041	352,390	6,243	30,138	980,446
Additions	16,878	11,927	14,652	175	1,297	44,929
Disposals	(5,566)	(1,079)	(7,365)	(1,313)	(27,114)	(42,437)
Foreign currency translation	2,502	211	(447)	4	716	2,986
Transfers	-	45	(45)	-	1,201	1,201
<b>Balance at 31 December 2019</b>	<b>428,448</b>	<b>188,145</b>	<b>359,185</b>	<b>5,109</b>	<b>6,238</b>	<b>987,125</b>
Balance at 1 January 2018	424,923	173,078	333,832	6,903	34,102	972,838
Additions	-	6,434	20,001	94	6,576	33,105
Disposals	(39)	(61)	(6,382)	(240)	(10,540)	(17,262)
Foreign currency translation	(13,122)	(2,410)	4,939	(514)	-	(11,107)
Transfers	2,872	-	-	-	-	2,872
Balance at 31 December 2018	414,634	177,041	352,390	6,243	30,138	980,446
<b>Accumulated depreciation:</b>						
Balance at 1 January 2019	81,691	159,878	253,591	5,818	-	500,978
Depreciation charged during the year	6,089	7,448	29,128	126	-	42,791
Disposals	(3,701)	3,703	(7,383)	(1,313)	-	(8,694)
Foreign currency translation	270	185	(148)	(5)	-	302
<b>Balance at 31 December 2019</b>	<b>84,349</b>	<b>171,214</b>	<b>275,188</b>	<b>4,626</b>	<b>-</b>	<b>535,377</b>
Balance at 1 January 2018	79,918	151,581	223,929	6,108	-	461,536
Depreciation charged during the year	5,815	10,428	29,460	286	-	45,989
Disposals	(39)	(142)	(1,437)	(240)	-	(1,858)
Foreign currency translation	(4,003)	(1,989)	1,639	(336)	-	(4,689)
Balance at 31 December 2018	81,691	159,878	253,591	5,818	-	500,978
<b>Carrying amounts:</b>						
Balance at 1 January 2018	345,005	21,497	109,903	795	34,102	511,302
Balance at 31 December 2018	332,943	17,163	98,799	425	30,138	479,468
<b>Balance at 31 December 2019</b>	<b>344,099</b>	<b>16,931</b>	<b>83,997</b>	<b>483</b>	<b>6,238</b>	<b>451,748</b>

**15. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Trade marks</b>	<b>Software</b>	<b>Work in Progress</b>	<b>Total</b>
Balance at 1 January 2019	<b>239,914</b>	<b>897</b>	<b>133,123</b>	<b>11,806</b>	<b>385,740</b>
Additions	-	-	<b>52,118</b>	<b>49,287</b>	<b>101,405</b>
Transfers	-	<b>(897)</b>	<b>897</b>	<b>(46,318)</b>	<b>(46,318)</b>
Foreign currency translation	-	-	<b>3</b>	-	<b>3</b>
Amortisation during the year	-	-	<b>(40,570)</b>	-	<b>(40,570)</b>
<b>Balance at 31 December 2019</b>	<b>239,914</b>	-	<b>145,571</b>	<b>14,775</b>	<b>400,260</b>
Balance at 1 January 2018	240,784	1,052	162,386	7,092	411,314
Additions	-	-	14,502	12,812	27,314
Transfers	(870)	-	-	(8,098)	(8,968)
Foreign currency translation	-	-	(894)	-	(894)
Amortisation during the year	-	(155)	(42,871)	-	(43,026)
Balance at 31 December 2018	239,914	897	133,123	11,806	385,740

**QInvest**

Goodwill acquired through the acquisition of QInvest L.L.C has been allocated to one CGU. An impairment testing of the goodwill was undertaken by management as at 31 December 2019. The recoverable amount of the investment in QInvest was determined using the dividend discount method.

**Key assumptions used in the valuation**

- QInvest plans to grow its fee income over the next five years.
- QInvest plans to deploy capital from low yield short term to higher yielding investments.
- QInvest plans to continue with its success in real estate investments and growth in its asset management business.
- QInvest plans to earn income from churning of its FVTE listed equity portfolio during the forecast period.
- QInvest plans to fund its financial position growth through getting financing and partly through customer deposits.
- QInvest is planning on maintaining stability and controlling its cost base over the next five years.

The equity value based on the valuation is higher than the carrying value of the investment in QIB books.

**Arab Finance House**

Goodwill acquired through the step acquisition of Arab Finance House (AFH) has been allocated to its CGU, which is retail banking and corporate banking. An impairment testing of the goodwill was undertaken by management as at 31 December 2019. The recoverable amount of the investment in AFH was determined using the dividend discount method.

**Key assumptions used in the valuation**

- The average of the publicly listed commercial banks listed in Lebanon and small MENA banks have been considered.
- The growth rate has been estimated conservatively.
- AFH plans to fund its financial position growth primarily through customer deposits.
- AFH plans to grow its financing book and its fiduciary business over the next five years.
- AFH plans will continue to control its cost base over the next five years and manage its cost to income ratio effectively.
- The equity value based on an implied price to book ratio compares favourably to the carrying value of the investment in QIB books.

**16. OTHER ASSETS**

	Note	2019	2018
Projects under development		39,589	62,728
Repossessed collateral (i)		946,976	946,200
Shari'a compliant risk management instruments	17.1	375,434	411,925
Deferred tax assets		30,771	6,250
Prepayments and advances		58,669	105,447
Ijarah Muntahia Bittamleek		899	-
Others (ii)		514,099	1,628,510
		<u>1,966,437</u>	<u>3,161,060</u>

*Notes:*

- (i) This represents the net value of the property acquired in settlement of financing assets which is stated at its acquisition value less impairment allowance. The estimated market values of this property as at 31 December 2019 amounted to QAR 1,381 million (2018: QAR 1,441 million).
- (ii) Others include properties of a subsidiary company amounting to QAR Nil million (2018: QAR 701 million).

**16.1 Shari'a compliant risk management instruments**

The table below shows the positive and negative fair values of Shari'a compliant risk management instruments. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of the Group's exposure to credit risk, which is generally limited to the positive or negative fair value of the instruments. These contracts are Shari'a compliant and were approved by the Shari'a Supervisory Board of the Group.

	2019			2018		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
<b>a) Held for trading</b>						
Forward foreign exchange contracts	68,245	29,684	9,502,316	134,408	43,284	3,380,681
<b>b) Held as cash flow hedges:</b>						
Forward foreign exchange contracts	169,931	-	2,327,475	216,303	-	2,933,165
Profit rate swaps	76,219	21,609	3,001,180	15,761	34,047	3,736,096
Cross currency swaps	-	8,170	-*	13,233	-	-*
<b>c) Held as hedge of net investment in foreign operation</b>						
Forward foreign exchange contracts	49,773	5,039	850,619	8,290	624	197,834
<b>d) Held as fair value hedges</b>						
Cross currency swaps	10,920	-	1,125,156	-	10,920	1,228,451
Forward foreign exchange contracts	346	24	108,471	23,930	-	149,968
	<u>375,434</u>	<u>64,526</u>	<u>16,915,217</u>	<u>411,925</u>	<u>88,875</u>	<u>11,626,195</u>

\*Notional amount disclosed under fair value hedges QAR 1,125 million (2018: QAR 1,105 million).

**17. DUE TO BANKS**

	2019	2018
Wakala payable	4,151,832	7,733,899
Commodity murabaha payable	6,374,447	6,521,470
Repurchase agreements	3,700,000	702,290
Current accounts	99,669	113,829
Mudarabah payable	29,120	2,162,480
	<b>14,355,068</b>	<b>17,233,968</b>

Wakala payables include various facilities with maturities up to four months and carries a profit rate of 0.02% to 2.3% (2018: maturities up to four months and carrying profit rate of 0.01% to 3.75%). The market value of securities given as collateral against the repurchase agreement borrowings are QAR 3,700 million (2018: 773 million)

**18. CUSTOMERS' CURRENT ACCOUNTS**

	2019	2018
<i>Current accounts by sector:</i>		
- Government	1,802,318	1,372,939
- Non-banking financial institutions	199,604	224,903
- Corporate	3,274,006	3,577,173
- Individuals	9,703,158	10,245,793
	<b>14,979,086</b>	<b>15,420,808</b>

**19. SUKUK FINANCING**

<b>At 31 December</b>	2019	2018
Face value of sukuks	10,881,780	9,153,643
Less: Unamortised discount	(10,426)	(8,431)
Profit payable	62,538	43,835
<b>Total</b>	<b>10,933,892</b>	<b>9,189,047</b>

The terms of the above sukuks' arrangement include transfer of certain identified assets including original leased and Musharaka assets and Sharia'a compliant authorised investments of the Group to QIB Sukuk Funding Limited and QIB Sukuk Ltd, both are subsidiaries of the Group.

The Group controls the assets which will continue to be serviced by the Bank. Upon maturity of the Sukuks, the Bank has undertaken to repurchase the assets at the same issuance price.

The details of financing assets backing the Sukuk as at 31 December are as follows:

<b>At 31 December</b>	2019	2018
Murabaha	5,300,628	3,956,172
Ijarah	7,089,908	5,814,739
<b>Total financing assets to the Sukuk</b>	<b>12,390,536</b>	<b>9,770,911</b>

The table below shows the maturity profile of the sukuks outstanding as at the end of the reporting period.

<b>Year of Maturity</b>	2019	2018
2019	-	1,547,863
2020	2,875,600	2,875,600
2021	546,000	546,000
2022	2,730,000	2,730,000
2023	1,454,180	1,454,180
2024	3,276,000	-
	<b>10,881,780</b>	<b>9,153,643</b>

The above debt securities are denominated in USD, AUD, JPY and comprise of fixed and floating profit rates. The profit rate paid on the above averaged 3.53% (2018:3.18%)

**20. OTHER LIABILITIES**

	Note	2019	2018
Accrued expenses		527,825	323,265
Manager cheques		291,961	207,139
Customers advances		36,956	36,884
Provision for employees' end of service benefits (i)		178,648	168,114
Naps and visa settlements		155,597	148,859
Cash margins		236,474	154,507
Contribution to Social and Sports fund		76,386	68,883
Dividend payable		6,798	10,191
Clearing cheques		631	3,545
Pension fund		624	607
Shari'a compliant risk management instruments	17.1	64,526	88,875
Others (ii)		2,788,062	4,170,332
Allowance for impairment for financing commitments and financial guarantees		85,891	90,789
		<u>4,450,379</u>	<u>5,471,990</u>

Notes:

(i) Movement in provision for employees' end of service benefits is as follows:

	2019	2018
Balance at 1 January	168,114	155,580
Charge for the year (Note 30)	22,004	24,603
Payments made during the year	(11,480)	(11,322)
Foreign currency translation	10	(747)
<b>Balance at 31 December</b>	<u>178,648</u>	<u>168,114</u>

(ii) Others include acceptances amounting to QAR 1,875 million (2018: QAR 3,014 million).

**21. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS**

	<b>2019</b>	2018
Unrestricted investment account holders balance before share of profit	<b>95,240,420</b>	84,040,522
Add: Profits for unrestricted investment account holders for the year (a)	<b>2,531,900</b>	2,125,416
Less: Profit paid during the year	<b>(1,258,429)</b>	(1,034,755)
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	<b><u>96,513,891</u></b>	<u>85,131,183</u>
	<b>2019</b>	2018
Share of unrestricted investment account holders' of the profit for the year	<b>6,229,622</b>	5,303,142
Less: Mudarib share	<b>(3,697,722)</b>	(3,177,726)
Total profit distributed to investment account holders for the year (a)	<b><u>2,531,900</u></b>	<u>2,125,416</u>
<i>By type:</i>	<b>2019</b>	2018
Term accounts	<b>80,163,550</b>	69,571,701
Saving accounts	<b>14,398,556</b>	13,011,774
Call accounts	<b>1,951,785</b>	2,547,708
<b>Total (b)</b>	<b><u>96,513,891</u></b>	<u>85,131,183</u>
<i>By sector:</i>		
Retail	<b>35,303,415</b>	31,216,618
Corporate	<b>24,975,674</b>	23,310,295
Non-banking financial institution	<b>1,252,782</b>	1,129,784
Government	<b>32,919,100</b>	27,561,952
Banks	<b>2,062,920</b>	1,912,534
<b>Total (b)</b>	<b><u>96,513,891</u></b>	<u>85,131,183</u>
	<b>2019</b>	2018
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	<b>96,513,891</b>	85,131,183
Share in fair value reserve	<b>127,583</b>	45,992
Total unrestricted investment account holders balance	<b><u>96,641,474</u></b>	<u>85,177,175</u>

## 22. EQUITY

### (a) Share capital

	2019	2018
At 1 January	<u>2,362,932</u>	2,362,932
<b>At 31 December</b>	<b><u>2,362,932</u></b>	<b><u>2,362,932</u></b>

At 31 December 2019 the authorised and issued share capital comprised of 2,363 million ordinary shares (2018: QR 2,363 million), having a par value of QAR 1 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Bank.

On 20 February 2019, at the Extra Ordinary General Meeting of the Bank, the shareholders approved the par value of the ordinary share to be QR1 instead of QR10, as per the instructions of Qatar Financial Market Authority (QFMA), and amendment of the related Articles of Association. The share split was implemented on 16 June 2019 and has led to an increase in the number of authorised and outstanding shares from 236,293,200 to 2,362,932,000. Consequently, earnings per share for comparative periods has been restated to reflect this.

### (b) Legal reserve

In accordance with QCB Law No. 13 of 2012 as amended, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. 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 year as the legal reserve exceeds 100% of the paid up share capital.

### (c) 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 inside and outside Qatar after the exclusion of the specific provisions and profit in suspense, to be appropriated from shareholders' profit. The finance provided to / or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. The total amount transferred to the risk reserve amounted to QAR 61.2 million (2018: QAR 55.1 million).

### (d) 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.

### (e) Retained earnings

Retained earnings include the Group's share in profit of associates. These profits are distributable to the holders of ordinary shares only to the extent of the cash received.

**22. EQUITY (continued)**

**(f) Fair value reserve movement**

<b>2019</b>	<b>2019</b>	<b>2018</b>
Opening balance	<b>154,458</b>	170,173
Changes in fair value of cash flow hedges	<b>(78,482)</b>	(22,362)
Share of other comprehensive income of associates	<b>1,215</b>	(3,151)
Investments carried as fair value through equity:		
Increase / (decrease) in fair value reserve	<b>207,523</b>	(2,846)
Share of equity of unrestricted investment account holders	<b>(64,524)</b>	(4,775)
Revaluation of investment properties:		
Movement in investment property fair value	<b>39,151</b>	17,321
Share of equity to unrestricted investment account holders	<b>(16,964)</b>	98
	<b>242,377</b>	154,458

**(g) 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 shari'a compliant risk management instruments that hedge the Group's net investment in foreign operations.

**(h) Other reserves**

Other reserves represent the Group's share in the undistributed profit from investments in associate companies after deducting the received dividends. During the year QAR Nil was transferred to other reserves from retained earnings (2018: QAR Nil was transferred to other reserves from retained earnings).

**(i) Proposed cash dividends**

The Board of Directors in its meeting dated 15 January 2020 has proposed a cash dividend of 52.5% of the paid up share capital amounting to QAR 1,240.5 million – QAR 0.525 per share (2018: 50% of the paid up share capital amounting to QAR 1,181 million – QAR 0.5 per share) which is subject to approval at the Annual General Meeting of the shareholders of the Bank.

**(j) Share-based payment reserve**

During 2015, "Employee Share Option Plan" (ESOP) was approved by QInvest LLC, subsidiary of the Bank, for its key employees. Under the plan, 37.5 million share options were approved with ratio of 1 option: 1 share. The exercise price of the option will be US\$ 1 (QAR 3.64) per share.

During the year 2018, the management has 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 has reversed its reserves related to ESOP.

**23. NON-CONTROLLING INTERESTS**

This represents the Group's non-controlling interests in QInvest LLC (49.87%), QIB (UK) (0.29%), Aqar Real Estate Development & Investment (51%), Arab Finance House (0.007%) and Durat Al Doha Real Estate Investment & Development Company (60.13%).

**24. SUKUK ELIGIBLE AS ADDITIONAL CAPITAL**

During 2015, the Group issued perpetual sukuk eligible as additional tier 1 capital for an amount of QAR 2 billion. 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 QR 2 billion at an agreed expected profit rate of 5.25% to be reset every sixth year.

**25. NET INCOME FROM FINANCING ACTIVITIES**

	<b>2019</b>	2018
<b>Income from:</b>		
Murabaha	<b>3,787,646</b>	3,367,709
Musawama	<b>1,145,490</b>	984,168
Ijarah Muntahia Bittamleek	<b>906,963</b>	939,868
Istisna'a	<b>26,208</b>	26,302
Mudaraba	<b>685</b>	10,266
Others	<b>194</b>	276
	<b><u>5,867,186</u></b>	<u>5,328,589</u>

**26. NET INCOME FROM INVESTING ACTIVITIES**

	<b>2019</b>	2018
Income from investment in debt-type instruments	<b>1,230,089</b>	1,127,154
Net gain on sale of equity-type investments	<b>28,782</b>	23,523
Net cost of inter-bank with / from Islamic banks	<b>(329,793)</b>	(533,568)
Net gain on sale of debt-type investments	<b>861</b>	1,377
Net gain on investment properties	<b>-</b>	228
Fair value gain / (loss) on investment securities carried as fair value through income statement	<b>38,086</b>	(38,064)
Rental income from investment properties	<b>46,588</b>	52,494
Dividend income	<b>48,023</b>	39,447
	<b><u>1,062,636</u></b>	<u>672,591</u>

**27. NET FEE AND COMMISSION INCOME**

	<b>2019</b>	2018
Feasibility study and facility management fees	<b>263,011</b>	208,248
Fees on letters of credit and guarantees	<b>85,168</b>	91,867
Banking services fees	<b>394,125</b>	326,907
Advisory fees	<b>31,115</b>	19,427
Others	<b>95,404</b>	85,808
	<b><u>868,823</u></b>	<u>732,257</u>
Fee and commission expense	<b>(175,670)</b>	(156,415)
Net fee and commission income	<b><u>693,153</u></b>	<u>575,842</u>

**28. NET FOREIGN EXCHANGE GAIN**

	<b>2019</b>	2018
Dealing in foreign currencies	<b>81,258</b>	79,978
Foreign exchange swap income	<b>(43,868)</b>	(142)
Revaluation of assets and liabilities	<b>21,217</b>	179,391
	<b><u>58,607</u></b>	<u>259,227</u>

**29. STAFF COSTS**

	2019	2018
Salaries and other benefits	610,182	620,783
Staff pension fund costs	7,977	7,937
Staff indemnity costs (Note 20)	22,004	24,603
	<u>640,163</u>	<u>653,323</u>

**30. OTHER EXPENSES**

	2019	2018
Legal and professional fees	33,831	38,760
Rent	51,597	54,968
Service expenses	45,095	48,920
Board of Directors' remuneration	18,500	18,500
IT expenses	55,035	66,257
Advertising and marketing expenses	26,327	30,358
Communication and utilities	45,059	44,384
Subscription fees	4,747	5,595
Repairs and maintenance	8,419	8,887
Insurance costs	4,258	4,084
Other expenses	84,625	81,368
	<u>377,493</u>	<u>402,081</u>

**31. TAX EXPENSE**

	2019	2018
<b>Current tax expense / (credit)</b>		
Current year	11,151	(2,310)
<b>Total tax expense / (credit)</b>	<u>11,151</u>	<u>(2,310)</u>

**32. CONTINGENT LIABILITIES AND COMMITMENTS**

	2019	2018
<b>a) Contingent liabilities</b>		
Unutilised financing facilities	5,148,244	4,808,855
Guarantees	10,978,355	11,090,785
Letters of credit	4,167,860	2,077,304
	<u>20,294,459</u>	<u>17,976,944</u>
<b>b) Commitments</b>		
Investment commitment	37,337	152,678
<b>Total</b>	<u>20,331,796</u>	<u>18,129,622</u>

**Unutilised financing facilities**

Commitments to extend credit represent contractual commitments to make financings and revolving financing. The majority of these will expire in the next year. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

**Guarantees and Letters of Credit**

Guarantees and letters of credit commit the Group to make payments on behalf of customers in case of a specific event. Guarantees and standby letters of credit carry the same credit risk as financing.

**32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

**c) Lease commitments**

Operating lease rentals are payable as follows:

	2019	2018
Within one year	10,539	13,113
After one year but not more than five years	40,843	51,279
	<u>51,382</u>	<u>64,392</u>

**33. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS**

**Geographical sector**

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

2019	Qatar	Other GCC	Europe	North America	Others	Total
<b>Assets</b>						
Cash and balances with central banks	6,945,681	-	2,342	-	454,909	7,402,932
Due from banks	1,457,182	366,128	537,552	761,678	429,744	3,552,284
Financing assets	104,520,806	174,229	7,286,258	230,859	1,541,441	113,753,593
Investment securities	29,740,169	747,653	1,093,464	898,418	792,059	33,271,763
Investment in associates	442,107	-	-	-	102,628	544,735
Investment properties	1,475,201	50,849	649,409	-	-	2,175,459
Fixed assets	368,861	-	68,541	-	14,346	451,748
Intangible assets	396,222	-	0	-	4,038	400,260
Other assets	1,399,547	15,910	373,359	10,980	166,641	1,966,437
<b>Total assets</b>	<u>146,745,776</u>	<u>1,354,769</u>	<u>10,010,925</u>	<u>1,901,935</u>	<u>3,505,806</u>	<u>163,519,211</u>

**Liabilities and equity of unrestricted investment account holders**

**Liabilities**

Due to banks	6,958,429	4,391,505	2,559,800	-	445,334	14,355,068
Customers' current accounts	14,595,964	23,540	64,885	43,744	250,953	14,979,086
Sukuk financing	-	-	10,933,892	-	-	10,933,892
Other liabilities	2,311,165	12,688	927,807	13	1,198,706	4,450,379
<b>Total liabilities</b>	<u>23,865,558</u>	<u>4,427,733</u>	<u>14,486,384</u>	<u>43,757</u>	<u>1,894,993</u>	<u>44,718,425</u>

**Equity of unrestricted investment account holders**

<b>Total liabilities and equity of unrestricted investment account holders</b>	<u>101,581,888</u>	<u>9,088,640</u>	<u>22,189,227</u>	<u>417,523</u>	<u>8,082,621</u>	<u>141,359,899</u>
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**33. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (continued)**

**Geographical sector (continued)**

2018	Qatar	Other GCC	Europe	North America	Others	Total
<b>Assets</b>						
Cash and balances with central banks	6,937,270	-	2,172	-	359,472	7,298,914
Due from banks	4,925,421	2,902	813,637	116,969	565,224	6,424,153
Financing assets	91,028,659	942,597	7,905,929	192,766	2,139,979	102,209,930
Investment securities	27,402,437	808,517	1,505,747	985,400	771,500	31,473,601
Investment in associates	449,452	-	-	-	118,940	568,392
Investment properties	611,910	-	619,197	-	-	1,231,107
Fixed assets	395,626	-	68,508	-	15,334	479,468
Intangible assets	382,017	-	53	-	3,670	385,740
Other assets	2,277,088	74,119	677,602	15,349	116,902	3,161,060
<b>Total assets</b>	<b>134,409,880</b>	<b>1,828,135</b>	<b>11,592,845</b>	<b>1,310,484</b>	<b>4,091,021</b>	<b>153,232,365</b>

**Liabilities and equity of unrestricted investment account holders**

**Liabilities**

Due to banks	9,730,861	3,669,393	3,454,440	-	379,274	17,233,968
Customers' current accounts	15,103,373	54,889	29,750	11,980	220,816	15,420,808
Sukuk financing	-	-	9,189,047	-	-	9,189,047
Other liabilities	2,339,998	19,035	1,416,859	13	1,696,085	5,471,990
<b>Total liabilities</b>	<b>27,174,232</b>	<b>3,743,317</b>	<b>14,090,096</b>	<b>11,993</b>	<b>2,296,175</b>	<b>47,315,813</b>

Equity of unrestricted investment account holders	74,139,662	3,633,801	5,347,806	387,733	1,668,173	85,177,175
<b>Total liabilities and equity of unrestricted investment account holders</b>	<b>101,313,894</b>	<b>7,377,118</b>	<b>19,437,902</b>	<b>399,726</b>	<b>3,964,348</b>	<b>132,492,988</b>

**34. EARNINGS PER SHARE**

Earnings per share of the Bank is calculated by dividing profit for the year attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2019	2018
Profit for the year attributable to equity holders of the Bank	<b>3,055,423</b>	2,755,311
Less: profit attributable to sukuk eligible as additional capital	<b>(205,000)</b>	(205,000)
Profit for EPS computation	<b>2,850,423</b>	2,550,311
Weighted average number of shares outstanding during the year (in thousands)	<b>2,362,932</b>	2,362,932
Basic / diluted earnings per share (QAR)	<b>1.21</b>	1.08

### 35. CASH AND CASH EQUIVALENTS

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

	2019	2018
Cash and balances with central banks (excluding restricted QCB and other central banks reserve account)	2,700,896	2,779,967
Due from banks	3,509,372	6,307,647
	<u>6,210,268</u>	<u>9,087,614</u>

### 36. RELATED PARTIES

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 major 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 consolidated financial statements are as follows:

	2019		2018		
	Associate companies	Board of Directors	Associate Companies	Board of Directors	Others
<b>Assets:</b>					
Gross financing assets (excluding provisions)	92,031	1,447,976	157,905	1,334,045	1,456,204
<b>Equity of unrestricted investment account holders</b>	<b>64,494</b>	<b>1,093,382</b>	50,811	1,061,279	25,150
<b>Off balance sheet items:</b>					
Contingent liabilities, guarantees and other commitments	-	503,764	-	470,999	-
<b>Consolidated statement of income items:</b>					
Financing income	7,003	82,967	7,594	57,328	86,793
Profit paid on deposits	1,852	18,542	1,428	21,672	-
Others	578	1,693	327	2,003	-

Key management personnel compensation for the year comprised:

	2019	2018
Short term employee benefits	60,704	78,612
Other long term benefits	16,650	2,694
	<u>77,354</u>	<u>81,306</u>

**37. ZAKAH**

Zakah is directly borne by the shareholders. The Bank does not collect or pay Zakah on behalf of its shareholders in accordance with the Articles of Association.

**38. SHARI'A SUPERVISORY BOARD**

The Shari'a Supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

**39. SOCIAL AND SPORTS FUNDS APPROPRIATION**

The Group discharges its social responsibilities through donations to charitable causes and organizations when profits are reported. The Group has created provisions during the year 2019 of QAR 76.4 million (2018: QAR 68.9 million) which represents 2.5% of net profit as per law No.13 for year 2008 and explanatory notes issued for 2010.

**40. COMPARATIVE FIGURES**

The comparative figures presented for 2018 have been reclassified where necessary to preserve consistency with the 2019 figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative year.

**FINANCIAL STATEMENT OF THE PARENT BANK**
**A. Statement of financial position of the parent bank**

As at 31 December	2019	2018
<b>ASSETS</b>		
Cash and balances with central banks	6,945,682	6,937,270
Due from banks	3,468,542	6,317,949
Financing assets	112,120,743	100,853,081
Investment securities	33,469,627	31,248,352
Investment in associates	373,222	364,084
Investment properties	615,772	531,577
Fixed assets	363,531	389,611
Intangible assets	156,787	142,926
Other assets	1,433,560	1,741,297
<b>TOTAL ASSETS</b>	<b>158,947,466</b>	<b>148,526,147</b>
<b>LIABILITIES</b>		
Due to banks	12,807,459	15,384,661
Customers' current accounts	14,605,113	15,115,954
Sukuk financing	10,933,892	9,189,047
Other liabilities	4,666,230	5,748,664
<b>TOTAL LIABILITIES</b>	<b>43,012,694</b>	<b>45,438,326</b>
<b>EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>	<b>94,457,591</b>	<b>83,224,885</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	2,362,932	2,362,932
Legal reserve	6,353,459	6,353,459
Risk reserve	2,380,093	2,318,875
General reserve	79,485	79,485
Fair value reserve	114,632	91,395
Foreign currency translation reserve	(66,974)	(80,214)
Other reserves	212,058	212,058
Proposed cash dividends	1,240,539	1,181,466
Retained earnings	4,800,957	3,343,480
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>17,477,181</b>	<b>15,862,936</b>
Sukuk eligible as additional capital	4,000,000	4,000,000
<b>Total equity</b>	<b>21,477,181</b>	<b>19,862,936</b>
<b>TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</b>	<b>158,947,466</b>	<b>148,526,147</b>

**B. STATEMENT OF INCOME OF THE PARENT BANK**

<b>For the year ended 31 December</b>	<b>2019</b>	<b>2018</b>
Net income from financing activities	5,665,717	5,125,015
Net income from investing activities	986,637	687,334
<b>Total net income from financing and investing activities</b>	<b>6,652,354</b>	<b>5,812,349</b>
Fee and commission income	805,568	677,892
Fee and commission expense	(172,618)	(145,891)
<b>Net fee and commission income</b>	<b>632,950</b>	<b>532,001</b>
Net foreign exchange gain	64,064	91,461
Share of results of associates	12,923	12,156
Other income	25,000	-
<b>Total income</b>	<b>7,387,291</b>	<b>6,447,967</b>
Staff costs	(502,747)	(468,328)
Depreciation and amortization	(75,300)	(78,570)
Sukuk holder's share of profit	(376,226)	(255,092)
Other expenses	(275,359)	(291,070)
<b>Total expenses</b>	<b>(1,229,632)</b>	<b>(1,093,060)</b>
Net impairment loss on investment securities	(720)	(173,689)
Net impairment loss on financing assets	(627,094)	(511,015)
Other impairment losses / (reversals)	(15,266)	31,136
<b>Profit for the year before return to unrestricted investment account holders</b>	<b>5,514,579</b>	<b>4,701,339</b>
Less: Return to unrestricted investment account holders	(2,473,957)	(2,079,513)
<b>Profit for the year</b>	<b>3,040,622</b>	<b>2,621,826</b>