



His Highness
Sheikh Tamim Bin Hamad Al-Thani
Emir of the State of Qatar



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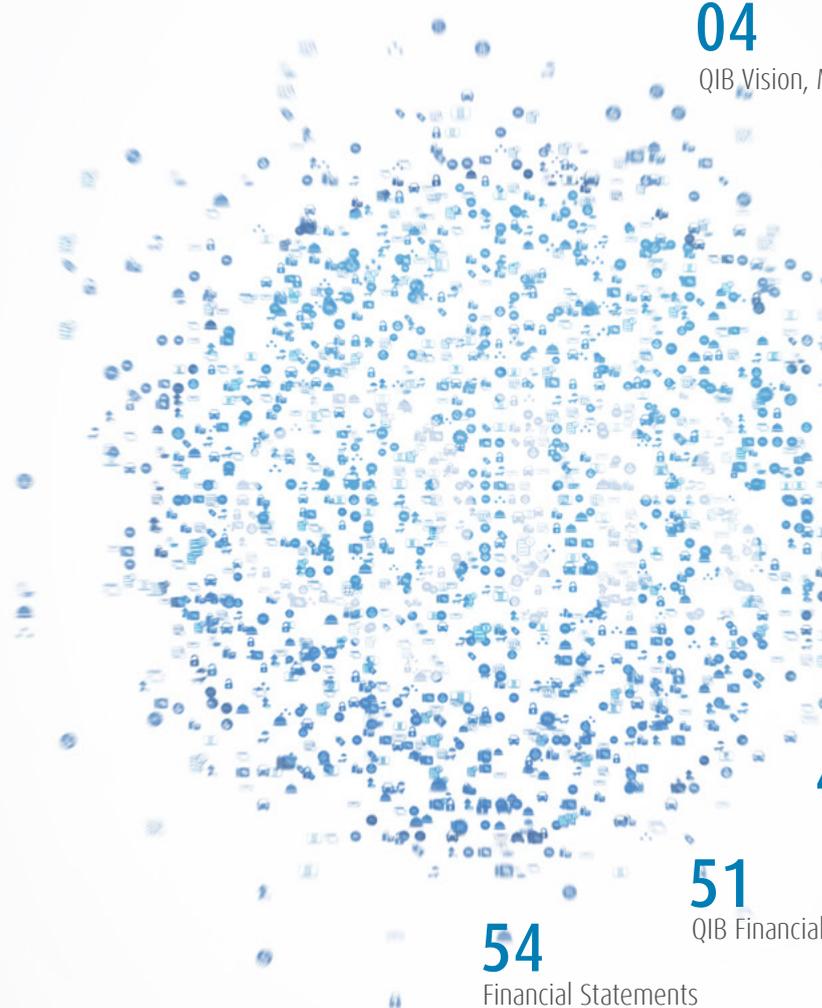
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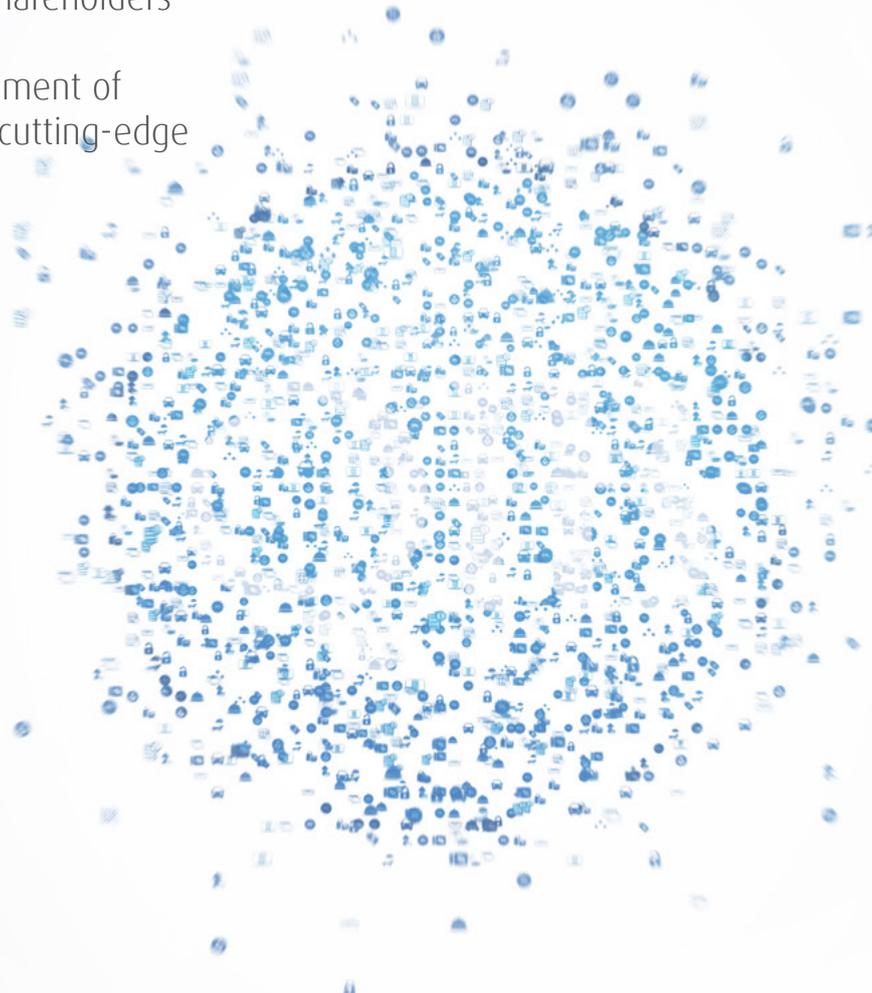
A leading, innovative and global Islamic bank adhering to the highest Shari'a and ethical principles; meeting international banking standards; partnering with the development of the global economy and participating in the advancement of the society.

Mission

- To provide innovative Shari'a-compliant financial solutions and quality services to our customers.
- To maximise returns for our shareholders and partners.
- To nurture an internal environment of qualified professionals and cutting-edge technology.

Values

- Integrity
- Transparency
- Justice
- Co-operation and Teamwork
- Loyalty and Commitment
- Excellence



Board of Directors



**Sheikh Jassim Bin Hamad Bin
Jassim Bin Jaber Al Thani**
Chairman



**Mr. Abdullatif Bin
Abdulla Al Mahmoud**
Vice Chairman



**Mr. Mohamed Bin Issa
Al Mohanadi**
Board Member



**Mr. Abdul Rahman Abdulla
Abdul Ghani**
Board Member



Mr. Mansour Al Muslah
Board Member



**Mr. Abdulla Bin Saeed
Al Eidah**
Board Member



**Mr. Nasser Rashid S.
Al-Kaabi**
Board Member



**Sheikh Ali Bin Ghanim
Bin Ali Al Thani**
Board Member



**Sheikh Abdulla Bin Khaled
Bin Thani Al Thani**
Board Member

Shari'a Supervisory Board

His Eminence Sheikh Walid Bin Hadi
Chairman, Shari'a Supervisory Board

Prof. Abdul Sattar Abou Ghodda
Member

Dr. Mohamad Ahmaine
Member

Senior Management



Mr. Bassel Gamal
Group Chief Executive Officer



Mr. Tarek Youssef Fawzi
General Manager
Wholesale Banking Group



Mr. Dorai Anand
General Manager
Personal Banking Group



Mr. Constantinos Constantinides
Chief Strategy & Digital Officer



Mr. Khalefa Al Mesalam
Head of Human Capital Group



Mr. Rakesh Sanghvi
Chief Risk Officer



Mr. Gourang Hemani
Chief Financial Officer



Mr. Lav Kataria
Chief Operating Officer,
Operations & IT Group



Board of Directors Report to the General Assembly Meeting

I would like to welcome you and thank you for attending QIB's general assembly meeting. On behalf of the Board of Directors, I am pleased to present to you the QIB annual report for the fiscal year of 2019.

Last year witnessed several regional and international developments; such as the accelerated trade tension between the United States and China, economic pressure on a number of countries, and the rising political tensions in the region, which largely weakened global growth. But despite these adverse conditions, Qatar's economy continued to progress as planned. As a result of the government's rational political and economic policies, the GDP will likely to increase from 2.9% in 2019 to 3.1% in 2020. The government announced a number of mega projects to develop the gas industry, encourage national industries, and support the various economic and production sectors in the country. The government is addressing this economically challenging situation carefully and prudently, which strengthened the pillars of the national economy and the position of its financial and banking components, which is clearly evident in the recent State budget.

Qatar Islamic Bank was a beneficiary of these positive policies, which strengthened the Bank's ability to continue to achieve the best results and maintain its position as the best Islamic bank in Qatar, with a market share of 41.1% of total Islamic assets. The Bank's profitability grew at a compounded average growth rate of 14.4% in the last five years, compared to an average growth of 5.5% in the overall banking system.

The Bank continued to manage the liquidity pressure confidently and safely. In addition to the State's continuous support to the financial sector, our Bank opened new channels of cooperation with financial and banking institutions in various Asian and European countries. We also took internal initiatives to broaden the base of our activities in order to have a balanced liquidity position and consequently maintain the financial ratios required by local and international monetary authorities.

The Bank has managed to venture into the digital banking effectively and became a leading digital bank locally and regionally. Since the launch of our digital transformation program during 2018, our Bank has upgraded the customer's digital experience, which was well-received by our clients. The Bank's services have become available around the clock through electronic channels.

This is ultimately enhancing operational efficiency through facilitating procedures, reducing the time required for processing, improving corporate financing procedures, providing electronic IPO subscription service, as well as broadening the banking operations via digital channels, which have increased the number of customers using QIB's digital channels. In particular, we will soon focus on promoting our Corporate Internet Banking platform, as the preferred channel for our corporate clients, which meets all their banking needs.

The launch of these digital initiatives, as well as the Bank's outstanding services and commitment to pursue the latest advancements in IT security technologies and data integrity, have received positive recognition from many prestigious international institutions and magazines. This paved the way for the Bank to receive many certificates and awards as the best Islamic and digital bank.

The Bank continued to invest in information security and upgraded its protection solutions and systems, which has led to an improved database security and gave additional thrust to the Bank's digital transformation. The Bank has also been conducting simulation exercises and dry-runs to test its cyber security infrastructure and related operations. Furthermore, the Bank has remained committed to business continuity by improving recovery plans and facilities.

Additionally, the Bank kept a close eye on its local branches in accordance with a new strategy based on closing non-productive ones and boosting the services provided by active branches. At the same time, the Bank continued to develop services in accordance with the latest banking systems through Tamayuz Banking and QIB Private Banking. As for affiliates and external branches, the restructuring process has improved the returns and yielded better results. In this context, QInvest's 2020 results is expected to boast projections driven by cost-cutting initiatives. At the same time, QIB-UK is expected to post positive results despite the Brexit challenges. The Bank is also working hard to reach stable results for both the Arab Finance House and the Sudan branch.

Our Human Capital Group successfully focused on developing employee capabilities, especially frontline employees, through structured educational programs aimed at honing skills and developing competence to deal with difficult situations.

As part of the Qatarization efforts, the Bank increased the number of Qatari university students benefitting from its sponsorship program to accommodate national graduates and invest in their education. In this regard, Qataris now exceed 29% out of the total number of employees. Strategic initiatives were also launched in cooperation with INJAZ Qatar to sponsor a country-wide financial literacy program that targets undergraduates and provides interactive sessions over a five-week training, which has so far benefited 366 students since its launch in September 2018.

Amid these unprecedented developments in the Bank, our results came to enhance our position as one of the largest Islamic banks at the local and international levels. The Bank's assets increased from QAR 153.2 billion in 2018 to reach 163.5 billion in 2019. Customer deposits recorded suitable growth, reaching QAR 111.6 billion, an 11% increase over 2018. Total income amounted to QAR 7,738.2 million, representing a growth of 12% over the previous year.

Moreover, the Bank was able to maintain the ratio of non-performing financing assets to total financing assets at about 1.3%, one of the lowest in the banking industry. It also continued to pursue a conservative impairment policy, with coverage ratio for the non-performing financing assets stabilizing at 100%, as of the end of 2019, as per Qatar Central Bank guidelines.

Amid these outstanding results, QIB's net profit in 2019 amounted to QAR 3,055.4 million, a growth rate of 11% compared to 2018. Based on these results, the Board of Directors recommends that your esteemed Assembly approve a dividend distribution to shareholders at the rate of 52.5% of the nominal share value, i.e. at QAR 0.525 per share.

Finally, on behalf of the Board of Directors, I would like to extend our sincerest gratitude and appreciation to His Highness the Amir, Sheikh Tamim Bin Hamad Bin Khalifa Al Thani, and to His Highness the Father Amir, Sheikh Hamad Bin Khalifa Al Thani, for their continuous support and encouragement to the banking sector in the State of Qatar.

I would also like to thank all officials concerned with the banking sector in Qatar, particularly Qatar Central Bank, for their continued support on all components of the banking and economic activity. This support is highly appreciated. I also thank our customers, investors, and shareholders for their confidence and loyalty, and the Shari'a Supervisory Board for all their good work. I conclude by praising and appreciating the efforts and loyalty of the Group Chief Executive Officer, his team of dedicated executives and all the bank's employees, which yielded outstanding results that helped the Bank reach a top position.

Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman



Group Chief Executive Officer's Report

2019 Performance

2019 was a good year for QIB. Registering increasing growth rates for the seventh consecutive year we delivered a record performance, continued to make strong progress on our digital transformation program and grew across all business segments that we serve. We also grew our customer satisfaction scores, further invested in our people and improved internal processes and efficiency across the group.

The 2019 financial year was another challenging year for the global economies. Overall global economic expansion has continued to weaken at the back of increasing global trade tensions. In Qatar, the economy continued to be primarily driven by the investments undertaken by the public sector as part of the country's 2030 National Vision.

Despite the challenges this year had to offer, amplified also due to the continued diplomatic tensions in the region, through the successful implementation of the Bank's business strategy, QIB continued its growth; reflecting a strong performance across all divisions. The Bank achieved positive financial results during the fiscal year of 2019

compared to 2018, registering strong earnings and returns for the shareholders. The net profit increased by 10.9% to reach QAR 3,055.4 million for the fiscal year 2019 compared to QAR 2,755.3 million for the year 2018. Total Assets has increased by 6.7% compared to 2018 and now stands at QAR 163.5 Billion driven by a growth in our core banking activities. Financing activities registered a robust growth by 11.3% over 2018 to reach QAR 113.8 Billion.

Investment securities have reached QAR 33.3 Billion registering a 5.7% growth over 2018. Customer Deposits of the Bank stand at QAR 111.6 Billion registering a strong growth by 11% compared to December 2018.

Total Income for the year ended 31 December 2019 amounted to QAR 7,738.2 Million registering 12.4% growth compared to QAR 6,882.9 Million for 2018, reflecting a healthy growth in the Bank's core operating activities. Total Shareholders' Equity of the bank reached QAR 17.1 Billion, an increase of 11.1% as compared to December 2018. Total Capital adequacy of the Bank under Basel III guidelines is 19.5% as of December 2019, higher than the regulatory minimum requirements prescribed by Qatar Central Bank and the Basel Committee.

QIB maintained a low ratio of non-performing financing assets to total financing assets of only 1.3%, one of the lowest in the industry, reflecting the quality of the Bank's financing assets portfolio and its effective risk management framework. We continued to pursue a conservative impairment policy with the coverage ratio for non-performing financing assets reaching 100% by end of 2019.

By the end of 2019, Return on equity reached 18.1% compared to 17.4% in 2018, and return on assets reached 2% as of December 2019 as compared to 1.8% in December 2018. Strict cost controls supporting higher operating revenues enabled further enhancement of efficiency, bringing down the cost to income ratio to 22.8% for 2019.

Sustainable Growth (2019-2013)

Over the past six years, we have consistently outperformed the local banking sector. During this period, QIB's net profit grew by a CAGR of 14.8%, reaching QAR 3.06 billion by end of 2019, which is more than double the net profit achieved at the end of 2013 financial year, of QAR 1.34 billion.

Growth of QIB Key Financial Results (2019-2013) in thousand Qatari Riyals

	2013	2014	2015	2016	2017	2018	2019	6 yrs CAGR
Assets	77,354,244	96,106,464	127,323,982	139,834,128	150,374,876	153,232,365	163,519,211	13.3%
Financing	47,139,466	59,681,531	87,515,388	98,170,520	102,613,499	102,209,930	113,753,593	15.8%
Deposits	50,363,007	66,604,862	91,520,514	95,396,756	101,814,551	100,597,983	111,620,560	14.2%
Net Profit	1,335,400	1,601,432	1,954,324	2,155,104	2,405,425	2,755,311	3,055,423	14.8%
ROAA	1.8%	1.8%	1.7%	1.6%	1.6%	1.8%	2.0%	
ROAE	11.6%	13.4%	15.1%	15.0%	15.3%	17.4%	18.1%	
Cost to Income ratio	33.6%	31.7%	30.6%	29.8%	26.6%	25.4%	22.8%	

2019 Business Overview

During the year, all our business groups delivered positive performances.

The Personal Banking group accelerated its growth in 2019 growing its operating income by 11.8% over 2018. The Financing portfolio increased by 8.4% and the customer deposits depicted a growth of 10.3% compared to the previous year. Our growth, primarily based on the digitization of various products, services and processes, outpaced the market, leading to incremental gains in market share.

The Corporate Banking Group continued to strengthen its position in Qatar as the Bank of choice for corporate customers and achieved strong results in 2019. Throughout the year, the Corporate Banking Group maintained higher financing volumes contributing positively to the Bank's net income growth.

With 2019 being another challenging year, the Bank managed effectively its capital and liquidity positions and maintained the cost of funds at reasonable levels amid intensive local and cross border competition. During the year, we have raised over USD 900 million at efficient profit rates through public issuance and private placements of Sukuks with investors across Asia, Europe and Middle East.

In November 2019, Fitch Ratings affirmed Qatar Islamic Bank at 'A'. In December 2019, Moody's Investors Service, ("Moody's") has affirmed the Long-term deposit ratings of QIB at "A1". In May 2019, Capital Intelligence Ratings (CI) has affirmed the bank's Long-term Currency Rating (LTCR) of 'A+'. In March 2019, Standard & Poor's (S&P) affirmed the bank's credit rating at 'A-'.
 During the year, all our business groups delivered positive performances.

Rating Agency	Long-Term	Short - Term	Outlook
Standard & Poor's	A-	A-2	Stable
Capital Intelligence (CI)	A+	A1	Stable
Fitch	A	F1	Stable
Moody's	A1	P-1	Stable

QIB's outstanding performance and its investments in innovation, technology and customer experience has led the Bank to be recognized as one of the leading banks in the region. In 2019, QIB has received more than 20 awards from reputable international institutions, including "Qatar's Best Bank" from Euromoney, "Best Islamic Bank in the Middle East" by the Banker, Financial Times Group and "Best Islamic Financial Institution in Qatar" by Global Finance. In recognition of the bank's digital transformation results, QIB was named "Best Digital Bank in Qatar" by the Asian Banker and "Qatar's Most Innovative Digital Bank" and "Qatar's Best Consumer Digital Bank" by Global Finance.

Transforming the Bank. QIB+ Program

Financial services will fundamentally change in the future. With that in mind, at QIB we have been busy the last two years putting together and implementing an ambitious digital transformation agenda with the objective of developing a truly customer centric business model, including a digital experience that differentiates the bank from the competition and addresses new purchasing behaviors. We are working towards optimizing distribution by increasingly providing the bank's customers with a multi-channel experience, especially when it comes to mobile and online banking. We are simplifying our processes to provide convenience

to our customers and achieve operational efficiency, while making sure that transactions and our customers' data are secure.

By adopting the agile methodology and using an incremental approach to delivering projects, we were successful in launching many innovative products and solutions in the Qatari market. Our end to end digital Instant Finance solution, a first in Qatar, provides the fastest and simplest way to obtain personal financing in Qatar. Pre-approved eligible customers can get financing within minutes through our award-winning mobile app. We were also the first in Qatar to offer pre-approved QIB customers the opportunity to obtain a credit card through our mobile app. Within a few minutes, our customers can apply, get approval and receive a credit card tailored to their specific needs. Additionally, with our digital onboarding initiative, new customers can open a current, saving or draw account in an easy and fast way with the support of innovative digital technologies.

In 2019, we also launched several new products, in order to provide a full package of digital financial solutions and services to our corporate and SME clients. These include Merchant Acquiring Services (POS), online Wages Protection System (WPS) and a co-branded Corporate Credit Card with Ooredoo.

To provide our customers with an easy, secure and convenient banking experience, we upgraded our personal and corporate online banking platforms, giving customers access to manage the majority of their daily banking needs digitally at any time, eliminating the need for a branch visit.

Changes in customer demographics and behaviors are increasing the importance of mobile and online, as customers expect banking services to be available wherever they are, at any time. Within this context, we continued to add significant additional functionalities to our mobile app, including among others: e-IPO subscription, Western Union transfers, the ability to apply for Takaful products digitally, as well as credit and debit card control management features.

Social Responsibility

As a pioneer of Islamic Banking and an active partner providing continuous support to community activities, QIB places social responsibility at the very top of its priorities. This is reflected in substantial contributions for supporting humanitarian, healthcare, educational, and sports activities, as part of QIB's social responsibility programs.

In 2019, we launched the Bedaya Account, which provides university students the opportunity to open their first bank account in an easy, fast and modern way – through our app. It also allows students to start using and getting acquainted to a spectrum of banking products and services. The Bedaya Account complements our on-going financial literacy program, "How money works?", which as it educates school and university students on techniques to manage money prudently by budgeting, saving and investing.

We have partnered with the Ministry of Administrative Development, Labour, and Social Affairs (MADLSA) to provide Qatari men and women the opportunity to work with the Bank and benefit from educational grants. We also supported the General Directorate of Traffic for the second consecutive year on their "Ramadan and Safe Driving" awareness campaign, and celebrated Earth day 2019 by distributing 600 free plants to customers in collaboration with Al Sulaiteen Agricultural and Industrial Complex.

While we are proud for the successful journey of the last few years which enabled us to create real value for all our stakeholders, this success encourages us to always strive for excellence despite all challenges. QIB customers and shareholders can look forward to continued innovation for your Bank to remain a pioneer of Sharia Banking in Qatar and beyond.

Bassel Gamal
Group Chief Executive Officer

Business Review





Business Review

2019 has been a year of continued and all-time high growth for Qatar Islamic Bank (QIB), reflecting strong performance across all the Bank's divisions. QIB's Net Profit reached QR 3.055 Billion, representing a growth of 10.9% compared to 2018, while total assets of the Bank stood at QR 163.5 Billion, having increased 6.7% compared to the previous year.

Personal Banking Group

In 2019, QIB Personal Banking continued to deliver strong performance in spite of challenging market conditions and intensified competition. We have improved considerably in creating and strengthening one of the finest Sharia compliant banking propositions and services, which apart from preserving core values, offer unique and innovative customer experience. QIB's primary focus has been on strategic investments in the digitization of products, services, and processes—both through electronic and traditional branch banking channels.

QIB Personal Banking group accelerated its growth in 2019 with overall progress in operating income, which grew by 11.8% over 2018. The Financing portfolio increased by 8.4% and the customer deposits depicted a growth of 10.3% compared with the previous year. Our growth; primarily based on digitization of various products, services and processes, outpaced the market, leading to an incremental gain in market share.

After the successful launch of facility to open a Misk and Saving accounts through the Mobile App, Qatar Islamic Bank (QIB) is the first Bank in Qatar to introduce the opening of Current Account through Digital Onboarding, which allows prospective customers the opportunity to open a new current account and transfer their salary to QIB easily through its award-winning Mobile Application. This new development allows prospective customers to open a current account from anywhere, at any time, in a fast, simple and convenient manner without visiting the branch. In order to facilitate a seamless experience, the Bank has also integrated a "Live Chat" feature as part of the onboarding process. It allows customers to directly get in touch with a QIB customer service representative if they have any queries or need further support at any time during the onboarding process. This initiative comes as part of QIB's existing digital onboarding process that allows prospective customers to start a relationship with the Bank by opening any type of account through the QIB Mobile App.

The QIB Mobile App has undergone immense transformations and updates over the years, to keep up with the hyper-connected, online world. The updated app makes it easier than ever to bank on the go, 24/7, as it was developed with customers' daily banking requirements in mind. Following the upgrade, customers can now subscribe to any future IPOs electronically. The E-IPO functionality allows pre-registered customers to subscribe to an IPO for themselves and their dependents that are below the age of 18 within a few minutes, hassle free, paperless and without the need to visit a branch. This was experienced successfully during Baladna IPO, which was a huge success with approximately 55% of the total IPO subscriptions done electronically.

QIB also introduced an innovative function that allows prospective and current QIB customers to calculate and apply for finance on the Mobile Application. The calculator enables the customers to calculate finance based on income and expected monthly installments. This service can be reached easily on the login page of the QIB Mobile App. Interested customers can apply for finance easily through the App, which will be followed up with a call from the Bank to complete the process. This is in addition to the existing «Instant Financing» service for pre-approved customers, which we are the only Islamic Bank in the World to offer.

QIB also introduced the "Bedaya" account, another first-of-its-kind in Qatar, which provides an opportunity for University students to open their bank account, along with a pre-qualified credit card, in an easy, modern and an efficient manner. Acknowledging students preferred way of banking, QIB has introduced onboarding for the QIB Bedaya Account on the Mobile Application, simplifying the process of opening an account. During the account on-boarding, students will take a short quiz about credit cards and they will get an instant online score that will allow them to opt for a credit card. The students will then be asked to visit a QIB kiosk to sign all the required documents and collect their debit and credit cards.

In addition to the "Instant Finance" facility through QIB Mobile Application, QIB has added another feather in the cap by introducing "Instant Credit Card" through the Mobile Banking Application. This

service provides the complete journey of issuance of a credit card over the QIB Mobile Banking App to pre-qualified eligible customers, allowing them to apply for a card product as per their financial needs or benefits. Further, the entire digital journey will be completed in a few minutes and a card will be delivered as per the customer's choice, either by courier or to the service delivery center.

To address the digital and financial needs of all banking customers, QIB has launched its new and upgraded Internet Banking Platform, with a single sign on feature for both the Internet Banking and the QIB Mobile Banking. As a part of the Banks digital transformation strategy to provide customers with easy, convenient and safe banking, this platform allows the customers to get a holistic view of their accounts in the form of a dashboard, charts depicting their spending patterns across various categories, upcoming payments and Absher points. In addition, the online platform has a new section called «Marketplace» where QIB users can research and apply for products, find exclusive discounts and put in requests for services, such as applying for a credit card or cheque. Users can now also use the platform to calculate and request personal finance without stepping foot inside a QIB branch.

To enhance seamless remittances, QIB introduced a quick and reliable 24/7 money transfer service, by partnering with one of the world's largest Money Transfer Operator "Western Union". This service allows our customers to execute real time transactions and conduct international money transfer through the QIB Mobile Banking Application to a remittance network across 512,000 locations, in more than 200 countries and territories.

Also, for the first time in Qatar, QIB has partnered with VISA and BEEMA to provide Visa Transaction Control (VTS) and ability to purchase Takaful products online over Mobile Application. VTS is an innovative feature that gives Visa Credit Cardholders more control over their cards with features such as the activation or deactivation of cards, simple and effective spending controls, enable or disable online transactions etc., all of which can be managed digitally through the App. With the Takaful policy feature, customers with an existing Car Takaful policy can now renew their current plan on the App, they can also instantly purchase the "Family Shield" Takaful product, that provides a relief fund at affordable prices in case of unfortunate and unforeseen circumstances. In addition, customers can now purchase 'Travel Takaful' for a safe and secured international travel – all through just a few clicks on the App.

QIB's Mobile app is also the gateway to a world of rewards. The innovative and instant rewarding bespoke loyalty program 'ABSHER', is easily accessed through the QIB Mobile App at anytime from anywhere, allowing customers to view and redeem the ABSHER Points they have accumulated through various banking transactions. The program is designed to reward loyal customers, whereby customers earn ABSHER points every time they transfer their salaries, open fixed deposit accounts, use their QIB Debit and Credit cards, or make transfers through online banking channels. Furthermore, the PBG also delivered a number of bespoke and segment-specific solutions meeting the diverse needs of its clients in a low-yield environment. QIB launched the third round of

the MISK Savings Account, to keep encouraging our customers to save more. This year, we doubled the number of weekly winners, giving them a bigger chance to win. Every week ten lucky winners are rewarded cash prizes worth 10,000 Qatari Riyals adding to 520 winners. Additionally, two lucky winners will win a monthly prize of 50,000 Qatari Riyals totaling to 24 winners. The grand prize draw for QR 1,000,000 will take place in November 2020. The total number of winners in this new version will be 545 winners and total prizes will reach a value QR 7.4 Million.

With an eye to further enhance Branch Banking and increase convenience in providing banking services, we have eight mall branches in our network of 29 branches covering the entire country. All branches offer a full range of QIB products and services to meet both daily and specialized financial needs. As a part of QIB's digitization initiative in a view to enhance customer experience and convenience, we are moving towards automating most of the services in branches. Instant Financing (One Click Financing) has already been introduced in QIB branches where in, customers can avail financing instantly based on the customer eligibility. Customers have access to branch services as well as online features that allow them to open bank accounts, apply for a suite of financing products and credit cards, and receive expert and personalized advice about various Islamic Banking and Takaful services.

Wholesale Banking Group

Wholesale Corporate Banking Group (WSBG) covers Domestic and Foreign Corporate Banking, Trade Finance, Project Finance, Oil & Gas and Transaction Banking. This is in addition to Treasury, Financial Institutions and International Subsidiaries. The Group's main objectives are to act as the primary banker of local and international companies operating in and outside Qatar by offering comprehensive financial services and solutions, which meets their requirements. Despite the 2019 challenges relating to the geopolitical situation in the MENA region, global and regional slowdown in economic growth and severe banking competition, all units reporting to WSBG performed positively during 2019 and many new products have been fully launched and marketed in order to provide full financial package solutions and services to our corporate clients. These include a fully-fledged Corporate Internet Banking Platform (**CIB**), Merchant Acquiring Services (**POS**), On - Line Wages Protection System (**WPS**) and four types of Corporate Credit Card (**CCC**). In addition to many process reengineering, which allowed to better service and prompt decision-making. This is a continuation of the Bank's digitalization program to ease services and strengthen products offered to our customers.

The Corporate Banking Group continued to strengthen its position in Qatar as the Bank of choice for corporate customers and achieved solid results in 2019 despite challenging margin reduction. Throughout the year, the Corporate Banking Group maintained higher financing volumes contributing positively to the Bank's net income by 4.6% above previous year. In addition, it continued to focus on business diversification, promoting full financial products and maintaining a healthy margin yield.

Furthermore, the Corporate Banking Group made a substantial effort to improve the quality of their portfolio in order to preserve the non-performing financing portfolio as one of the lowest in the Qatari Banking Sector.

The Government Related Entities, Oil & Gas, and Cross Border Divisions faced a difficult year due to the competition on deposit but the units have been able to diversify the relationships, stabilize the deposit funding and develop strong relationships with new entities.

The Contracting and Real Estate Division continued in its growth during 2019 as it witnessed a healthy growth in the size of the portfolio and generated an increase in financing revenue of 17.2% and 34.2% respectively. The Contracting Division continued focusing on new projects supporting the 2030 Qatar National Vision, which was achieved through close association with core contractors operating in Qatar.

The High Net-worth Individuals, General Coverage, and Business Banking Division recorded growth in the size of the financing portfolio and revenue of 23.1% and 18.7% respectively in 2019. QIB Business Banking achieved considerable success in the Small & Medium Enterprises market in 2019 with a growth in market share and focus on fees generating business and digitalization of corporate services. Furthermore, the unit has been able to digitalize the approval process for all parameterized financing requests to offer a very competitive service and turnaround time to the sector.

The Financial Institutions Division strengthened relationships with financial institutions across different geographies and facilitated substantial cross-border trades. The division plays a key role in supporting the Bank's funding needs by working closely with its Treasury to diversify the Bank's funding, arranging cost-effective bilateral facilities for the Bank and expanding treasury and corporate deposits relationships. The division continuously works to increase and strengthen the correspondent banking relationships worldwide, to ensure diversity and stable funding from different geographies across the globe.

The Treasury Division, being part of the wholesale banking group, works closely with the corporate banking relationship managers to deliver its vast products and services to all QIB customers. In addition, Treasury liaises with the Group's local and foreign subsidiaries and associates for cross selling and funding activities. The Treasury business lines are consolidated within Financial Markets, Derivatives and Structured Investments, Debt Capital Market, Local Equities, and Treasury Sales. QIB's Treasury follows a customer-centric and integrated business model, in which all Shari'a compliant treasury products and services are offered by the Treasury sales team with support from the interbank desk, structuring team, and relationship managers. The team also provides Sukuk trading to institutional, corporate, and private banking clients both on the primary and secondary markets.

With 2019 being another challenging year, the Treasury Division effectively managed the liquidity challenge due to intensive competition in attracting new deposits locally and from cross-border relationships. As a result, Treasury contributed to the Bank's growth by actively managing the liquidity and the balance sheet of the Bank, and diversifying its clients' base, while maintaining the cost of funding at reasonable levels.

The QIB International Division continued closely managing the international subsidiaries and associates in order to improve their financial performance and risk profile. All countries continued to perform profitably despite the challenging global and regional economic and political environments. We currently focus on transforming and improving the efficiency to align these subsidiaries with the QIB Group strategy. In addition, we are assessing available opportunities in the market to grow QIB's international network within the Bank's overall strategy.

Finance Group

The Finance Group continued to effectively lead the Bank's financial strategy, and performance management, to support its ability to maximize sustainable shareholder value. The Finance Group also actively managed the financial reporting to the Management, the Board of Directors, Shareholders and the Central Bank. The Group further enhanced and automated its reporting framework, to ensure that reporting was timely and reliable with enhanced forecasting and analytics. This was in order to track potential impact from evolving market conditions, as well as various business initiatives, to achieve twin objective of robust financial health and strong bottom-line growth.

Finance took the lead to ensure that the Bank has a robust framework for maintaining adequate internal controls over financial reporting. In accordance with the criteria defined in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Finance team updated the Risk Control Matrices (RCM) at an entity level and across key processes to evaluate the design of Internal Controls Over Financial Reporting (ICOFR). During the current year, in accordance with the requirements of Qatar Financial Markets Authority (QFMA), Finance established specific test plans and independently tested the operating effectiveness of bank-wide processes and controls to confirm that.

During the year 2019, the Finance Group continued to lead the Bank's compliance with the Corporate Governance Code issued by QFMA. Finance co-ordinated with Compliance to perform an extensive assessment of the Bank's compliance with the corporate governance code and worked with the Policies and Procedures team to ensure the identified gaps are bridged.

Application of International Financial Reporting Standard 9 (IFRS 9) / FAS 30 has significantly transformed the manner in which Banks recognize and report the Expected Credit Losses (ECL) for its credit exposures. Finance in coordination with Risk ensured that

the loss models were consistently applied and regularly reviewed to enable timely accounting, efficient tracking and reporting of credit risks.

The Bank's strong financial strength is reflected from its ability to manage its capital and liquidity positions. Finance group continues to implement the Internal Capital Adequacy Assessment Process to assess, on an ongoing basis, the minimum capital requirements and desired buffers to improve and manage its capital adequacy ratio that has now reached 19.5%. The Asset Liability Management function under Finance evaluates the impact of growth, and business mix, on the bank's liquidity position for timely action by the Asset Liability Management Committee. Finance also continues to manage the Bank's Sukuk issuance program to generate longer term funding from diversified base of investors. In 2019, the Bank raised over USD 900 million at efficient profit rates through public issuance and private placements of Sukuks with investors across Asia, Europe and Middle-East.

Finance Group continues to successfully manage the relationship between QIB and various prestigious rating agencies. In November 2019, Fitch Ratings affirmed Qatar Islamic Bank at 'A'. Also in December 2019, Moody's Investors Service, («Moody's») has affirmed the Long-term deposit ratings of QIB at "A1". In May 2019, Capital Intelligence Ratings (CI) has affirmed the bank's Long-term Currency Rating (LTCR) of 'A+'. In March 2019, Standard & Poor's (S&P) affirmed the bank's credit rating at 'A'.

Following an effective third quarter of 2019, the Finance Group initiated calls after every quarterly result, reaching out to analysts and investors that provide better insight to its financial performance and guidance for the upcoming periods. Finance Group continues to engage with all the relevant stakeholders, on an ongoing basis, through one-to-one meetings and electronic channels, including the investor relations section on the corporate portal, and the dedicated investor relations mobile application. During the year, as a part of Bank's digital banking initiatives, the bank initiated a project to assess the effectiveness of its Data Governance framework covering all the aspects including data governance, data management, data quality and organization structure. The Bank is in the process of establishing a bank-wide Data Management Office under Finance to ensure that proper governance and management of its data assets.

Risk Management Group

The Risk Management organization and governance processes, at Group level, are designed to ensure independence from the businesses it supports. The ability to manage risk is central to QIB's competency, as it is supported by strong risk conduct and an effective risk management approach. QIB defines risk as the potential for loss or an undesirable outcome with respect to the volatility of actual earnings and in relation to expected earnings, capital adequacy or liquidity.

The Risk Management philosophy in QIB has changed substantially over the past few years. The regulations that emerged from global and regional geopolitical events triggered a wave of change in risk functions. These included more detailed and more demanding capital, leverage, liquidity, and funding requirements, as well as different approaches to calculating and providing for future losses under FAS30. During 2019, the Bank continued its significant efforts and financial investments to cope with relatively newer risks (e.g. cybersecurity, model and technology). Furthermore, the Bank has included the Environmental, Social & Governance considerations in its risk appetite to help in measuring the sustainability and ethical impact of investing in a business.

An important component of the enterprise risk management approach is to ensure that high risks, which are evolving or emerging risks, are appropriately identified, managed, and incorporated into the existing enterprise risk management assessment, measurement, monitoring, and escalation processes. These practices ensure management is forward-looking in its assessment of risks to the organization. Risk oversees activities that can lead to the identification of new, evolving, or emerging risks, including control mechanisms, stress testing, portfolio level measurement, monitoring and reporting activities, and the on-going assessment of the industry and regulatory developments. QIB's enterprise-wide stress tests evaluate the key balance sheet, income statement, and capital impacts arising from risk exposures and changes in earnings. The results are used by the Board of Directors and the Bank's management risk committees to understand the Bank's performance under stress and to review stressed capital, as well as leverage ratios against regulatory thresholds and internal targets. The results are incorporated into the Internal Capital Adequacy Assessment Process (ICAAP) and Capital Plan analyses.

The Risk, Finance, and Treasury teams developed a Recovery/Emergency Liquidity Plan that sets out a resilient and comprehensive framework, which demonstrated that the Bank has the proper governance in place to guarantee adequate and timely decision-making. In addition, the plan described credible recovery options that would help the Bank recover and strengthen its position from a liquidity perspective.

In compliance with the directions of the Qatar Central Bank (QCB), the Risk Group has run a centrally managed FAS30 project, which includes business functions with subject matter experts on methodology, data sourcing and modeling, IT processing and reporting. Overall, governance of the project implementation was through the FAS30 steering Committee and included representation from Risk, Finance, and other business groups. Guidance and training on FAS30 were delivered across the business and other support functions. The Group enhanced its governance practices over new classification, measurement and impairment frameworks. Risk Group ensures the implementation of appropriate validation and controls over new processes and over significant areas of judgment.

The Risk Group is managing the FAS30-ECL model, in addition to reviewing the Expected Credit loss requirements and policy, to reflect both regulatory requirements and the Bank's actual loss experience. Risk Group also reviews the expected credit loss numbers based on an assessment of problem accounts, recent loss experience, and changes in other factors, including the composition and quality of the portfolio and the macroeconomic conditions. This is done on a quarterly basis for financial statements, board and regulatory reporting, and for internal management.

The Internal Capital Adequacy Assessment Process (ICAAP) is an important component of assessing the capital adequacy of the Group, as well as providing a forward-looking assessment of the Group's ability to operate in a more stressed economic situation. The results of this process help us to determine and plan how to position QIB, especially in such environments. Submission compliance is supporting QCB's ICAAP implementation in its effort to adopt a modern approach to capital management with more rigorous risk management techniques applied and embedded within its internal risk management framework. Information derived from the ICAAP influences the Bank's decision-making and is used to determine other management processes and business applications, such as credit decision-making processes, determination of risk limits, allocation of capital to business units, strategic planning, budgeting and performance management. As for the international assets portfolio, managed by the Risk Group, 2019 witnessed significant achievements in relation to the implementation of streamlining and exit strategies for some assets in Europe, as well as the turnaround of other assets.

Risk Group has successfully implemented robust credit control processes to further improve covenant and conditions compliance before, during, and after disbursement of approved limits by process re-engineering within the Group. As part of credit risk management functions, Risk Group acts proactively to assure compliance with regulatory reporting requirements through compiling and verifying the timely submission of regulatory reports with 100% accuracy.

As part of the enhanced focus on Operational Risk, Information Security and Business Continuity Management (BCM), the Operational Risk Management System was further enhanced during 2019 to record the Risks and Controls Self Assessments (RCSA) activities with ongoing monitoring of Key Risks Indicators (KRI), maintenance through enterprise Loss Data Management (LDM), and Issues & Management Action Plan (IMAP).

The relevant frameworks of Information Security and Business Continuity Management have been strengthened considering the new evolving digital technology challenges worldwide. There were many improvements in information security including upgrading to next generation firewalls, resulting in better security around its databases and infrastructure. These initiatives have supported the Bank's digital transformation strategy during 2019 and are ongoing for the future.

The Bank's information security improvements and protection against cyber-attacks were the key focus areas during the year, and continue to be so, to minimize all associated risks with proper testing and staff training. The Bank successfully conducted simulation exercises to test the Bank's cybersecurity resilience, infrastructure, and related processes.

Additionally, Incident Response & Crisis Management Plans, as well as the Business Continuity Plans (BCPs), were updated and streamlined. A big step forward during 2019 was the successful full-fledged test of the Disaster Recovery Site and the Business Continuity Site to assure an effective response to any unplanned events and relevance to the Bank's new/upgraded services and systems.

In addition, to ensure a similar Risk culture and profile across the QIB Group, there has been close coordination and interaction between all the entities within the Group to ensure consistent risk appetite and policies are implemented across the organization.

Strategy Group

Leading the Digital Banking Transformation:

In 2018, putting the customer in the heart of its strategy, QIB Strategy Division has embarked on a Digital Banking Transformation Program, QIB+ to capture initial available opportunities in this domain and threw the foundation of multi-year journey of Digital transformation focusing on enhancing the customer experience and to drive operational efficiencies.

In 2019, QIB increased the pace of this Transformation by making strategic investments to simplify, digitize, introduce new technologies and automate activities and processes for both customers and employees such as the ability to obtain instant personal financing through our award winning mobile application, a first in Qatar.

QIB Strategy Division envisioned that in a hyper-connected, mobile-first world, customers will request instant, relevant, personalized banking services available at their convenience such as the ability to subscribe to the latest or any incoming IPO from anywhere and at any time.

During 2019, QIB has accelerated its investments in digital channels, offering its products and services through the award-winning QIB Mobile App, a recently updated internet banking platform for individuals and companies, multi-functional ATMs, Interactive Teller Machine (ITM) and an award-winning Call Center. Following an intensive research and development phase to understand the people of Qatar's banking wants and needs, QIB completely transformed the internet banking journey. The update uses state-of-the-art technology to provide customers with a responsive interface where they can access a wide range of services and benefits through the browser of any computer or mobile phone.

Simultaneously, QIB introduced new services on its Corporate Internet Banking and allowed Corporate Customers to manage their users independently and to launch a series of day to day transactions independently allowing these customers to better manage their payments cycles as well as their cash in hand. Around mid-2019, the Bank launched a new digital onboarding process allowing prospective customers to start a relationship with the Bank by opening a Current, Savings and/or Misk account through the QIB Mobile App. On this front also, QIB introduced a targeted Mobile App to on-board Students and launched it in several universities in Qatar.

More recently, the Bank introduced an instant credit card digital onboarding process allowing customers to apply in a very simple and swift way for new Credit Cards from their Mobile App. This year, QIB also introduced the first Islamic point of sale (PoS), and a new online corporate banking portal and Wage Protection System (WPS) with 100% adoption by QIB Corporate Customers. This solution save time and effort and relieve pressure on the branches and various internal departments.

Moreover, this year, QIB developed Smart credit applications reducing the time of application filling from 2 working days to 4 hours all corporate application. This is considered as a huge improvement for Corporate Relationship managers who will be more focused on serving their corporate customers.

Before the end of 2019, QIB introduced "Manage your own Credit Card" features allowing QIB customers to manage the use of their Credit Card for online / e-commerce, at an ATM and internationally at the tip of their fingers and in real time from QIB Mobile App. On another hand QIB re-enforced its remittance offer by introducing a new feature giving the opportunity to QIB customers to make their Western-Union (a/c to cash) transfers from QIB Mobile App. Many of the above newly introduced features and options are personalized to QIB customers with the help of Advanced Data Analytics introduced this year by the Strategy Division in addition to providing many insights about existing customers or potential prospect customers.

In 2019, QIB launched the Customer Relationship Management (CRM) system at the desktops or from tablets, for the first time in QIB. This is another milestone in technology and business processes as part of QIB's digital transformation program. The implementation of the system for all business lines, both personal and wholesale enhance our customers' daily experience by allowing all our front office colleagues to serve them better.

Due to the above, QIB has transformed into a real 24/7 institution, offering customers the possibility to perform the majority of their daily banking needs at their convenience through their award-winning mobile app and internet banking without the need to visit a branch. QIB will continue to diversify and enhance digital offerings, to meet and exceed the expectations of its customers.

Furthermore, QIB is on the verge of launching QCB Mobile Wallet within QIB Mobile App allowing Person to Person money transfers by using only the phone number and finalizing the Card Management System upgrade to be able to introduce tokenization in the next steps.

Finally, and during the entire 2019, the Strategy Division participated heavily in promoting the digital achievements whether externally by leveraging the experience of its PR & Marketing arms or internally by launching an awareness program to all QIB customers aiming to have a 1000 digital ambassadors in the bank.

The successful digital initiatives were also endorsed by leading international institutions and publications which awarded QIB with the following awards in the digital banking domain:

- Qatar's Most Innovative Digital Bank 2019, by Global Finance
- Best Digital Bank in Qatar, by The Asian Banker
- Best Retail Mobile Banking Experience 2019, by The Assets Magazine
- Qatar's Best Consumer Digital Bank, by Global Finance
- Best Social Media Marketing and Services 2019, by Global Finance

Marketing & Corporate Communications

Marketing & Corporate Communications launched several new products, services and promotions for retail and corporates during 2019 with main focus on the bank's digital initiatives as part of the digital transformation. The year started with QIB Qatar Airways Co-Branded Cards promotion, QIB Mobile App latest and first of its kind features and services, Cash Bonus Campaign to support customers opting for personal finance, Ramadan Festive Promotion offering numerous rewards, discounts, and auto-finance deals, and Cards summer spends campaign. and Qatar National Day Special offers. The marketing supported the migration to digital channels through launching several campaigns to raise awareness about the new and improved features and services such as the launch of the New and Enriched Retail Internet banking, the introduction of Instant Finance, Digital Onboarding, Takaful products, and e-IPO.

In addition, QIB has launch their latest segment proposition targeting university students "Bedaya Account" enabling students to open a bank account and avail a credit card, the Bank had continuous campaigns to remind customers about the loyalty programme "Absher", introduced Misk - Phase3 with more winners and more prizes to encourage customers to save more. On the branches network side, supported the relocation of several branches and inaugurated Mirqab Mall Branch and Amiri Guard Office.

On the corporate side, the Marketing team supported the business in launching the New Corporate Internet Banking and the first Co-Branded Corporate Credit Card with Ooredoo. In addition to the continuous communication to raise awareness about the PoS and Online payment gateway as well as the WPS Online Portal.

Creating awareness about QIB-UK was one another key activities in 2019, where several articles about the UK Real estate market scene has been published in the local Qatari press to promote QIB-UK experience in the real estate market.

QIB and INJAZ Qatar continued the award-winning Financial Literacy Program for Students. The program is a five-week training with interactive and engaging sessions tailored specifically for high school students and university freshmen, aged from 15 to 19 years old. QIB and INJAZ Qatar offered the program to hundreds of university and high school students and will continue over the coming 2 years. QIB expert staff have also committed to delivering program sessions alongside INJAZ Qatar volunteers.

Strengthening the organizational culture and feeling of commitment among employees is one of the key objectives of the bank, and therefore the marketing & communications division ran several engagement activities with the employees to support nurturing this culture such as celebrating National Sport Day, Ramadan Gathering, annual blood donation day, and Qatar National day.

The division has also conducted market research to measure customers' satisfaction, identify gaps and actions and continued using the real-time Customer Survey system (SMS survey for transactions at all branches and the Call Center and Mobile App). A major focus of the department this year was QIB's performance on social media; an upgraded and strengthened QIB position was assured while maintaining high engagement rates on all platforms. In 2020, the key focus will be to support the digital transformation the bank is undertaking and the introduction of new products and services, and strengthening QIB brand in the market.

Quality Assurance

The Quality Assurance Division, in coordination with key relevant stakeholders, achieved a completion ratio of 100% for the tasks reported in the Branches Network and Service Centers Reports in 2017 and 2018, and 98% ratio in the first three quarters of 2019. Additionally, the division successfully resolved 96% of complaints within three days during 2019, demonstrating a strong pursue towards service excellence and customer satisfaction.

The division also contributed to the launch of several new MVP digital projects in 2019 by acting as the "voice of the customer" before, during and after the project launches, which helped support ongoing project improvements. The division enriched the MIS scope during 2019 to include new innovations on the Mobile Banking App such as cheque book requests, debit and credit cards replacements, and new supplementary card requests.

The 2019 Balanda IPO proved a success with contributions from the Quality Assurance Division as they supported key stakeholders achieve almost a 0% error margin across all subscriptions and channels by providing on hands support to staff and customers. This proved to be one of the best IPO projects in QIB's history, with the least error margin. Lastly, the division successfully joined efforts with the Operations division for the "SLA and TAT monitoring project" sponsored by the COO, to introduce an executive dashboard for the top 15 services handled by Operations, and perform various gap analyses where needed to improve and optimize service levels and TATs.

Operations & IT Group

During the year, the Bank underwent a significant digital transformation to face the ever-changing banking trends that are shaping to meet the customer's fast-evolving expectations. As the Operations & IT Group, we continued to achieve our ambition of being at the forefront of digitalization and technology developments, so that the Bank can deliver innovative products and services that enhance product delivery and customer experience.

We continuously strive to position our digital offerings, customer journey, cybersecurity, service availability and data capabilities as enablers of our products and services. To maintain our leading position in the digital banking arena in Qatar, we adopt agile methodologies towards rapid and continuous deployments of our offerings.

Information Technology

Throughout 2019, the IT Division continued its digital transformational efforts by introducing a number of innovative new services on our digital channels. Digital customer on-boarding, instant financing, credit card issuances and e-IPO are some examples of first-to-market capabilities brought to Qatar on our award-winning Mobile Banking Application. The digital on-boarding started with the opening of a savings or Misk account for prospective customers and was further enhanced to enable the opening of current accounts and initiating salary transfers via the QIB Mobile App. The e-IPO was deployed in time for the IPO that took place in the month of October, whereby our customers were able to conveniently register and subscribe to the IPO electronically through the QIB Mobile App and the Retail Internet Banking channels. To facilitate easy remittances, Western Union Money transfer functionality was also introduced during the year. QIB also launched the first co-branded corporate credit card in Qatar in association with Ooredoo and MasterCard, providing an innovative payment solution for corporates and SMEs to manage their expenses.

Enhanced services and features were also introduced on the fully revamped Retail Internet Banking and Corporate Internet Banking platforms. Furthermore, the CRM solution was increasingly deployed and enhanced in the Personal and Wholesale Banking Divisions, enabling these divisions to cover more services and customer acquisition activities.

To support these initiatives, the IT Division also enhanced its infrastructure landscape to provide an agile environment capable of provisioning the corresponding technology components as and when required. These efforts were augmented by further strengthening the Bank's technology security stack to mitigate the risks of growing cyber threats, to comply with increased regulatory mandates and ensure readiness for the Qatar 2022 World Cup. Notable among these were the tech refreshes for the Email security solution, to strengthen protection against phishing attacks, emails with viruses and data leakage. The Advanced Persistent Threat (APT) solution technology refreshes to ensure the prevention of zero-day threats.

To reconfirm our capability to resume operations from Disaster Recovery (DR) in case of any crisis making the main data center unavailable, we successfully migrated the business-critical applications from the DR site for four successive days. The roll-forward and the roll-back operations to and from the DR site was seamless, and the business operations proceeded without any glitches during this period.

Operations

On the Operations front, the division continued to focus on efficiency and automation, particularly Straight Through Processing, as well as seamless integrations of the new products and services in Operations.

The division set up the Digital Back Office in the Industrial Area branch to support the on-boarding of New Customers from the Digital platform, registrations from the Wages Protection System (WPS), the Western Union Extended Support and various upcoming digital initiatives. During the year, the Division was instrumental in converting the WPS Salaries processing to 100% digital, as well as initiating WPS Accounting Online.

In terms of Efficiency Build, the Division implemented the Card Origination System, leading to almost straight through processing between branch and Operations, thus providing overall cost reduction and improved TAT. Various ECC system upgrades were developed to cater to newly regulated processing requirements. The implementation of student on-boarding and Trade Finance automations are examples of further enhancements which enabled significant improvements in operational efficiency and controls.

Onward work has started to improve things even further to achieve Straight Through Processing on Corporate Internet Banking, Remittances for both Retail as well as Corporates including Beneficiary Registrations, further Trade Finance Automation, and other customer payment channels like Western Union and MPAY enhancements.

Business Transformation - ICM, Premises, Service Delivery and Business Services

The different units of Business Transformation continue to support the Controls, Change and Services management in the Bank. The respective functions work on the principles of improving the efficiencies, effectiveness, policy, controls and stakeholder satisfaction in all products, services, as well as components of the development life cycle for products and services. Implementation of improved Demand and Change Management practices allowed for greater efficiency in the delivery of the change agenda for the Bank.

The Premises and Projects Department is responsible for the overall maintenance and upkeep of the Bank's premises portfolio, equipment and facilities to ensure uninterrupted business continuity. During the year, the function continued to work on the standardization of the design and the corporate brand across all of the Bank's segments. Also, cost reductions were achieved on premises through revisiting the tenancy contracts and facilities renewal and by re-utilizing the existing premises and resources.

Significant success was achieved in the control and leasing of our non-banking premises portfolio via re-architected Property Management Services.

The Business Services function worked on general services and provided logistical support to all branches and Bank offices, ensuring improved procurement methodology to ensure that all supplies are timely obtained at the best price. In terms of Asset Management, the unit ensured and improved on the recording, managing, storing and distribution of the Bank's Assets. On the Security front, during the year the unit ensured proper administrative control on access, security and man guarding, CCTV, alarm systems and proper coordination with the regulatory authorities. The Service Delivery Management improved efficiency by introducing better queuing management, new services delivery and electronic archival of records.

Human Capital Group

The QIB Human Capital Group vision is to focus on implementing industry best practices organization-wide with across-the-board training and mobilization of critical roles. This further enhanced organizational effectiveness through a pay-for-performance culture and reduced turnover.

In Learning & Development, during 2019, QIB successfully increased its focus on developing internal capabilities of respective stakeholders, by enhancing their knowledge and expertise, for effective utilization, through structured learning interventions. Based on the identified skill-gap from the previous year's skill baselining exercise, QIB has expanded its focus on developing communication skills to handle difficult situations for all the frontline staff. It also effectively aligned all training needs into structured and business-focused curricula to deliver even more business-relevant training and learning solutions.

QIB successfully implemented a skill-based pre-hiring assessment center for evaluating the fittingness of staff, leading to reduced errors and improved synergy, while also achieving an average training delivery effectiveness rate of 4.74 (out of 5.0, based on PES Sco).

In Learning Operations (Efficiency-Factor), QIB responded to 100% of training needs and requests raised by staff or identified by the management team, through the implementation of training that had 1:400 specialists to staff ratio. Through the trainings, QIB focused on transforming the training planning and budgeting exercise to a ratio-based view, allowing for an even distribution and improved controls.

The Human Capital Group aligned the training request process to business needs and the business group curriculum. The Group also increased internal expert-led training delivery and real-time on-the-job formats, as opposed to classroom formats, to further reduce the total cost of training delivery.

In Workforce Planning & Talent Acquisition, QIB accepted a larger number of students into the University Student Sponsorship Program, resulting in a total number of 45 sponsored students. Recently graduated students are absorbed into the Management Associate Program, which began at the start of 2019.

The current Qatarization numbers show that Qataris make up 28% of the total staff at QIB. QIB continuously participates in Career Fairs organized by prominent universities and institutions based in Qatar, and successfully implemented a Qatari Development Program by investing in the education of Qatari employees as part of their career development.



Credit Ratings

Fitch Rating:

In November 2019, Fitch Ratings has affirmed Qatar Islamic Bank's (QIB), Long Term Issuer Default Rating (IDR) at 'A' with a Stable Outlook. It also upgraded QIB's Viability Rating (VR) to 'bbb' from 'bbb-'. The rating reflects QIB's strong and stable standing in Qatar, with the highest market share of Islamic Banking assets of 41.1% and about 11% of the total banking assets at end of the fiscal year 2018. The Fitch report highlighted that "The upgrade of the VR mostly reflects QIB's strong Qatari Islamic franchise, which is highly beneficial to the bank's financial profile over the cycles. The bank attracts inexpensive retail deposits, which form the core of its funding and translate into cheaper cost of funding compared to peers". The report also reiterated. " QIB is a domestic systematically important bank."

Moody's Rating:

In December 2019, Moody's Investors Service, («Moody's») has affirmed the Long-term deposit ratings of QIB at "A1", with a "stable" outlook. In turn, reflect the bank's adequate capital buffers, good profitability, and limited market funding reliance, underpinned by its established and growing retail and corporate Islamic banking franchise and the bank's rapid growth in recent years. This outlook confirms the resilience of the banking industry which has adapted to the current situation and has overcome challenges with the support from the government.

Standard & Poor's (S&P) Rating:

In March 2019, the International credit rating agency, Standard & Poor's (S&P) has affirmed Qatar Islamic Bank's (QIB) Issuer Credit Rating at 'A-' with a Stable Outlook. S&P, one of the top international rating agencies in the world, cited: "The rating reflects our views of the Bank's robust corporate banking franchise and favorable position as Qatar's largest Islamic Bank with a rapidly expanding position in the retail segment. QIB's sound financial performance, robust asset quality and strong capitalization support the rating". The report also reiterated that QIB's long term rating is in line with the Bank's high systematic importance in Qatar and the agency's assessment of the Qatari government as highly supportive to the domestic banking sector.

Capital Intelligence (CI) Rating:

In May 2019 Capital Intelligence (CI), an international credit rating agency, has affirmed the long-term foreign currency rating (LT FCR) of Qatar Islamic Bank (QIB) at 'A+'. It also adjusted QIB's short-term foreign currency rating (ST FCR) to 'A1' from 'A2'. The outlook for the LT FCR and Bank Standalone Rating (BSR) is "stable".

Awards 2019

In light of the Bank's performance and continuous innovation, QIB is being recognized by reputable international financial publications and reports as one of the leading regional Banks. In 2019, QIB received the below awards:

1. Qatar's Best Bank, by Euromoney Awards for Excellence 2019
2. Best Islamic Bank – Middle East and Qatar 2019, by The Banker – Financial Times Group
3. Best Islamic Bank – UK 2019 for the first time, by The Banker – Financial Times Group
4. Qatar's Most Innovative Digital Bank 2019, by Global Finance
5. Qatar's Best Consumer Digital Bank, by Global Finance
6. Best Social Media Marketing and Services 2019, by Global Finance
7. Best Islamic Finance innovator 2019, by Global Finance
8. Best Islamic Financial Institution - Qatar, by Global Finance
9. Best Project Islamic Finance Provider, by Global Finance
10. Best Islamic Financial Institution – Sudan 2019, by Global Finance
11. Best Digital Bank in Qatar, by The Asian Banker
12. CEO Leadership Achievement Award 2019, by The Asian Banker
13. Best Managed Bank in Qatar for the period January 2016 – December 2018,, by The Asian Banker
14. Islamic Bank of the Year, Qatar 2019, by The Asset Magazine
15. Best Islamic Retail Bank, Qatar 2019, by The Asset Magazine
16. Best Retail Mobile Banking Experience 2019, by The Assets Magazine
17. Best Islamic Bank in Qatar, by the Middle East Banking Awards (EMEA)
18. Best Islamic Bank in Qatar 2019, by The World Union of Arab Bankers (WUAB)
19. Best Gift Card Product in Qatar 2019, by Visa International
20. One of the best Investor Relations websites 2018, by Qatar Exchange (IR)

QIB Group Overview

Domestic Subsidiaries & Associates



QInvest

Licensed by Qatar Financial Centre in May 2007 with authorised capital of US\$ 1 Billion, QInvest is the largest financial establishment to commence operations in Qatar Financial Centre (QFC). QIB played a key role in establishing QInvest and holds a 58% stake in the Company.



Al Jazeera Finance

Founded in 1989, Al Jazeera Finance is jointly owned by QIB (30%), Awqaf (20%) and other institutions such as Qatar Insurance Company (QIC) and QNB. Al Jazeera Finance spares no effort in satisfying the needs of its customers and offers them the best Shari'a-compliant solutions.



Aqar Real Estate

Established in year 2000 as a Shari'a-compliant joint venture. QIB holds 49% shares in the Company, Awqaf holds 34% and the General Authority for Minors Affairs hold 17%.



Damaan Islamic Insurance Company (Beema)

Was incorporated in September 2009 as a fully Shari'a-compliant Private Closed Qatari Shareholding Insurance Company, licensed to transact all classes of insurance (General and Family Takaful). The founders of the Company are: Qatar Islamic Bank (25%); Qatar Insurance Company (25%); Masraf Al Rayan (20%); Barwa Real Estate Company (20%) and QInvest (10%).



Durat Al Doha Real Estate Investment and Development

Engaged in real estate investment and development. QIB owns around 40% of the company's shares.

Global Network

QIB has established presence in relevant markets outside Qatar so as to serve the cross border financial needs of its Qatari customers:



QIB UK
(wholly owned subsidiary). Established in 2008, covering the financial needs of Qatari High Net Worth Individuals & Companies in UK.



QIB Sudan
(one branch): Opened in July 2013, it provides Shari'a-compliant corporate finance and trade finance solutions to major corporates.



Arab Finance House (AFH) in Lebanon
Established in 2004, AFH was the first fully-fledged Islamic bank in Lebanon. The restructuring in 2012 refocused the bank on four strategic locations resulting in an efficient/sustainable business model.

Social Responsibility (CSR)

As a pioneer of Islamic Banking and an active partner providing continuous support to community activities, QIB places social responsibility at the very top of its priorities. This is reflected in substantial contributions for supporting human, health, educational, and sports activities as part of QIB's social responsibility programs. QIB's Key Corporate Social Responsibility (CSR) Initiative in 2019:

Bedaya Account Initiative: In 2019, QIB has launched Bedaya Account, a new initiative within the framework of the Bank's CSR Program, provides the opportunity for university students to open their first banking account in an easy, fast and modern way. It also allows students to start using and getting acquainted to a spectrum of banking products and services. The Bedaya Account perfectly complements QIB's financial literacy program, "How money works?", as it educates school and university students on techniques to manage money prudently by budgeting, saving and investing.

Today, there are around 30,000 University students in the country with around 65% of them being Qatari nationals. To identify the optimum package of financial products and services to be offered to this important segment of society, QIB has invited a large number of current students to participate in a comprehensive market research. The research took into account the needs of the participants, as well as studied similar packages offered by international and digital banks around the world.

With the key purpose behind its design to help Qatar's future leaders to acquire and further develop the right banking habits towards saving, budgeting and responsible spending, the Bedaya Account enables students over the age of 18 to manage their finances on their own, learning along the way the path to financial independence. The initiative has been widely accepted amongst Qatar University students, thus far, a large number of students have opened accounts with QIB and have enjoyed the benefits this initiative provides.

Improving Youth's Financial Literacy in Qatar: During 2019, QIB continued its innovative initiative agreement with INJAZ Qatar, a three-year financial literacy program for selected high-schools and universities in Qatar. Through the collaboration, QIB and INJAZ launched the "Personal Finance Program" curriculum "How Money Works?". The second academic year of the three-year program was kicked off in September 2019. For the coming year, as the program continues to target university students, it will simultaneously expand the teachings to independent and private schools across Qatar, to reach a total of 400 students. During the academic year 2018/2019, «How Money Works?» was successfully delivered to 366 students from six different institutions with the help of dedicated QIB and INJAZ volunteers and experts.

The "How Money Works?" program is a five-week training with interactive and engaging sessions tailored specifically for students aged between 15 to 19 years old. The program explores ways to earn money and manage it prudently by budgeting, saving, and investing. QIB and INJAZ Qatar will offer the program to a total of 1,250 university and high school students during the course of three years.

Investing in Young Talent: As part of QIB's investment in local talents, the bank has partnered with the Ministry of Administrative Development, Labour, and Social Affairs (MADLSA) to provide Qatari men and women the opportunity to work with the Bank and benefit from educational grants.

Support Traffic Department Awareness Campaign: For the second consecutive year, in 2019 QIB participated in the «Ramadan and Safe Driving» campaign, which is organized by the General Directorate of Traffic, during which Iftar meals are distributed to drivers across Qatar during pre-Iftar rush hour.

Agreement with Qatar Red Crescent Society: Earlier in 2019, QIB and Qatar Red Crescent Society (QRCS) signed a cooperation agreement to cement ties between the two organizations. The general agreement will seek to foster closer cooperation between the two organizations, to support the execution of social and humanitarian projects. The responsibilities, efforts, and duties are underlined by the Bank's commitment to providing financial aid to programs and projects related to ordinary and emergency cases in Qatar and contribution to charity projects proposed by QRCS.

QIB Celebrates Earth day 2019: QIB marked Earth day 2019 by distributing 600 free plants to its customers in collaboration with Al Sulaiten Agricultural and Industrial Complex, as part of its community support program. The celebration highlights the bank's efforts and contribution to the sustainability scene in Qatar. As QIB contributes to social change to leave behind healthier surroundings for future generations to come, it continues to align its activities and services with global initiatives as part of its commitment to the Qatar community and environment.

In addition, Qatar Islamic Bank participated in many community focused CSR initiatives during the year 2019 such as: job and career fairs, summer internships for university students, and hosted a blood donation campaign.

Corporate Governance





Governance Code for Listed Companies & Legal Entities

Governance is one of the most imperative Corporate Management systems. It establishes the principles of rational management, determines the Bank's functions and responsibilities, promotes the principles of justice and equality among Stakeholders, ensures creative Contro, Risk Management, Transparency and Disclosure, regulates Stakeholders rights and, encourages the development and progress of the society which finally leads to the improvement of the Bank's performance in general, and realizes the core meaning of the principle of upholding the Interests of the Public, the Company, and Stakeholders by according them utmost priority over all other interests.

Establishing the following principles were targeted upon drafting the present code:

- **Transparency:**
This principle is based on good faith, honesty seeking and openness, upholding values of self-monitoring, integrity, taking caution, due diligence and trustiness in performing the tasks and functions assigned to each official and employee in the Bank including the Chairman, Board members, Senior Executive Management, all employees and other bank-related parties. It also establishes the necessary regulations that reduce and mitigate conflict of interests and serve common interests, guided by the concept of honest investment in the market.
- **Accountability & Acknowledgement of Responsibility:**
This principle aims at determining the rights, duties and responsibilities within the Bank and implementing an appropriate control mechanism that enables every one's accountability for his/her work and assesses performance in addition to appraising the Bank's overall performance in accordance with best international standards. The principle also states for the Bank's social responsibility and its role towards the society by taking part in the achievement of its prosperity and progress in addition to sharing in preserving the Environment.
- **Justice & Equality:**
This principle states that Stakeholders, especially shareholders, are equal in rights. It bans all forms of discrimination on the basis of race, gender, or religion; they all shall have the same rights ensuing from their ownership of shares or their capacities in the Bank pari passu.

Scope of Applying Governance and Adherence to Governance Principles

Article (2)

Scope of Application

The present Governance principles and rules apply on the corporations and legal entities listed on Qatar Exchange Market. The Bank, in its annual report, disclose the extent of adherence to such principles and rules.

Article (3)

Commitment to Governance Principles

The Board of Directors regularly review and update Governance applications and the Bank's compliance with Governance best principles.

Article (4)

Governance Report

Governance report include the Bank's disclosure as to its commitment to apply the rules of this Code and all pertaining information on the implementation of those principles and rules, accordingly the Board of Directors approved the Corporate Governance Framework including required policies & procedures mentioned in the code in addition to the update of the Board charter including board responsibilities.

Governance Report mainly includes:

1. The procedures followed by the Bank regarding the implementation of the rules of this Code.
2. During 2019 no fines were imposed by Qatar Financial Market Authority due to non-compliance of the code.
3. Disclosure of the information regarding the Board members and Committees and the Bank's Senior Executive Management officers.
4. Disclosure of the procedures followed by Risk and Internal Control Groups.
5. Committees' Work and number of their meetings.
6. Risks determination.
7. Appraisal of BOD performance
8. Disclosure of the various deficiencies in applying Internal Control System
9. Disclosure of the degree of abidance, by the Bank, to the rules and conditions governing Disclosure and Listing in the Market.
10. No Material legal cases other than ordinary cause of business law suits.
11. Disclosure of dealings and transactions entered into by the Bank with any "Related Party".
12. Number of Grievances, Complaints and proposals: 1942 cases in total were handled by Quality Control Department in coordination with the Bank's Executive Management.
13. Remuneration of the board members and executive management shall be disclosed in the approved annual financial report (Article No. 30).

Board

Article (5)

Board Members Qualifications

A Board Member must be qualified, possessing proper knowledge of management affairs addition to adequate experience that enable him/her to handle his/her tasks effectively.

Following conditions must be fulfilled by Board Member:

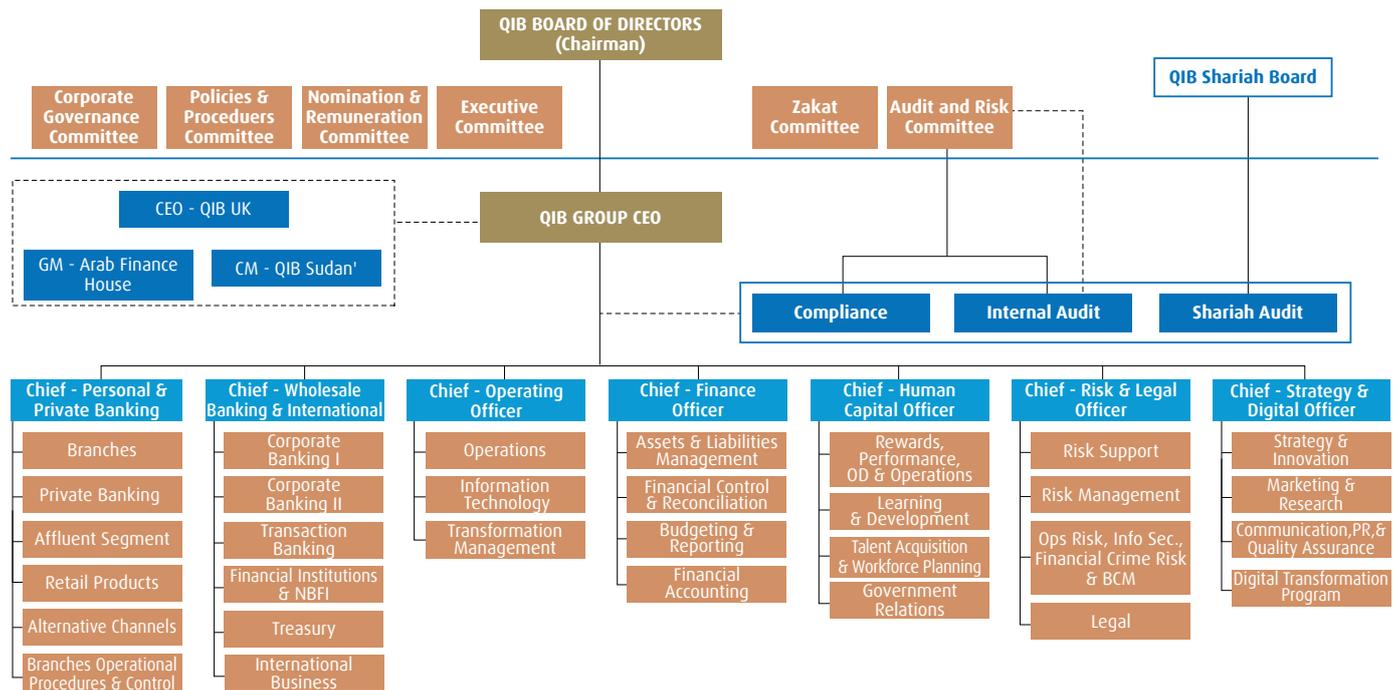
1. Age: to be not less than 21, candidate must be fully qualified
2. Not to have been convicted in any criminal affair or in a charge involving breach of honor or honesty.
3. To be a Shareholder, owning upon being elected as Board Member or within 30 days therefrom, of a number of QIB shares to be determined by the Bank's Articles of Association.
4. Board members signed an acknowledgment which state they are not undertaking any legally prohibited job position to combine it with the Board membership.

Article (6)

Board's Constitution

The Board of Directors shall be constituted as stated in the Bank's Articles of Association and Law provisions, provided at least One Third of its members to be Independent Members and the majority of its members to be Non-Executive members. One or more of the Board's seats may be assigned to represent Minority shareholders and a second seat for representing the Bank employees.

Business Organization Structure



Bank's Board of Directors

As at December 31st 2019, The Board of Directors Was Constituted of The Following Members:

Name	Membership	Capacity	No. of Shares	% of Shares to Capital
Sheikh /Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani, representing 'AL MIRQAB CAPITAL' Co.	Chairman	Executive Non-Independent	108,671,090	4,60%
Mr. Abdullatif Bin Abdullah Al Mahmoud, representing Dar Al Sahrq Printing & Distribution HOUSE' Group	Deputy Chairman	Executive Non-Independent	3,250,000	0,14%
Mr. Mohamed Bin Issa Al Mohannadi	Board Member	Non-Executive Non-Independent	2,500,000	0.11%
Mr. Abdul Rahman Abdullah Abdul Ghani	Board Member	Executive Non- Independent	2,506,360	0.11%
Mr. Mansour Mohamed Abdel Fattah Al Muslah	Board Member	Executive Non- Independent	3,853,880	0.16%
Mr. Abdullah Bin Saeed Al Eidah, representing 'AL ZOUBARA Real Estate Investment Co.'	Board Member	Non-Executive Non- Independent	13,662,050	0.58%
Mr. Nasser Rashid S. Al-Kaabi, representing 'AL-SURAYE' Holding Co.	Board Member	Executive Non- Independent	2,500,000	0.11%
Sheikh/ Ali Bin Ghanim Bin Ali Al-Thani, representing 'ALI BIN GHANIM AL THANI' Group	Board Member	Non-Executive Non-Independent	2,500,000	0.11%
Sheikh/ Abdullah Bin Khalid Bin Thani Al-Thani, representing 'AL NA'ERA INVESTMENT Co.'	Board Member	Non-Executive Non-Independent	2,500,000	0.11%

Sheikh/Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani**CHAIRMAN**

A member of Qatar Islamic Bank's Board of Directors since 22/06/2004, Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani became the Chairman of QIB in April 2005. He graduated from St. Hearst Military College in UK and received a series of advanced training courses in leadership. He is the Chairman of Q-Invest, the first Islamic Investment Bank in Qatar, Milaha (Qatar Navigation), and Daman Islamic Insurance Co. He is also a Board Member of Qatar Insurance Company (QIC), the Vice Chairman of QTerminal, and a Board Member of several establishments, financial and investment companies.

Mr. Abdullatif Bin Abdullah Al Mahmoud**Deputy Chairman**

Member of Qatar Islamic Bank's BOD since April 1996 and several QIB Committees, Mr. Abdullatif Al Mahmoud holds a B.Sc. in Economics & Business Administration from Seattle Pacific University (USA) on 1982. He progressively occupied several leading posts in Qatar General Petroleum Corp. after his promotion on 2002.

He was Board member of 'Al Jazeera' Financing Co., then CEO of the same company till 2008. He headed a QIB Audit Committee during the period from 2001 to 2005 and took part in several conferences and scientific seminars in the field of Energy production. In addition to the issues relative to Islamic Banking, he occupies at present the post of Executive Manager 'Al Sharq' Printing, Publication & Distribution Co. Formerly, he was Chief Editor of the 'Al Sharq' daily newspaper (2003 - 2010).

Mr. Mohamed Bin Issa Al Mohannadi**Board Member**

Member of Qatar Islamic Bank's BOD since 1996, Mr. Al Mohannadi, is heading the Bank's Audit & Risks Committee and member of several other BOD Committee. He holds a Bachelor's degree in Business Management from Cairo University on 1977 and a MBA from Seattle University (USA) on 1983.

Mr. Mohannadi held several administrative positions in the Emiri Diwan of Qatar, where he finally became Minister in charge of the Council of Ministers Affairs (2002-2005). Afterwards, he shifted to private business activities. At present, in addition to his responsibilities in QIB, he is a Board member in the 'Ooreedo' Qatari Communications Co..

Mr. Abdul Rahman Abdullah Abdul Ghani**Board Member**

Member of Qatar Islamic Bank's BOD since April 1996 and in the Bank's 'Policies' and 'Zakat' Committees, Mr. Abdul Ghani holds a BSc. (with Honors) in Economics from Boston University, USA.

He has been Board member in several national companies, and now is a member of the Qatari Industrial Manufacturing Company (QIMCO), and the United Development Company (UDC).

Mr. A. Abdul Ghani possesses a rich experience in Business Management and a range of investments. He is currently Chairman of the 'Abdullah Abdul Ghani & Sons Trading & Contracting' Co.

Mr. Mansour M. Abdul Fattah Al Musleh**Board Member**

Member of Qatar Islamic Bank's BOD since 1996 and in many committees including the Executive and the Zakat Committees. Mr. Al Musleh holds a Bachelor Degree in Social Science from Qatar University.

He occupied several posts in the Ministries of Interior and Defense. He also undergoes a number of investment and business activities in the Real Estate sector. Formerly, he was Chairman of the 'Aqar' Real Estate Co. in addition to being a Board member in several companies. At present, he is board member of Al Jazeeraah Financing Co.

Mr. Abdullah Bin Saeed Al Eidah**Board Member**

Member of Qatar Islamic Bank's BOD since April 2005, Head of the Bank's Governance Committee and member of QIB-Audit & Risks Committee. Mr. Al Eidah received extended training courses and several programs in Administration from specialized centers in UK.

At present, he is the General Manager of the 'Burooq Investment Co.' and possesses a wide range of experience in Investment & Real estate sector. He is also the Deputy Chairman of 'Al Seyleyah' Sports Club.

Mr. Nasser Rashid S. Al-Kaabi**Board Member**

Member of Qatar Islamic Bank's BOD since 2008 and, in several Committees including the Executive Committee and the 'Nominations, Privileges & Compensations Committee', which he presides, Mr. Al-Kaabi has a long history of successful business ventures dating back to the Seventies of the past century. He is the founder and owner of 'Al Suraiya Holding Group', a group of many companies in various fields of specifications.

Member of 'Al Shourah' (Advisory) Council since 1995, Mr. Al-Kaabi has been a member of a host of other organizations including: the Advisory Body of the GCC Supreme Council in addition to his membership in many Boards of Directors and Specific Committees in relation to his activities in business and property development fields.

Sheikh/ Ali Bin Ghanim Bin Ali Al-Thani**Board Member**

Sheikh/Ali Bin Ghanim holds a Master Degree in Management from Cambridge University.

In addition to the posts of Chairman of the 'Ali Bin Ghanim Al-Thani' Group, Deputy Chairman of 'Ghanim Holding Co. and, member of United Development Company (UDC) and Ooredoo Co. as well as 'Qatar Islamic Bank' which he joined on Feb. 2014, Sheikh/ Ali Bin Ghanim is also Deputy Chairman of the 'Gulf Investment Group' and former Board member of the 'United Development Co.' in addition to being a Supporting Member in the Arab Union Studies Center, apart of articles published in the 'Al Rayah' daily newspaper and several publications.

Sheikh/ Abdullah Bin Khalid Bin Thani Al-Thani Board Member

Member of Qatar Islamic Bank's BOD since Feb. 2017 as representative of 'Al Na'era Investment Co.', Sheikh/ Abdullah Bin Khalid holds a bachelor degree in Business Management from a British university and is Board member of the 'Islamic Insurance Co. and the Group for Medical Care' establishment.

The Bank's Executive Management

The Bank's Executive Management is a group of executives with high operative responsibilities appointed by the Board of Directors. It consists of the (CEO) and a seasoned and experienced Executive Management team members directly reporting to the CEO.

Constitution of QIB Group's Executive Group:

Executive Management Team	Position
Mr. Bassel Gamal	Group Chief Executive Officer
Mr. Tarek Youssef Fawzi	General Manager - Wholesale Banking Group
Mr. Rakesh Sanghvi	Chief Risk Officer
Mr. Gourang Hemani	Chief Finance Officer
Mr. Constantinos Constantinides	Chief Strategy & Digital Officer
Mr. Khalefa Al Mesalam	Head of Human Capital Group
Mr. Dorai Anand	General Manager - Personal Banking Group
Mr. Lav Kataria	Chief Operating Officer, Operations & IT Group
Mr. Atef Abdul Khaleq	Head of Internal Audit
Mr. Samir Al Ghandour	Head of Compliance

Mr. Bassel Gamal Group Chief Executive Officer

Mr. Bassel Gamal, holds the position of QIB's Group CEO since February 2013; having amassed over 25 years of experience in the banking and finance industry. He's currently the Chairman of QIB-UK and a Board Member of Qinvest. His career started with Commercial International Bank (Chase National Bank) in Egypt, in 1990 for more than a decade. In 2001, he joined Ahli United Bank Group in Bahrain during which he held many positions, last of which was Senior Deputy Group CEO - Banking Group. He was Ahli Bank's Deputy CEO in Qatar from 2004 until 2006, at which point he moved on to become the CEO until early 2009.

Mr. Tarek Youssef Fawzi General Manager - Wholesale Banking Group

Senior banking executive with over 37 years of experience, 32 years' international experience predominantly in Corporate Banking, Investment and Treasury domains with reputable international & regional banks. He holds Bachelor of Economics and Business Administration from The American University in Cairo. Tarek started his banking career with Arab African International Bank in Egypt and progress his career with leading banks such as Chase International Bank, Misr America International Bank, Burgan Bank - Kuwait, National Bank of Oman in Sultanate Oman, Mashreq Bank UAE. His last position prior to joining QIB was CEO and Country Head of Mashreq Bank - Egypt.

Mr. Dorai Anand General Manager - Personal Banking Group

He has over 30 years' experience in banking industry, particularly in retail banking, consumer assets business, customer service & operations. Mr. Anand has held various senior Management roles during his tenure with both world's leading conventional and Islamic banks. Most of his career have been with Citi Bank however for the last 8 years he has been associated with Al Rajhi Bank - Saudi Arabia. Prior to joining QIB Anand was General Manager - Retail Banking Group with Al Rajhi Bank.

Mr. Constantinos Constantinides Chief Strategy & Digital Officer

Carrying 25 years of experience in banking and consultancy, Constantinos Constantinides (Dinos) joined QIB in 2012 as Chief Strategy & Digital Officer to lead the Bank's transformation program. Since early 2018, Dinos is program managing the digital transformation of the Bank. Prior to joining QIB, he held various senior roles at Al Rajhi Bank with his last role being the General Manager of Strategy responsible for business development and regional expansion. Previously, he was Deputy General Manager of Al Rajhi Retail Banking Group. As a management consultant with Accenture, he has led several strategic initiatives for European banks and financial institutions. Holds an MBA in International Strategy from University of Birmingham.

Mr. Khalefa Al Mesalam Head of Human Capital Group

Khalefa has 19 Years of Banking Experience, with a blend of Retail Banking and Human Capital Leadership expertise with leading International and Regional Banks. He started banking career with HSBC Qatar in the Retail Banking and progressed to various Lead Roles such as Customer Centric Solutions, Service Excellence, Branch Management, Human Resource Management, Organizational Development, Design and Effectiveness. He also held leading positions in Retail Banking with the Commercial Bank of Qatar and his last assignment prior to Joining QIB was Group Recruitment Manager with Al Khaliji Bank. He Joined QIB in 2011 as Head of Talent Acquisition & Workforce Planning - A Division within the Human Capital Group - from where he progressed to the current role.

Mr. Rakesh Sanghvi Chief Risk Officer

Rakesh is a Chartered Accountant (FCA) from the Institute of Chartered Accountants of India and a CISA qualification holder from the USA. He carries 31 years of rich experience in Risk Management, Corporate Banking and Corporate Finance with the "Big 4" accounting firms and banks in the region. Before joining QIB in 2013 he was the Group Head of Risk Management at Ahli United Bank in Bahrain; he also led the Corporate Finance unit and spent over 10 years in Corporate Banking at the bank in Bahrain and with Ahli Bank in Qatar. Earlier he worked with Ernst & Young in Bahrain and with Coopers & Lybrand in India.

Mr. Gourang Hemani
Chief Financial Officer

He has been with QIB since 2012 and carries more than 25 years of experience with international banks and with leading accounting firms. Gourang started his carrier with Price Waterhouse Coopers and progressed through Standard Chartered Bank followed by a long standing career with Banque Saudi Fransi in Saudi Arabia handling various roles in the field of banking finance including Asset Liability Management, Treasury Middle Office, Financial Planning. His last assignment, prior to joining QIB was with Banque Saudi Fransi as Deputy Chief Financial Officer. He is a CFA Charter holder, FRM, Chartered Accountant from India.

Mr. Lav Kataria
Chief Operating Officer, Operations & IT Group.

Mr. Kataria enjoys more than 28 years of global experience in Banking Operations & Technology. He holds Masters in International Business from IIFT in Delhi-India and holds a certificate in Digital Disruption from Harvard Business School in Boston-USA. He has held various senior roles with prominent banks such as Head of Operations and Technology for Citi Bank NA India and Singapore (APAC Region), Chief Operating Officer roles for Barclays Bank – UAE covering Africa and the Middle East, and the Saudi Hollandi Bank in Saudi Arabia. Prior joining QIB his last task was on consulting engagement roles as Senior Advisor with leading Advisory firms supporting various Regional banks.

Article (7)
Prohibition of combining position

Without prejudice to relevant Law provisions, the Bank's BOD prohibits for any of its employees, whether in person or in capacity, to hold the position of Board Chairman or Vice-chairman in more than two Companies headquartered in the State of Qatar, or to be a Board member in more than three Stock companies having their headquarters in the State, nor to be a Managing Director in more than a single Company headquartered in the State, or to be a Board member in two Companies of similar activities.

It is also prohibited to duplicate the post of Chairman with any other executive position in the Bank. Board members signed an acknowledgment that no one of them shall combine the prohibited positions according to the Law and the Code provisions held with the board secretary in the file prepared for this purpose.

Article (8)
BOD's Major Functions & Duties

The Board of Directors has led a Charter entitled: the "Board of Director's Charter" in which it detailed the Board's duties and the rights, obligations and responsibilities of both the Chairman and Board Members in accordance with the provisions of Law and this Code. Said Charter has been published on the Bank's website. The board performance was evaluated based on best practices in addition top management executive's performance was conducted based on adherence to the bank's policies implementation and internal controls.

Article (9)
BOD's Responsibilities

The Board of Directors represents all shareholders. It is bound to deploy every required due diligence to ensure the efficient and productive management of the Bank to achieve the interests of the Bank, its Partners, Shareholders and Stakeholders, in addition to realizing the targeted community benefit and developing Investment in the State as well as sharing in the social promotion of the society as stated in the Bank's Articles of Association.

Article (10)
Delegation of Powers

Without prejudice to the competences of the General Assembly, the Board shall assume all the competencies and powers necessary for ensuring the Bank's management. It may delegate its part of its powers, or constitute one or more special committee(s) to perform specific tasks provided the nature of such tasks to be stipulated in the resolution constituting such special committee(s).

The ultimate responsibility for the Bank lies on the Board even if it sets up committees or delegates part of its powers to some third party(ies) or body(ies). The Board shall abstain from issuing general or open-ended delegations of powers.

Article (11)
Chairman's Duties

The Chairman is the president of the Bank's Board of Directors and represents it before third parties and judiciary bodies. He is primarily responsible for ensuring the proper management of the Bank in an effective and productive manner and endeavoring to achieve the interests of the Company, its partners, shareholders and Stakeholders.

The Board's Charter shall state for the Chairman's tasks and responsibilities which should include the following:

1. Ensuring that the Board discusses all the basic issues in an efficient and timely manner.
2. Approving the Board Meeting Agenda taking into consideration any matters proposed by any Board member.
3. Encouraging all Board members to collectively and effectively take part in handling the Board affairs in order to ensure that the Board is assuming its responsibilities to achieve the best interests of the Company.
4. Permitting Board Members to get access to all data, information, documents and records relative to the Bank, the Board and Board committees.
5. Creating effective communication channels with shareholders and making sure that their opinions heard are channeled to the Board.
6. Allowing effective and encouraging constructive relations between Executive and Non-Executive Board Members.
7. Keeping the members constantly updated about the implementation of the provisions of this code. To this end the Chairman may delegate the Audit Committee or other committee undertake this mission.

The Vice-chairman shall replace the Chairman during his absence. Further, the Chairman may delegate some of his powers to other Board members.

Article (12)

Board Members' Commitments

The Board members shall abide with the following:

1. Regularly attend the Board and Board committees meetings.
2. Giving priority to the interests of the Bank, Shareholders and all Stakeholders over their own ones.
3. Providing their views on the Bank's strategic matters and policies.
4. Monitoring the Bank's performance in realizing its objectives and goals.
5. Supervising the development of the Bank's Governance procedural rules.
6. Ensuring an effective and productive management of the Bank.
7. Effectively take part in the Bank's General Assembly meetings.
8. Abstain from making any statements or disclosing any data/information without prior written consent from the Chairman. In this context, the Chief of the Strategies & Business Development Group Manager shall be the official Spokesperson of the Bank.
9. No financial or trade relationships that may negatively affect the board members carrying out their tasks and functions.

Article (13)

Invitation to Board Meetings

As stated in the Bank's Articles of Associations, the Board shall convene upon invitation by its Chairman who may call the Board for such meetings if requested by at least two of its members. Said invitation, along with the Agenda, should be sent to each member at least one week prior to meetings date. A Board member may request to add one or more issues to the underlined Agenda.

Article (14)

Board Meetings

Board & BOD Committees	No. of Meetings During 2019
Board of Directors	8
Executive Committee	1
Audit & Risk Committee	7
Policies & Procedures Committee	3
Nominations, Compensation & Benefits Committee	2
Zakat Committee	4
Governance Committee	2

Article (15)

Board Resolutions

The Board shall adopt its decisions by majority votes of attendants and representatives. In case of a tie result, Chairman's vote shall be the casting vote.

Article (16)

Board's Secretary

On the year 1996, the Board has adopted a decision to appoint Mr. Ali Abdullah Gholum as Secretary to the Board of Directors.

Article (17)

Board Secretary's Functions and Duties

The Board Secretary shall assist the Chairman and all Board members in conducting their duties and steer all the functions of the Board, including:

1. Recording Board meetings Minutes;
2. Recording Board decisions in the register made for this purpose;
3. Recording Board meetings entries;
4. Safekeeping Board Meetings' Minutes, decisions & resolutions;
5. Sending invitations to Board members;
6. Fully coordinating with Chairman and Board members;
7. Enabling Chairman and Board members to have timely access to all Information, documents, and data pertaining to the Bank;
8. Safekeeping Board members' representations not to duplicate prohibited positions as stipulated by Law and the provisions of this Code.

Board Committees

Article (18)

Board Committees

The Board of Directors has constituted six specialized committees for assisting it to assume its duties. Said committees shall be directly reporting to it and shall undertake their tasks on behalf of the Board to support it in ensuring effective management.

These Committees are namely:

1. Executive Committee

This Committee is constituted of five Board members. Its meetings are attended by the CEO and the senior executives in charge of handling the data & information proposed for discussion. It represents a tool for coordinating the company's businesses. Its most important task is to provide the Board with all updates related to trade developments and dealings of special nature, regularly consult with/ give its opinion to the Board as to strategic decisions and prepare credit allocation decisions in addition to preparing the credit decisions that fall within its authority. The Committee may as well lay the Business proposals before same is submitted to the Board. Meeting, has been assigned for discussing and approving finance and Investment operations.

2. Audit & Risk Committee

Audit & Risk Committee is mainly responsible for assisting the Board in fulfilling its oversight responsibilities with regard to the Bank activities. This task includes submitting financial reports, handling internal control system, undergoing effective management, internal and external audit functions and applied procedures for monitoring the extent of abidance to the laws & regulations in banks activities. It covers as well in particular

submitting reports to the Board, advising as deemed proper in terms of the issues relative to Audit work and to Risk Committee's Charter, in order to ease the Board's decision-making process.

Similarly, the Committee shall be authorized to investigate any activity under its competencies, and shall be entitled to ask being provided with any information from any employee. All staffs shall be instructed to cooperate with any such requests addressed by the Committee in that respect. Further, the Committee shall be authorized to seek legal or professional consultancy from independent external parties and/ or the assistance of third parties, provided to be of experience and know-how ones if deemed necessary, but only after due consultation on this effect with the Chairman.

Audit & Risk Committee shall enjoy unlimited authorities to contact internal and external Auditors and the Bank's Higher Management. The purpose for constituting this Committee by the Board is to review, appraise and submit report to latter on risks in general, answerability, internal control and risk environment, control, financial control, internal and external audit and finally, compliance.

The Bank's control authorities (Internal Audit, Compliance Division and Risk Group) shall submit quarterly detailed reports to the Audit Committee which shall make the necessary investigations and appraisals before submitting its detailed report to the Board along with its recommendations to take the necessary adjustment measures.

The committee submitted several recommendations to enhance QIB controls and minimize risks in addition to improve processes in different areas such as financing operations and shared services. Moreover, it provided a recommendation to the board of directors for nominating KBMG for approval together with providing It to the shareholders general meeting In It's coming annual meeting and approving the Internal auditing plan of 2019/2020 and adopting Its execution. The committee suggested some solutions to get the default receivables of the bank and notifying about the report of arrears, Internal auditing and legal department as well as reviewing credit analysis and applying compliance requirements.

3. Policies & Procedures Committee

The main purpose of this Committee is to study, prepare and develop strategies, goals and business policies & procedures. It is ought to steer the Bank's policies and practices in compliance with the Banking Industry's Uniform Standards. It is commissioned also to revise performance adequacy for each of those functions and make sure that functional procedures are in pace with the establishment's goals and operations.

In addition, the Committee shall be responsible for monitoring the Bank's quarterly performance on the light of the approved strategic plan and budgets. This task entails reviewing and consolidating business development, products harmonization and, distribution of resources among the various work sectors in the Bank. Further, the Committee shall highlight the signs and cases of deviation from the policies and procedures stated in the standard criteria and same to the Bank Management from time to time to take the necessary adjustment measures. It shall be responsible also

in drawing the establishment's social responsibility policy on the light of the values and norms branded by the Bank.

P&P Committee recommended to approve number of polices including corporate governance framework related policies, such as board nomination policy, disclosure, transparency, Internal Information exchange, relevant parties and communication, shareholder's rights. In addition polices' amendments suggested to legal department, recovery department, collection department, crisis department, financial control, capital expenses, operational expenses, budget ,assets and liabilities department, treasury and trading, operational risk policy, card operations policy, IT operating policy, whistleblowing policy, compliance policy, money laundering and terrorist financing policy, business services policy, complaints management policy, and financial institutions policy have been adopted.

4. Governance Committee

This is an independent Board-constituted Committee whose task is to formally represent the communication between the Board and the Bank Management in the Governance-related cases and issues. In this context, the Committee shall, on behalf of the Board, assume the responsibility of duly oversee and monitor the Corporate Governance principles, directives and practices within the Bank. It shall be as well in charge of overseeing and following up the implementation of said principles in the entire businesses and activities of the Bank, including reviewing the Governance overall framework the Bank's compliance, Control-wise speaking, with those principles. GC submitted several recommendations to the board meeting as follows:

- Instruct the human resources department to necessarily develop succession management plan at the level of the bank and adopting the same from the board of directors.
- Add the evaluation text of board performance within the nominations and awards committee code and amend the quorum necessary for attending meetings to be as per majority not half.
- Amend audit and risks committee code for reviewing the transactions of relevant parties and ensuring that there is a mechanism for reviewing It.
- Amend the quorum necessary for attending meetings of audit and risks committee to be as per majority not half.
- * recommended to readopt the bank governance framework and policies attached thereto (without any amendments): conflict of Interests/profit distribution policy/reporting policy.

5. Nominations, Compensation & Benefits Committee

This Committee is responsible for studying and appraising the qualifications of candidates for Senior Executive positions and candidatures for Board membership. It is also responsible for laying the Bank's wages policy aiming at attracting, encouraging and maintaining high caliber staffs and those with high skills required for achieving the Bank goals over the year. The Committee shall also ensure balancing between the interests of shareholders, the Bank and Staffs. It shall convene as needed and shall adopt a strict policy not permitting any employee to attend any discussion pertaining to his/her own bonus and/or contractual arrangements.

1- Meeting:

The committee discussed and adopted the personnel awards as per the financial performance evaluation of 2018 together with adopting the annual raise for the financial year 2019 as per personnel performance evaluation reports.

2- Evaluating the candidates for the membership of the board In its new cycle for both terms 2020-2022, as It has approved the final list to be provided to competent control authorities for approval.

6. Zakat Committee

The Committee shall be in charge of consolidating cooperation and sponsorship links among the Muslim society members by orienting Zakat funds to those who deserve them. It has determined the Islamic legal channels for disbursing such funds in the various humanitarian, public growth assistances and the other channels for spending the Zakat funds.

The Zakat Committee shall be responsible as well for developing good relationships with other benevolent NGO's and Humanitarian relief groups that offer assistances in domains of public development, with the aim to appraise the parties/bodies which receive or collect such funds. Further, it has the task of laying the Bank's policy for collecting and distributing Zakat funds in accordance with the Islamic Shariah rules & principles that regulate such obligation.

The committee shall adopt Zakat distribution to its rightful beneficiaries as per legal channels.

Article (19)**Board Committees' Duties**

The Board has issued a resolution nominating the Chairman and the members of each committee, determining its competencies, duties and its work rules and regulations.

It is prohibited to chair more than one of the Board committees, neither to combine chairmanship of Audit Committee and membership of any Board Committee. Further, the 'Nomination' and 'Remuneration' Committees may be merged together in One committee called the "Nomination and Remuneration Committee". The Board of directors receives and review the periodic reports issued by the committees in accordance with the assigned roles mentioned in this report to take appropriate and necessary actions achieving Bank's interests and preserving the rights of its shareholders.

Internal Control**Article (20)****Internal Control**

The Board has adopted an Audit Committee proposal for establishing an Internal Control System that embraces a mechanism for exercising control, determining the functions and competencies of the various departments and sections, the rules and procedures regulating their responsibilities, the programs for informing educating the employees on the importance of practicing self-control, the Internal Control works and the Bank's Risk Management plans.

Article (21)**Internal Control Unit (ICU)**

The Bank's Internal Control system shall entail the establishment of independent and effective units in charge of Risk Assessment and Management, Financial Audit and, the Bank's compliance with financial transactions controls, especially with related parties. It shall be headed by one or more internal auditor (s) who must be duly qualified and experienced in financial audit, performance assessment and risk management. Such auditor(s) should be ensured access to the entire Bank's departments to follow-up their performance. A Board resolution shall be issued on this respect appointing said Internal Auditor(s) and determining his/her/their functions and remunerations and holding them answerable before the Board.

Internal Audit

The Bank has an Internal Control System (ICS) in charge of reviewing business operations and reporting relevant adjustment reports and recommendations as per the following factors:

1. Approved Internal Control system
2. Appraisal and Management of Risk and Financial Control in addition to External Audit
3. Internal Control Dept. shall be commissioned with specific role and tasks as follows:
 - Overseeing implementation and auditing ICS
 - Shall be run by a qualified, independent and adequately trained work team.
 - Directly reporting to Audit Committee (relevant to the Board)
 - Enjoying access to the entire activities of the Bank
 - Audit Dept. is an independent department and, similarly to the other Control departments, shall be reporting only to the Audit Committee.
 - Internal Audit team to be consisting of one manager in charge and a number of specialized staffs.
 - Internal Audit Dept. shall regularly prepare and submit (quarterly) reports on the Control and supervision procedures over financial affairs, investments, risk management and ICS implementation. Internal Audit function within the Bank shall consistently adapt its methodology in accounts auditing to ensure effective response to it in pace with the expansion of the Bank's businesses and upgrading its planned and unplanned audit commitments in order to make proper recommendations as to the changes to be introduced to consolidate Governance, Risk Management in addition to Internal Controls and Compliance. Thus, Audit role turned from being just a function necessitating the assistance of external sources, into a body fully capable to self-assume the entire Internal Audit task of the Bank.

The Audit team, assisted by various business unit managers, shall carry on normal analysis of Accounting audit reports and detect any weaknesses therein. This job shall be endorsed with the implementation of the self-appraisal list using the check-off system on the appraisal points, thus avoiding employees' over-estimating their own performances, as well as reinforcing the procedure itself, hence, keeping it flawless. Such procedure shall ensure maintaining the process free of the errors normally occurring. It is intended to expand it for the sake of developing proper training tools for the staff in the future.

In fact, Internal Audit task offers a valuable contribution in enriching internal controls, procedural systems, service quality and, offering advice as the how to feed the Bank's Training programs and Upgrading plans, thus allowing for focusing on the adequate preventive actions and measures to mitigate the risks faced by the Bank.

Compliance Division

This Division is directly reporting to the Audit & Risks Committee. The Bank's Governance commissions the members of this team to extensively make profit of Experts opinions and to support the Executives in charge of Compliance tasks to ensure full commitment to all the requirements of local and international regulatory bodies, including but not limited to: QCB, Basel Committee, Recommendations of MENA FATF and the recommendations of the AML/ CTF and the other international criteria pertaining to Corporate Governance.

The Bank's Compliance team is assuming an active role in reviewing the referential policies and laws and the Board's competencies adopted to ensure full adherence to the requirements of QCB and Qatar Financial Markets Authority.

Risk Management

- Monitor the overall ceilings of finance and investment risks to avoid risk concentration. It shall also ensure that QIB has adequate share capital to cover such risks, periodically review the effectiveness of risk management work and make appropriate adjustments when necessary as per the BOD strategy and directions.
- Taking appropriate measures to improve risk management systems and promote efficiency and effectiveness.
- Develop risk strategic orientation at the macro-level, which are risks resulting from decision-making, for example, to enter new markets or exit existing markets.
- Developing strategic risk orientations at the business level, which are the risk of decision-making such as those decisions related to the allocation or distribution of an investment portfolio.
- Identify and develop comprehensive levels for QIB with respect to acceptability and diversity of risks, appropriate asset allocation strategies for each finance department, economic activity, geographical extension, currency and maturities.
- Determine the level of acceptable risk to the parties that QIB deals with in terms of the following:
 - Expected rate of return on operations is commensurate with risk; and
 - Avoiding excessive credit risk (at the level of each transaction or portfolio level).
- Develop a clear strategy for credit risk mitigation based on the following:
 - Profit rates are determined in accordance with the classification of risks relating to transaction parties and pricing decisions are taken into account;
 - Permitted and applicable guarantees and warranties;
 - Clear documentation of contracts with other parties; and
 - Clear definition of the applicable laws that apply to finance operations.
- Setting limits and ceilings for the risks that can be afforded by QIB (risk appetite) to confront all types of risk.

- Determine the levels of exposure to market risk and assess likelihood of future losses that may arise from non-coverage of liabilities on held assets.
- QIB always has sufficient liquidity to meet its obligations, taking into consideration the nature of the Bank's business and activity and the capital markets where it operates.
- Establish a comprehensive and sound framework for development and application of a sound precautionary environment to manage operational risks arising from various activities.
- Contingency planning in case of potential crises and emergent of extraordinary circumstances.
- Identification of capital requirements, expected capital expenditures, target capital level and external sources of capital.
- Develop an effective, comprehensive and consistent risk management framework. Risks shall be fully assessed due to overlapping of risks confronted by the Bank.
- Determine the appropriate amount of share capital to cover risks according to the product or service base.
- Diversify the base of products and services and ensure distribution through developed and modern distribution channels in line with the requirements of modern banking.
- Focus on activities and businesses that provide a continuous flow of revenues. This is fundamentally related to the need to diversify the Bank's businesses and activities beyond the traditional businesses and activities.
- Develop transparency and risk management process and strengthen the link between risk management and the Bank's strategy.
- Identify the activities and businesses of QIB and planning for future projects and new products within the risk margin that QIB can take over based on the risk tolerance appetite determined by the board.

Shariah Audit Authority

The main task of this Authority is to monitor the Bank activities' compliance with Islamic Shariah rules & principles and review the operations and products referred to it to this effect.

It is an independent authority constituted of scholars ("Ulémas") specialized in Islamic Fiqh in Banking and Trade Transactions.

The Shariah Audit Authority is in charge also of the following tasks:

- Offering the required advice and Islamic orientation upon request from the Bank's Management.
- Reviewing Auditors reports against the basic principles of Islamic Shariah and providing reports thereon to the members.
- Stating about compliance of the contracts, dealings and transactions referred to it with Islamic Shariah.
- Reviewing the Bank's marketing matters referred to it.
- Making sure, using every possible means, that the entire income and revenues realized through sources proved to be incompatible with Islamic Shariah is redirected towards Benevolent spending channels.

Shariah Control Members	Capacity
H.E. Sheikh/ Walid Bin Hadi	Chairman
Prof. Dr./ Abdul Sattar Abou Ghodda	Member
Dr. Mohammad Ahmaine	Member

Article (22)

Internal Control Reports

Internal Control Units shall submit their reports on the work they have done within the Bank to the Audit Committee, as recommended by said committee.

Said reports should at least include the following Authority

1. Procedures of control and supervision in respect of financial affairs, investments, and risk management.
2. Review of the development of the risk factors within the Bank and extent of suitability and effectiveness of the systems in force within the Bank to face the drastic or unexpected changes in the Market.
3. Comprehensive appraisal of the Bank's performance in terms of implementing its Internal Control systems in compliance with the provisions of this Governance Code.
4. The Bank's compliance with applicable market listing and Disclosure rules and requirements.
5. The Bank's compliance with Internal Control systems upon determining the risks and Risk Management.
6. The risks faced by the Bank, their types, causes and the actions taken in this regard.
7. The suggestions for addressing the violations and mitigating risks.

During 2019 there were no major/significant internal control issues/failure

Article (23)

External Control

The Bank has appointed a Chartered External Auditor for reviewing its works and submit his reports and adjustment recommendations. Said Auditor cannot be dismissed during his contractual term but rather should be replaced by another Auditor during a period not exceeding (5) years. He cannot be re-appointed before a lapse of two years from latest appointment.

The Auditor shall submit a report on the outcome of his reviewing to the Board in addition to any reviews of the Bank's financial statements. He shall also prepare a report on the internal controls on the financial statements. Further, the External Auditor's team shall attend the meetings of both the Audit Committee and Shareholders General Assembly.

It is worth noting that, after a term of (5) years max. from assigning the task of external audit to an Expert House / Audit bureau, the Law implies the obligatory replacement of latter by another firm for assuming the same duty. On the other hand, External Auditors shall may be questioned in the General Assembly's annual meeting in respect of giving their opinion as to the Bank's Annual Financial Statements. Therefore, they have to attend such meetings to represent the External Auditor's House/ Firm during the underlined meeting.

On the other hand. the External Auditor may offer services to the Bank, whether at the level of external auditing or otherwise, after getting the consent of the Audit & Risks Committee, which gives approval for seeking specific types of services, where they directly or indirectly connected to External Auditor's scope of work and this is to be done on an annual basis.

The External Auditor shall be committed to offer the services so consented by the Audit & Risks Committee , or those formerly recommended by the Bank's General Management before being approved by the Committee. Further, Audit & Risks Committee shall determine and state a maximum limit for the annual amount that could be expended for getting the External Auditors services against the ceilings approved for such services.

Article (24)

External Auditor's Functions and Responsibilities

The External Auditor shall inform the Board - in writing - of any risk the Bank is or eventually is facing. He shall promptly report to the Board any violations once detected. Copy of such notice to the Authority. In any such event, the External Auditor shall have the right to invite the General Assembly to convene as stipulated by Law provisions in this regard, provided to keep Authority informed thereof.

The External Auditor - even if more than one - shall submit only one report to the General Assembly, read it before its meeting, and shall send a copy thereof to the Authority and shall be held responsible for the integrity of the data contained therein.

Moreover, each shareholder in the General Assembly shall have the right to discuss with the External Auditor any issue raised in his report or seek clarifications on any matter therein pertaining to anything relative to Financial Control and/ or Performance Appraisal works.

Article (25)

Disclosure

The Bank complies with Disclosure & listing requirements of QFMA & QE, including financial reports, number of shares owned by each of the Chairman and Board members, Senior Executive Management, and major shareholders or controlling shareholders.

The Bank must also comply with Disclosure requirements in terms of the information related to the Chairman, Board members, and Board Committees including latter's scientific and practical experiences as stated in their CV's, and whether any of them is a Board member, a Senior Executive Management Officer of another Company or a member of any of such company(ies) Board committees.

Article (26)

Conflict of Interests

Without prejudice to relevant Law provisions in this regard, the Board complies with the principles of this Governance Code and with the Disclosure requirements for the dealings and transactions entered with any "Related Party"

Accordingly, there were no substantial/significant which the Related Party has an interest that may conflict with the Bank's interests, furthermore BOD approved the Conflict of Interest policy and related parties transactions. At least one week prior to the

date of a General Assembly meeting called for reviewing the Bank's budget and the Board's report, the Board must disclose in details to the shareholders the details of said dealings and transactions. Same disclosure must be reflected in the Bank's Annual Financial Report.

In all cases, the Bank must not carry out any dealings or enter into any transactions with any "Related Party" before getting the Bank's General Assembly approval. This must be included in the Agenda of the following General Assembly meeting in order to complete its execution formalities.

Article (27)

Transparency and Upholding the Bank's Interests:

Any Related Party, which is a party in or, linked to a transaction or a relationship concluded with the Bank, shall not attend a Board meeting while discussing that specific transaction or relationship. He/she shall not be entitled as well to vote on the corresponding decisions adopted by the Board in this regard.

Article (28)

Disclosure of Dealings(Trade) Operations

The Board members, Senior Executive Management officers, all Insiders, their spouses and minor children all shall be committed to disclose any trading transactions carried by them involving the Bank's shares or any other QIB securities. The Board has adopted clear rules, policy and procedures regulating Insiders trading in QIB securities.

STAKEHOLDERS RIGHTS

Article (29)

Shareholders' Equal Rights

Shareholders shall be equally treated and shall evenly enjoy all the rights arising from their shares ownership as per the statutory Law provisions, regulations and relevant resolutions.

The Bank's Articles of Association guarantees shareholder's freedom to exercise his rights without affecting the bank's interest and its shareholders throughout the submission of an application request to the board secretary to be discussed and evaluated by the board.

Article (30)

Access to Shareholders (Ownership) Register

The Bank shall submit, monthly, an application to the depositary to get an updated copy of the Shareholders register and keep in its custody.

Article (31)

Shareholder's Right to Access to Information

The Bank's Articles of Associations and by-laws includes the procedures of accessing to the information that enable a shareholder to exercise his/her full rights without prejudice to other shareholders' rights or harm the Bank's interests.

Article (32)

Shareholders' Rights Related to the General Assembly

The Bank's Articles of Associations shall include the provisions regulating Shareholders' rights relative to the General Assembly Meeting, including:

1. The shareholder(s) who owns at least (10%) of the Bank's capital shall be entitled to request inviting General Assembly to convene. Shareholders holding at least (25%) of the Bank's capital shall be entitled to invite to an Extraordinary General Assembly meeting as per the procedures stipulated by Law and pertaining regulations.
2. The right to request the inclusion of given issues in the General Assembly's Agenda.
3. The right to attend the General Assembly meetings.
4. A shareholder shall – in writing and upon a power of attorney, be entitled to appoint another shareholder who is not a Board member to attend the General Assembly meeting on his behalf; provided that such shareholder by proxy not to be owner of more than (5%) of the Bank's capital shares.
5. Right of minors and the shareholders restricted to attend General Assembly meeting, provided to be represented by their legal attorneys.
6. Shareholder's right to address questions/inquiries to the Board members who shall be committed to give corresponding answers.
7. The right to vote on General Assembly decisions/ resolutions.
8. Shareholder right to object to any decision.

Article (33)

Facilitating Means of Effective Participation in the General Assembly

The Bank shall select the most appropriate place and time for holding its General Assembly meeting. It shall endeavour to use updated technical means in communicating with its shareholders in order to ease the effective participation of as large number as possible of them in the underlined meetings.

The Bank shall keep Shareholders updated of the matters listed on the Agenda and any additional issues added thereto, along with sufficient Information that enable them to decide thereupon, and shall enable them to peruse the General Assembly Minutes.

The Bank shall disclose the outcome of the General Assembly meeting once these have been adopted, and send a copy thereof to the Authority once approved.

Article (34)

Shareholders' Voting Rights:

Voting is a shareholder's right - to be exercised whether by the shareholder in person or through a shareholder's legal representative. Said right cannot be assigned or written off.

Article (35)

Shareholders' Rights pertaining to Election of Board Members

The General Assembly shall elect Board members by secret ballot using Cumulative Cast method.

Article (36)**Shareholders' Rights to Dividend Distribution**

The Bank's Articles of Associations shall determine a minimum of 5% percentage of the Net Dividends that should be distributed to Shareholders.

The Board approved a policy in this respect to the best interests of both the Bank and Shareholders. Shareholders shall be acknowledged of that policy during the General Assembly meeting and reference thereto shall be made in the Board's Report.

Dividends approved by the General Assembly for distribution, whether in cash or in form of bonus shares shall be given, as of right, to the share-owners listed in the Depository's Register at the closure of the trading session, on the day of the General Assembly's meeting.

Article (37)**Shareholders' Rights as to Major Trade Transactions**

The Bank's Articles of Associations shall include a detailed mechanism for protecting shareholders' rights in general and Minors rights in particular in case the Bank has executed major transactions that might harm their interests or prejudice the Bank's Equity. Markets Authority

Article (38)**Non-shareholders Rights**

The Bank shall be obliged to secure and observe investors (stakeholders)' rights. The Corporate Governance framework included a written mechanism determining the procedures for them to submit their grievances against eventual decisions and/or actions taken by some of the Bank executives and another mechanism for receiving and investing those stakeholders' complaints, proposals and notices.

Article (39)**Community's Right**

The Bank assumes its share in the social community development and promotion, as well as in the ecological preservation plans/activities through an effective and meaningful participation scheme of corporate social responsibility and health policies.

Social Responsibility

The Bank, as a responsible national body, recognizes its social responsibility towards the community in which the Bank operates. It is therefore committed to promoting sustainable development, protection and conservation of human life, health, natural resources and the environment and, adding value to the communities in which It is operating which reflects its recognition of the importance of both financial and non-financial commitment and contribution.

In this context, the Bank's 'Zakat' Committee disburses funds to the needy persons, and shares in debts settlement for insolvent or ceased people along with the Zakat Fund reporting to the Ministry of Endowments, either by relieving them or settling their indebtedness.

The Bank has many other contributions covering a large group of beneficiaries in the sectors of education, health care, cultural activities, in addition to endorsing sportive clubs and people suffering social needs. It contributed as well in hosting a number of conferences, exhibitions and sport events over the past years.

Ecological policy

The Bank is committed to apply the policies and procedures ecological management in ensuring that no harm should come to the environment through the performance of its operations. In-keeping with this commitment, the Bank endeavours to ensure that all employees comply with the following environmental policies.

- 1- Conduct business in an environmentally responsible manner
- 2- Comply with all applicable ecological laws and regulations
- 3- Notify the Board of any pertinent environmental issues and assess the Board's participation in such issues.
- 4- Control environmental impacts and the prevention of, or mitigating pollution, including operating towards a paperless environment.

Health Policy

The Bank, recognizing that good health factors and Safety Management have positive benefits to the organization, is committed to providing medical care service and maintaining it amid a safe and secure working environment for all employees. To this end, the bank embraces the following believes:

- 1- Ensuring the health, safety, security and welfare of all its employees whilst at work environment.
- 2- Ensuring that visitors to the Bank's premises are not exposed to risks to their health and safety.
- 3- Identifying hazards, assessing risks and managing those risks Accordingly, the Bank has adopted plans for fire-fighting, Crisis & Disaster management, Safety and full medical care & Health Insurance through renowned Insurance provider for the benefit of all permanent staffs.

Article (42)

- As part of the banks endeavours to fully abide with the entire Corporate Governance instructions & procedures, most majority of the code articles have been applied in compliance with Qatar Financial Markets rules including policies, procedures & internal controls based on founding principles of a rational management and paving the way for integral application of Governance rules within the Bank.

Management Assessment of Corporate Governance

In accordance with Article 2 of the QFMA Corporate Governance Code for Companies & Legal Entities on the Main Market (the "Code"), Qatar Islamic Bank (Q.P.S.C.) (the "Bank" or "QIB") carried out an assessment of its compliance with its Articles of Association, the provisions of the Law and the Qatar Financial Markets Authority (QFMA)'s relevant legislations, including the Code. As a result of the assessment, management concluded that it is in compliance with the QFMA's relevant regulations including the Code, with the exception of the following:

#	Description of Non-Compliance	Reference
1	<p>The Articles of Association was not updated to reflect the requirements of the Code.</p> <p>The Article states: "One third of the Board of Directors members may be experienced independent members other than the shareholders..."</p> <p>This statement does not comply with the requirement of Article (6) which states that at least one-third of the board members "shall" be independent board members.</p>	Article 6
2	The Board Members are not independent whereas the Code requires a third of the Board members to be independent.	Article 6
Audit and Risk Committee		
3	There are no independent Board members on the Committee.	Article 18 and 19
4	Chair is a member of the Nomination and Remuneration Committee	

KPMG, the external auditor of the Bank has issued a limited assurance report on the management assessment on compliance with the QFMA's relevant regulations including the Code as of 31 December 2019.

The Bank maintains a robust corporate governance framework to ensure compliance with its Articles of Association, the provisions of the Law, the QFMA's relevant regulations and applicable regulatory requirements issued by the Qatar Central Bank. The framework in place at the Bank to institutionalize corporate governance and includes the following components:

- QIB Articles of Association
- Corporate Governance Framework
- Board Charter
- Board Policy
- Board Secretariat
- Code of Ethics and Professional Conduct
- Board Committees
- Segregation of the Board and Executive Management Duties
- Management Committees
- Independent Control Functions
- Disclosure and Transparency policy
- Board Membership and Remuneration Arrangements
- Related Party transactions
- Conflict of Interest & Insider Trading Policy
- Compliance Monitoring Systems

The QFMA regulations that are applicable to the Bank and we have assessed our compliance with are:

1. QFMA Law No. 8/2012
2. All QFMA's applicable and relevant regulations including the provisions of the Governance Code for Companies & Legal Entities Listed on the Main Market (The Code).

Bassel Gamal
Group Chief Executive Officer

Jassim Bin Hamad
Bin Jassim Bin Jabor Al Thani
Chairman,
Board of Directors

Independent Limited Assurance Report

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

Report on Compliance with the Qatar Financial Markets Authority's Governance Code for Companies & Legal Entities Listed on the Main Market

In accordance with Article 24 of the Governance Code for Companies Listed on the Main Market ("the Code") Issued by the Qatar Financial Markets Authority ("QFMA"), we were engaged by the Board of Directors of Qatar Islamic Bank (Q.P.S.C.) ("the Bank") to carry out a limited assurance engagement over the Board of Director's assessment of compliance of the Bank with QFMA's law and relevant legislations including the Code as at 31 December 2019.

Responsibilities of the Board of Directors

The Board of Directors of the Bank is responsible for preparing the corporate governance report that covers at the minimum the requirements of Article 4 of the Code. The Board of Directors provided its 'Report on compliance with QFMA's law and relevant legislations including the Code' (the 'Statement'), which was shared with KPMG on 15 January 2020, which is to be included as part of the annual corporate governance report.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement.

The Board of Directors is responsible for ensuring that management and staff involved with the preparation of the Statement are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

The Board of Directors is also responsible for compliance with all applicable laws and regulations applicable to its activities.

Our Responsibilities

Our responsibility is to examine the Statement prepared by the Bank and to issue a report thereon including an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Statement is fairly presented, in all material respects, in accordance with the Code, as the basis for our limited assurance conclusion.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants, including independence, issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our understanding of the Bank's compliance with the Code and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In obtaining an understanding of the Bank's compliance with QFMA's law and relevant legislations including the Code and other engagement circumstances, we have considered the process used to prepare the Statement in order to design assurance procedures that are appropriate in the circumstances.

Our engagement included assessing the appropriateness of the Bank's compliance with QFMA's law and relevant legislations including the Code, and evaluating the appropriateness of the methods, policies and procedures, and models used in the preparation of the Statement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our limited assurance procedures do not involve assessing the qualitative aspects or effectiveness of the procedures adopted by the Board of Directors to comply with the requirements of the Code.

The procedures performed over the Statement include, but are not limited to:

- Reviewed the assessment completed by the Board of Directors to validate the Bank's compliance with QFMA's law and relevant legislations including the Code;
- Reviewed supporting evidence provided by the Board of Directors to validate the Bank's compliance with QFMA's law and relevant legislations including the Code; and
- Conducted additional procedures as deemed necessary to validate the Bank's compliance with QFMA's law and relevant legislations including the Code (e.g. review governance policies, procedures and practices, etc.).

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Statement nor of the underlying records or other sources from which the Statement was extracted.

Other Information

The other information comprises the information to be included in the Bank's annual corporate governance report which is expected to be made available to us after the date of this report. The Statement and our limited assurance report thereon will be included in the corporate governance report. When we read the corporate governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Characteristics and Limitations of the Statement

The Statement is prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of the information that each individual user may consider important in its own particular environment.

Criteria

The criteria for this engagement is assessment of compliance with QFMA's law and relevant legislations including the Code.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on our limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Board of Directors' Statement, does not present fairly, in all material respects, the Bank's compliance with QFMA's law and relevant legislations including the Code as at 31 December 2019.

Emphasis of Matter

We draw attention to part B of the Statement, which describes how the Bank is not in compliance with Articles 6, 18 and 19 of the Code. Our conclusion is not modified in respect of this matter.

Restriction of Use of Our Report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the shareholders of the Bank and QFMA for any purpose or in any context. Any party other than the shareholders of the Bank and QFMA who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the shareholders of the Bank and QFMA for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to the shareholders of the Bank and QFMA on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Bank's own internal purposes) or in part, without our prior written consent.

2 February 2020
Doha
State of Qatar

Yacoub Hobeika
KPMG
Auditor's Registration No. 289
Licensed by QFMA: External
Auditor's License No. 120153

Management's Assessment of Internal Control Over Financial Reporting

General

The Board of Directors of Qatar Islamic Bank (the "Bank") and its consolidated subsidiaries (together "the Group") is responsible for establishing and maintaining adequate internal control over financial reporting ("ICOFR") as required by the Qatar Financial Markets Authority (QFMA). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's consolidated financial statements for external reporting purposes 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). ICOFR also includes our disclosure controls and procedures designed to prevent misstatements.

Risks in Financial Reporting

The main risks in financial reporting are that either the consolidated financial statements are not presented fairly due to inadvertent or intentional errors or the publication of consolidated financial statements is not done on a timely basis. A lack of fair presentation arises when one or more financial statement accounts or disclosures contain misstatements (or omissions) that are material. Misstatements are deemed material if they could, individually or collectively, influence economic decisions that users make on the basis of the consolidated financial statements.

To confine those risks of financial reporting, the Group has established ICOFR with the aim of providing reasonable but not absolute assurance against material misstatements. We have also assessed the design, implementation and operating effectiveness of the Group's ICOFR based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO recommends the establishment of specific objectives to facilitate the design and evaluate the adequacy of a control system. As a result, in establishing ICOFR, management has adopted the following financial statement objectives:

- Existence / Occurrence: assets and liabilities exist and transactions have occurred;
- Completeness: all transactions are recorded, account balances are included in the consolidated financial statements;
- Valuation / Measurement: assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts;
- Rights and Obligations and Ownership: rights and obligations are appropriately recorded as assets and liabilities; and
- Presentation and disclosures: classification, disclosure and presentation of financial reporting is appropriate.

However, any internal control system, including ICOFR, no matter how well designed and operated, can provide only reasonable, but not absolute assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for ICOFR may not prevent all errors and fraud. Furthermore, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Organization of the Internal Control System

Functions Involved in the System of Internal Control over Financial Reporting

Controls within the system of ICOFR are performed by all business functions and infrastructure functions with an involvement in reviewing the reliability of the books and records that underlie the financial statements. As a result, the operation of ICOFR involves staff based in various functions across the organization.

Controls to Minimize the Risk of Financial Reporting Misstatement

The system of ICOFR consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the financial statements. Such controls are integrated into the operating process and include those which:

- are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties;
- operate on a periodic basis such as those which are performed as part of the annual consolidated financial statement preparation process;
- are preventative or detective in nature;
- have a direct or indirect impact on the consolidated financial statements themselves. Controls which have an indirect effect on the consolidated financial statements include entity level controls and Information Technology general controls such as system access and deployment controls whereas a control with a direct impact could be, for example, a reconciliation which directly supports a balance sheet line item; and
- feature automated and/or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.

Measuring Design, Implementation and Operating Effectiveness of Internal Control

For the financial year 2019, the Group has undertaken a formal evaluation of the adequacy of the design, implementation and operating effectiveness of the system of ICOFR considering:

The risk of misstatement of the consolidated financial statement line items, considering such factors as materiality and the susceptibility of the financial statement item to misstatement; and
The susceptibility of identified controls to failure, considering such factors as the degree of automation, complexity, and risk of management override, competence of personnel and the level of judgment required.

These factors, in aggregate, determine the nature, timing and extent of evidence that management requires in order to assess whether the design, implementation and operating effectiveness of the system of ICOFR is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the ICOFR evaluation. Information from other sources also form an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings.

The evaluation has included an assessment of the design, implementation, and operating effectiveness of controls within various processes including Financing, Deposit Taking, Investment/Funding, Credit Risk Management, Human Resources and Payroll, Procure to Pay, Capital Planning, Regulatory Reporting and General Ledger and Financial Reporting. The evaluation also included an assessment of the design, implementation, and operating effectiveness of Entity Level Controls and Information Technology General Controls.

As a result of the assessment of the design, implementation, and operating effectiveness of ICOFR, management did not identify any material weaknesses and concluded that ICOFR is appropriately designed, implemented, and operated effectively as of December 31, 2019.

INDEPENDENT REASONABLE ASSURANCE REPORT

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

Report on Internal Controls over Financial Reporting

In accordance with Article 24 of the Governance Code for Companies Listed on the Main Market ("the Code") Issued by the Qatar Financial Markets Authority ("QFMA"), we were engaged by the Board of Directors of Qatar Islamic Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (together "the Group") to carry out a reasonable assurance engagement over the Board of Directors' description of the processes and internal controls and assessment of the suitability of the design, implementation and operating effectiveness of the Group's internal controls over financial reporting ("ICFR") as at 31 December 2019 (the "Statement").

Responsibilities of the Board of Directors

The Board of Directors is responsible for fairly stating that the Statement is free from material misstatement and for the information contained therein.

The Statement, signed by the Group Chief Executive Officer and the Chief Financial Officer, which was shared with KPMG on 15 January 2020, is to be included in the annual report of the Group and includes:

- the Board of Directors' assessment of the suitability of design, implementation and operating effectiveness of the ICFR;
- the description of the process and internal controls over financial reporting for the processes of Financing, Deposit Taking, Investment / Funding, Credit Risk Management, Human Resources and Payroll, Procure to Pay, Capital Planning, Regulatory Reporting and General Ledger and Financial Reporting, Entity Level Controls and Information Technology General Controls;
- designing, implementing and testing controls to achieve the stated control objectives;
- identification of control gaps and failures, how they are remediated, and procedures set to prevent such failures or to close control gaps; and
- planning and performance of the management's testing, and identification of the control deficiencies.

The Board of Directors is responsible for establishing and maintaining internal controls over financial reporting based on the criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO" or "COSO Framework").

This responsibility includes designing, implementing, maintaining and testing internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error. It also includes developing the control objectives in line with the COSO Framework; designing, implementing and testing controls to achieve the stated control objectives; selecting and applying policies, making judgments and estimates that are reasonable in the circumstances, and maintaining adequate records in relation to the appropriateness of the Group's ICFR.

The Board of Directors is responsible for ensuring that management and staff involved with the preparation of the Statement are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

The Board of Directors is also responsible for compliance with all applicable laws and regulations applicable to its activities.

Our Responsibilities

Our responsibility is to examine the Statement prepared by the Group and to issue a report thereon including an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements *Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Statement is fairly presented, in all material respects, in accordance with the control objectives set out therein.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of Parts A and B of the *Code of Ethics for Professional Accountants*, including independence, issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Statement whether due to fraud or error.

Our engagement included assessing the appropriateness of the Group's ICOFR, and the suitability of the control objectives set out by the Group in preparing and presenting the Statement in the circumstances of the engagement. Furthermore, evaluating the overall presentation of the Statement, and whether the internal controls over financial reporting are suitably designed and implemented and are operating effectively as of 31 December 2019 based on the COSO Framework. Reasonable assurance is less than absolute assurance.

The procedures performed over the Statement include, but are not limited to, the following:

- Conducted inquiries with management of the Group to gain an understanding of the risk assessment and scoping exercise conducted by management;
- Examined the in-scope areas using materiality at the Group's consolidated financial statement level;
- Assessed the adequacy of the following:
 - Process level control documentation and related risks and controls as summarized in the Risk & Control Matrix ("RCM");
 - Entity level controls documentation and related risks and controls as summarized in the RCM;
 - Information Technology risks and controls as summarized in the RCM;
 - Disclosure controls as summarized in the RCM.
- Obtained an understanding of the methodology adopted by management for internal control design and implementation testing;
- Examined the walkthrough and design and implementation testing completed by management and conducted independent walkthrough testing, on a sample basis, as deemed necessary;
- Assessed the significance of any internal control weaknesses identified by management;
- Assessed the significance of any additional gaps identified through the procedures performed;
- Examined the management plans for testing the operating effectiveness to evaluate the reasonableness of tests with respect to the nature, extent and timing thereof, and whether the testing responsibilities have been appropriately assigned;
- Examined the management's testing documents to assess whether the operating effectiveness testing of key controls has been performed by the management in accordance with the management testing plan; and
- Re-performed tests on key controls to gain comfort on the operating effectiveness of management testing.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Statement nor of the underlying records or other sources from which the Statement was extracted.

Other information

The other information comprises the information to be included in the Group's annual report. We have not obtained the other information to be included in the annual report which is expected to be made available to us after the date of this report. The Statement and our reasonable assurance report thereon will be included in the annual report. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Characteristics and Limitations of the Statement

The Group's internal controls over financial reporting, because of their nature, may not prevent or detect all errors or omissions in processing or reporting transactions and consequently cannot provide absolute assurance that the control objectives will be met.

Historic evaluation of design, implementation and operating effectiveness of an internal control system may not be relevant to future periods if there is a change in conditions or that the degree of compliance with policies and procedures may deteriorate.

The Statement is prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of the information that each individual user may consider important in its own particular environment.

Criteria

The criteria for this engagement are the control objectives set out therein against which the design, implementation and operating effectiveness of the controls are measured or evaluated. The control objectives have been internally developed by the Group, based on the criteria established in the COSO Framework.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, based on the results of our reasonable assurance procedures, the Board of Directors' Statement fairly presents that the Group's ICOFR was properly designed and implemented and is operating effectively as at 31 December 2019.

Restriction of Use of Our Report

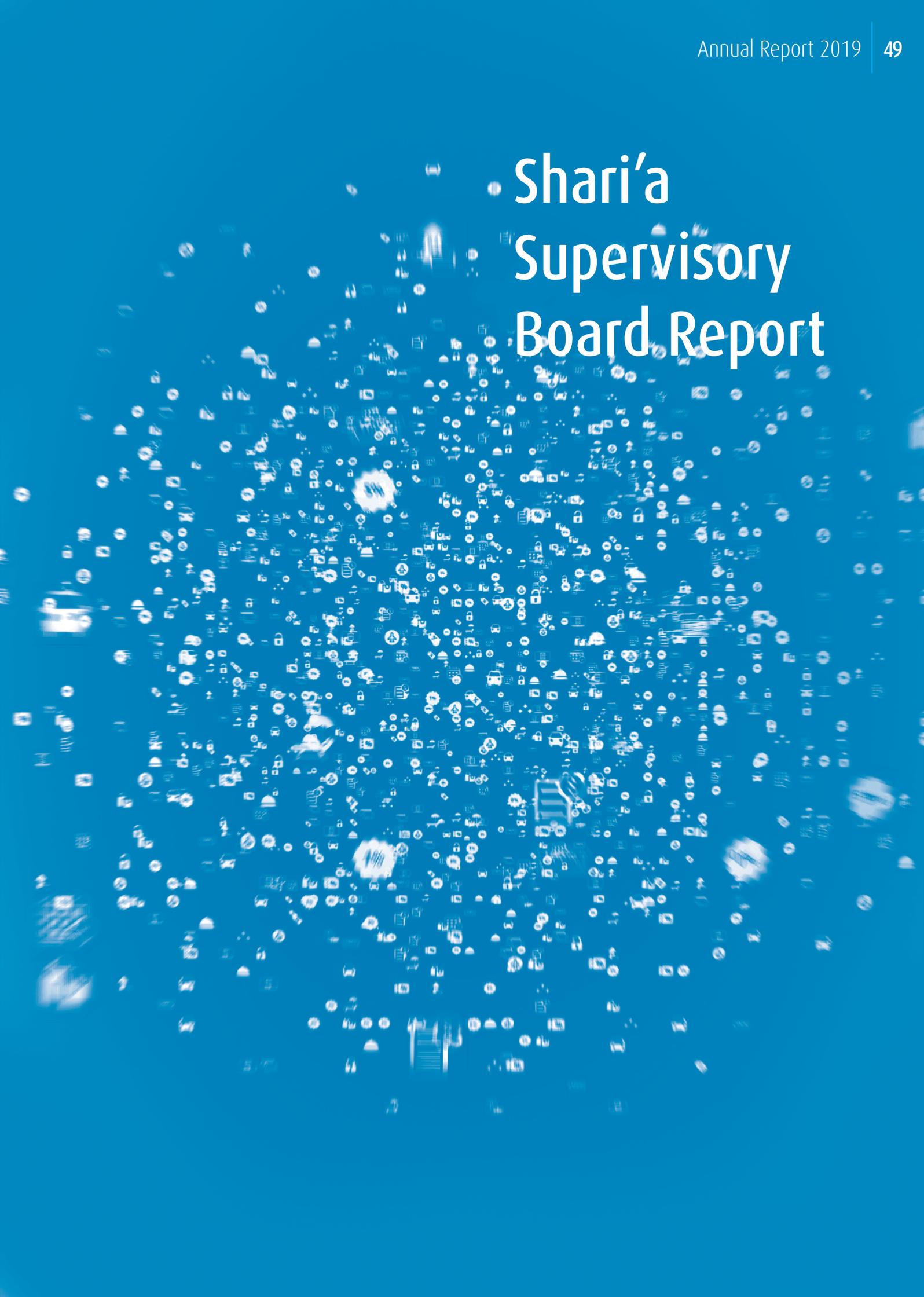
Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the shareholders of the Bank and QFMA for any purpose or in any context. Any party other than the shareholders of the Bank and QFMA who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the shareholders of the Bank and QFMA for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to the shareholders of the Bank and QFMA on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Bank's own internal purposes) or in part, without our prior written consent.

2 February 2020
Doha
State of Qatar

Yacoub Hobeika
KPMG
Auditor's Registration No. 289
Licensed by QFMA: External
Auditor's License No. 120153

Shari'a Supervisory Board Report



Shari'a Supervisory Board Report

For the fiscal year ending on 31st December 2019

All Praise be to Allah and may His peace and blessings be upon His messenger and bondsman our Prophet Mohammad, his family and his companions.

Shari'a Supervisory Board has reviewed QIB operations, contracts and products, and reviewed the financial statements and profit and loss account for the fiscal year 2019, and considers that they do not contradict with the provisions of Islamic Sharia.

May Allah guide us all to what pleases Him.

His Eminence Sheikh Walid Bin Hadi
Chairman, Shari'a Supervisory Board

Dr. Mohamad Ahmaine
Member, Shari'a Supervisory Board

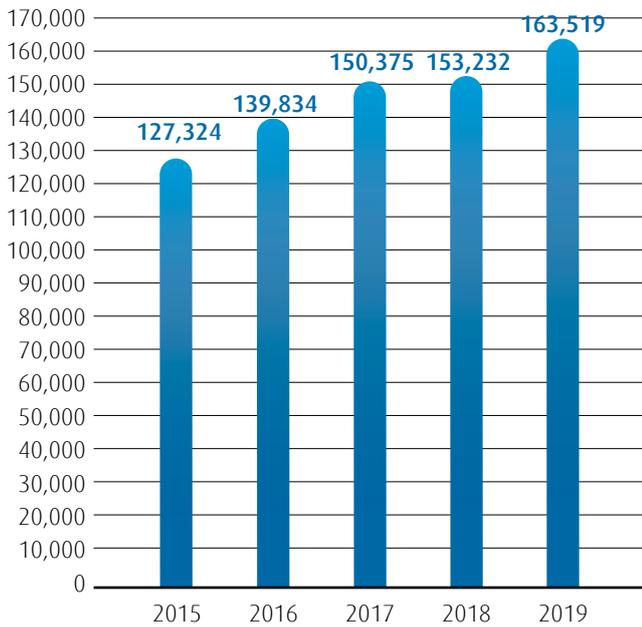
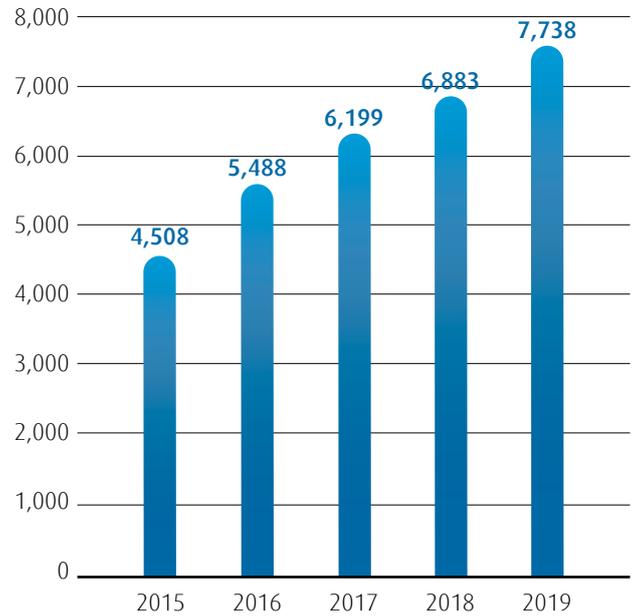
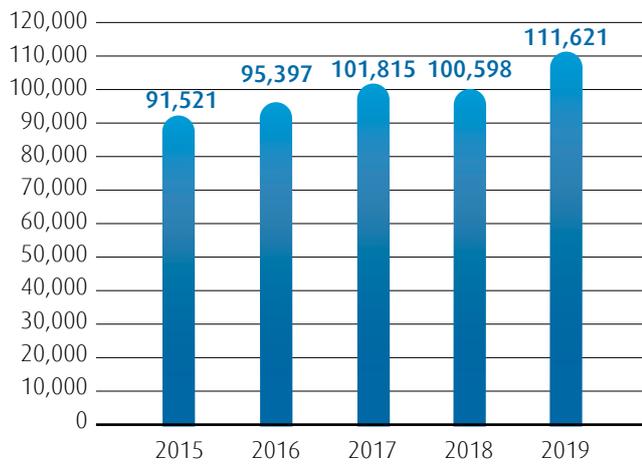
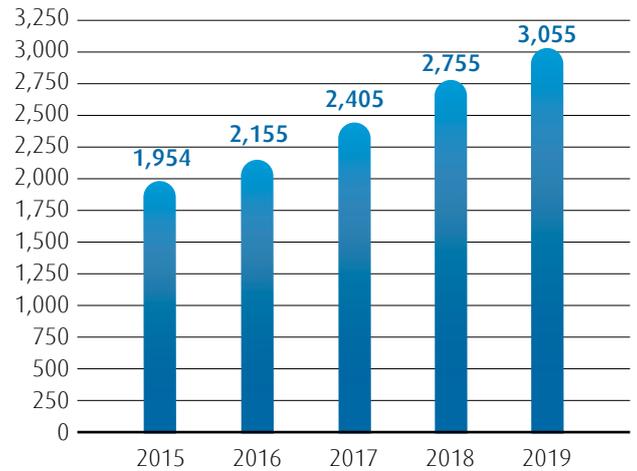
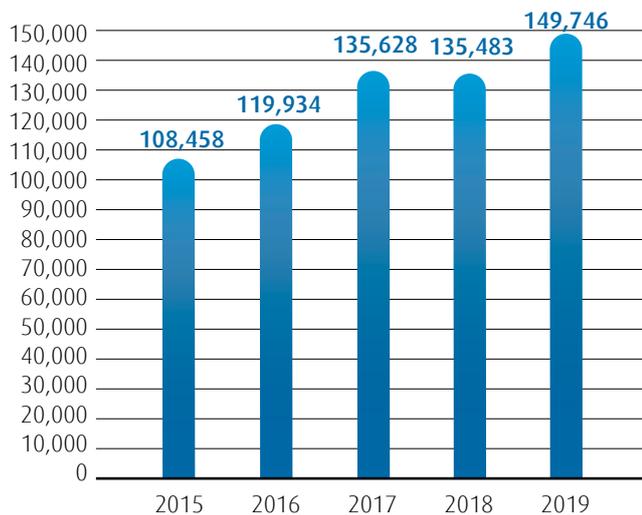
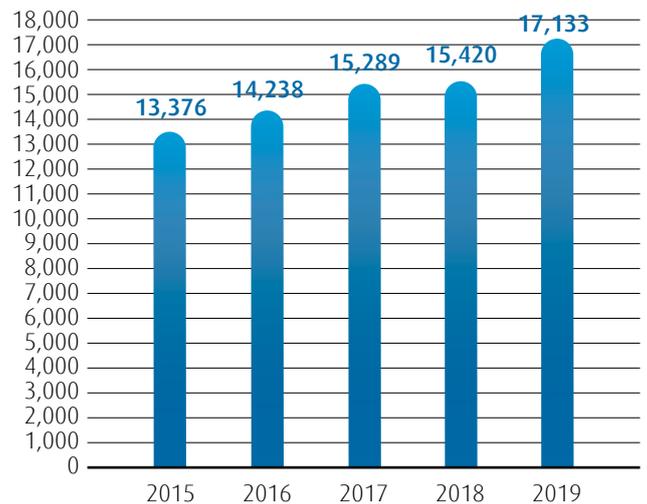
Prof. Abdul Sattar Abou Ghodda
Member, Shari'a Supervisory Board

QIB Financial Highlights





	(Million QR)				
	2019	2018	2017	2016	2015
(2015-2019)					
Total assets	163,519	153,232	150,375	139,834	127,324
Deposits	111,621	100,598	101,815	95,397	91,521
Financing & investments	149,746	135,483	135,628	119,934	108,458
Total income	7,738	6,883	6,199	5,488	4,508
General and administrative expenses	1,018	1,055	1,014	1,001	969
Provisions and depreciation	817	809	877	536	406
Net profit	3,055	2,755	2,405	2,155	1,954
Earnings per share (QR)	1.21	1.08	0.93	0.86	0.81
Total shareholders' equity	17,133	15,420	15,289	14,238	13,376
Share capital	2,363	2,363	2,363	2,363	2,363
Equity of unrestricted investment account holders	96,641	85,177	85,214	81,342	77,327
Customers' current accounts	14,979	15,421	16,600	14,055	14,194

Assets (Million QR)**Total Income (Million QR)****Deposits (Million QR)****Net Profit (Million QR)****Financing & Investments (Million QR)****Shareholders Equity (Million QR)**

Financial Statements





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.

Impairment of financial assets subject to credit risk - refer to notes 4(b), 9, 10, 11 and 20 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"> • Impairment of financial assets subject to credit risk involves: <ul style="list-style-type: none"> - complex accounting requirements, including assumptions, estimates and judgements underlying the determination of adjustments on transition; - modelling risk (e.g. inappropriate methodology and design decisions); - susceptibility to management bias when making judgements to determine expected credit loss outcomes; and - complex disclosure requirements. • 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. 	<p>Our audit procedures in this area included the following, among others:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the accounting policies based on the requirements of FAS 30, our business understanding and industry practice. • Confirming our understanding of management's processes, systems and controls implemented, including controls over model development. • Identifying and testing the relevant controls. • Involving information risk management (IRM) specialists to test IT systems and relevant controls. • Evaluating the reasonableness of management's key judgements and estimates made in provision calculations, including selection of methods, models, assumptions and data sources. • Involving Financial Risk Management (FRM) specialists: <ul style="list-style-type: none"> o 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 o for evaluating the appropriateness and testing the mathematical accuracy of ECL models applied. • 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. • Assessing the completeness, accuracy and relevance of data. • Evaluating the reasonableness of and testing the post-model adjustments. • Performing detailed credit risk assessment of a sample of performing and non-performing financing assets in line with QCB regulations. • Assessing the adequacy of the Group's disclosures by reference to the requirement of the relevant accounting standards and QCB regulations.

<u>Valuation of investment securities</u> - refer to notes 3(d), 5(b) and 11 in the consolidated financial statements	<u>How the matter was addressed in our audit</u>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> • The valuation of investment securities involves complex accounting requirements, including assumptions, estimates and judgements underlying the determination of fair values. • 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. • Of the total investment securities, 5.5% comprise unquoted equity securities at fair value, the measurement of which requires use of estimates and judgements. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Testing controls over the process of valuation of investment securities. • Agreeing the valuation of the quoted equity and debt securities to externally quoted prices. • For unquoted equity securities, assessing the appropriateness of the valuation methodology and challenging the key underlying assumptions, such as pricing inputs and discount factors. • Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly input into the pricing models; • 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.

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.

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.
- 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
Licensed by QFMA: External Auditor's
License No. 120153

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		QAR'000	
As at 31 December			
	Notes	2019	2018
Assets			
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
Total assets		163,519,211	153,232,365
Liabilities, equity of unrestricted investment account holders and equity			
Liabilities			
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
Total liabilities		44,718,425	47,315,813
Equity of unrestricted investment account holders	21	96,641,474	85,177,175
Equity			
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
Total equity attributable to equity holders of the bank		17,133,006	15,420,296
Non-controlling interests	23	1,026,306	1,319,081
Sukuk eligible as additional capital	24	4,000,000	4,000,000
Total equity		22,159,312	20,739,377
Total liabilities, equity of unrestricted investment account holders and equity		163,519,211	153,232,365

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.

CONSOLIDATED STATEMENT OF INCOME		QAR'000	
For the year ended 31 December			
	Notes	2019	2018
Net income from financing activities	25	5,867,186	5,328,589
Net income from investing activities	26	1,062,636	672,591
Net income from financing and investing activities		6,929,822	6,001,180
Fee and commission income		868,823	732,257
Fee and commission expense		(175,670)	(156,415)
Net fee and commission income	27	693,153	575,842
Net foreign exchange gain	28	58,607	259,227
Share of results of associates	12	(1,196)	(552)
Other income		57,859	47,182
Total income		7,738,245	6,882,879
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)
Total expenses		(1,477,243)	(1,399,511)
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
Net profit for the year before tax and return to unrestricted investment account holders		5,527,639	4,763,801
Less: Return to unrestricted investment account holders	21	(2,531,900)	(2,125,416)
Profit before tax		2,995,739	2,638,385
Tax (expense) / credit	31	(11,151)	2,310
Net profit for the year		2,984,588	2,640,695
Net profit for the year attributable to:			
Equity holders of the Bank		3,055,423	2,755,311
Non-controlling interests		(70,835)	(114,616)
Net profit for the year		2,984,588	2,640,695
Earnings per share			
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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QAR '000

For the year ended 31 December

	Share capital	Legal Reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserve	Proposed cash dividends	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)
Balance at 31 December 2019	2,362,932	6,370,016	2,380,093	81,935	242,377	(316,204)	216,820	1,240,539	4,554,498	17,133,006	1,026,306	4,000,000	22,159,312

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QAR '000

For the year ended 31 December

	Share capital	Legal Reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserve	Proposed cash dividends	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 and expense for the year income	-	-	-	-	(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.

CONSOLIDATED STATEMENT OF CASH FLOWS**QAR'000****For the year ended 31 December**

	Notes	2019	2018
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 sukus		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)
Net cash (used in) / from operating activities		<u>(12,929,433)</u>	<u>3,151,590</u>
Cash flows from investing activities			
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
Net cash used in investing activities		<u>(1,621,705)</u>	<u>(214,733)</u>
Cash flows from financing activities			
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
Net cash from financing activities		<u>11,673,792</u>	<u>521,256</u>
Net (decrease) / increase in cash and cash equivalents		<u>(2,877,346)</u>	<u>3,458,113</u>
Cash and cash equivalents at 1 January		9,087,614	5,629,501
Cash and cash equivalents at 31 December	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.

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

QAR'000

For the year ended 31 December

Investment	At 1 January 2019	Movements during the year						At 31 December 2019
		Investment / (withdrawals)	Revaluation	Gross income	Dividends paid	Admin expense	Bank's fee as an agent	
Real Estate Portfolio	66,430	-	-	-	-	-	66,430	
Equity Securities Portfolio	555,461	87,612	26,802	47,729	(9,797)	(253)	703,637	
	621,891	87,612	26,802	47,729	(9,797)	(253)	770,067	
Investment	At 1 January 2018	Movements during the year						At 31 December 2018
		Investment / (withdrawals)	Revaluation	Gross income	Dividends paid	Admin expense	Bank's fee as an agent	
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
	956,756	(367,101)	14,924	34,413	(16,092)	(459)	(550)	621,891

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

CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND		QAR'000	
For the year ended 31 December			
	2019	2018	
Source of charity fund			
Earnings prohibited by Shari'a during the year	<u>2,480</u>	<u>2,361</u>	
Use of charity fund			
Researches, donations and other uses during the year	<u>(2,595)</u>	<u>(3,615)</u>	
Decrease of sources over uses	<u>(115)</u>	<u>(1,254)</u>	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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 sukuks, shares and similar instruments**

FAS 33 supersedes the earlier FAS 25 "Investment in sukuks, shares and similar instruments". The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari'a principles. The standard shall be effective from the financial periods beginning on or after 1 January 2020, with an option to early adopt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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)*****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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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)**

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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 policies. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****c) Foreign currency (continued)****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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investment securities (continued)

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 derecognition or impairment of the investments, are recognised in the consolidated statement of income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financing assets (continued)

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****f) Other financial assets and liabilities (continued)****ii. De-recognition of financial assets and financial liabilities (continued)**

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****g) Impairment of financial assets (other than equity type investments classified as fair value through equity) (continued)****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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****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 unrealized 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.

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:

	Years
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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.

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Employee benefits (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****w) Revenue recognition (continued)***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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****aa) Repossessed collateral**

Repossessioned 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 Shari'a 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****gg) Shari'a - compliant risk management instruments (continued)***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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (continued)

a) Introduction and overview (continued)

Risk management framework (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019

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>
Other credit risk exposures		
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>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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.

31 December 2019

Assets recorded on the consolidated statement of financial position:	Qatar	Other GCC	Other Middle East	Others	Total
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
	143,296,512	1,461,506	1,120,382	9,618,572	155,496,972

31 December 2018

Assets recorded on the consolidated statement of financial position:	Qatar	Other GCC	Other Middle East	Others	Total
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
	131,141,101	1,417,867	1,050,418	11,497,899	145,107,285

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**4. FINANCIAL RISK MANAGEMENT (continued)****b) Credit risk (continued)****(ii) Concentration of risks of financial assets with credit risk exposure (continued)****Off balance sheet items**

31 December 2019	Qatar	Other GCC	Other Middle East	Others	Total
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
	16,731,448	72,942	18,023	3,472,046	20,294,459

Off balance sheet items

31 December 2018	Qatar	Other GCC	Other Middle East	Others	Total
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
	16,506,025	79,543	133,023	1,258,353	17,976,944

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
Funded and unfunded:		
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
Total	175,791,431	163,084,229

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
Total	175,791,431	163,084,229

(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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
Investment securities – Debt type (amortised cost)								
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
	30,721,370	78,523	102,057	30,901,950	28,891,442	60,755	106,522	29,058,719
Allowance for impairment	(1,039)	(4,337)	(94,850)	(100,226)	(2,134)	(4,602)	(106,177)	(112,913)
Carrying amount	30,720,331	74,186	7,207	30,801,724	28,889,308	56,153	345	28,945,806
Due from banks and central banks								
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
	9,986,261	226,560	20,647	10,233,468	12,746,023	346,373	20,647	13,113,043
Allowance for impairment	(38)	(7)	(20,647)	(20,692)	(186)	-	(20,647)	(20,833)
Carrying amount	9,986,223	226,553	-	10,212,776	12,745,837	346,373	-	13,092,210
Financing commitments and financial guarantee								
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
	19,526,953	732,606	34,900	20,294,459	17,255,354	701,391	20,199	17,976,944
Allowance for impairment	(64,486)	(6,485)	(14,920)	(85,891)	(56,188)	(14,402)	(20,199)	(90,789)
Carrying amount	19,462,467	726,121	19,980	20,208,568	17,199,166	686,989	-	17,886,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019

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

Repossession 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.

(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 criterias 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**4. FINANCIAL RISK MANAGEMENT
(continued)****b) Credit risk (continued)****(vi) Inputs, assumptions and techniques used for estimating impairment (continued)****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 criterias 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.

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 provides 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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 are 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 occurrences 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 shows 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**4. FINANCIAL RISK MANAGEMENT (continued)****b) Credit risk (continued)****Loss allowance (continued)**

<i>Due from banks and central banks</i>	2019				2018			
	Stage 1	Stage 2	Stage 3	Total ECL	Stage 1	Stage 2	Stage 3	Total ECL
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>	2019				2018			
	Stage 1	Stage 2	Stage 3	Total ECL	Stage 1	Stage 2	Stage 3	Total ECL
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019

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 activities, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
Total assets	50,746,653	22,293,754	8,424,733	22,940,056	59,114,015	163,519,211

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
Total liabilities	29,135,901	1,182,635	4,730,065	4,171,058	5,498,766	44,718,425

Equity of unrestricted investment account holders

Equity of unrestricted investment account holders	58,219,571	12,412,418	16,847,006	8,024,045	1,138,434	96,641,474
Total liabilities and equity of unrestricted investment account holders	87,355,472	13,595,053	21,577,071	12,195,103	6,637,200	141,359,899
Maturity gap	(36,608,819)	8,698,701	(13,152,338)	10,744,953	52,476,815	22,159,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
Total assets	36,207,513	24,377,121	9,689,971	23,716,067	59,241,693	153,232,365
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
Total liabilities	31,030,848	2,917,072	3,350,727	5,147,014	4,870,152	47,315,813
Equity of unrestricted investment account holders	51,282,766	11,260,304	17,659,126	4,489,905	485,074	85,177,175
Total liabilities and equity of unrestricted investment account holders	82,313,614	14,177,376	21,009,853	9,636,919	5,355,226	132,492,988
Maturity gap	(46,106,101)	10,199,745	(11,319,882)	14,079,148	53,886,467	20,739,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
Non-derivative financial liabilities							
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
Total liabilities	44,718,425	48,710,205	32,989,930	1,344,145	4,399,622	4,261,687	5,714,821
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
	141,359,899	147,880,637	91,821,426	14,214,814	21,962,806	12,967,230	6,914,361

2018	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
Non-derivative financial liabilities							
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
Total liabilities	47,315,813	48,848,330	33,415,965	2,653,854	2,353,292	5,534,916	4,890,303
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
	132,492,988	136,348,651	85,373,841	14,189,231	20,903,071	10,459,424	5,423,083

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**4. FINANCIAL RISK MANAGEMENT
(continued)****d) Market risks (continued)**

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.

(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.

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

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

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

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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:			Non-profit sensitive	Effective profit rate	
		Less than 3 months	3-12 months	1-5 years			More than 5 years
2019							
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%
	157,980,572	73,307,642	46,734,282	14,999,955	13,535,249	9,403,444	-
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%
	25,288,960	14,428,827	5,138,790	5,721,343	-	-	-
Equity of unrestricted investment account holders	96,641,474	58,219,582	29,259,414	9,162,478	-	-	2.72%
	121,930,434	72,648,409	34,398,204	14,883,821	-	-	-
Profit rate sensitivity gap	36,050,138	659,233	12,336,078	116,134	13,535,249	9,403,444	-
Cumulative profit rate sensitivity gap	-	36,050,138	35,390,905	23,054,827	22,938,693	9,403,444	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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%
	147,406,598	62,012,912	49,568,866	18,389,470	7,033,889	10,401,461	-
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%
	26,423,015	16,632,860	3,077,688	6,712,467	-	-	-
Equity of unrestricted investment account holders	85,177,175	51,282,776	28,053,682	5,840,717	-	-	2.87%
	111,600,190	67,915,636	31,131,370	12,553,184	-	-	-
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	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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:

Sensitivity of net profit	100 bp parallel increase	100 bp parallel decrease
2019		
At 31 December	134.84 million	(134.84 million)
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

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

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:

	Increase / (decrease)	
5% change in currency exchange rate	2019	2018
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**4. FINANCIAL RISK MANAGEMENT (continued)****d) Market risks (continued)****(iv) Exposure to other market risks – non-trading portfolios (continued)**

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

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

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:

	2019	2018
	Basel III	Basel III
Common Equity Tier 1 (CET 1) Capital	16,179,018	14,841,497
Tier 1 capital	20,220,042	18,898,063
Tier 2 capital	1,302,214	1,064,101
Total regulatory capital	21,522,256	19,962,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**4. FINANCIAL RISK MANAGEMENT
(continued)****e) Capital management (continued)****Risk weighted assets**

	2019	2018
	Basel III	Basel III
Risk weighted assets for credit risk	100,895,149	97,856,405
Risk weighted assets for market risk	372,172	364,708
Risk weighted assets for operational risk	9,136,707	8,177,548
Total risk weighted assets	110,404,028	106,398,661
Regulatory capital	21,522,256	19,962,164
Common equity tier 1 (CET 1) ratio	14.7%	13.9%
Total capital adequacy ratio	19.5%	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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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 are 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	-
Investments securities				
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
Financing assets classified as FVTIS	513,445	-	-	513,445
Shari'a compliant risk management instruments (liabilities)	64,526	-	64,526	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
Equity investments					
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
Financing assets classified as FVTIS	494,929	13,085	57,254	(51,824)	513,444
	1,936,886	449,844	107,378	(702,698)	1,791,410

	At 1 January 2018	Total gain / (loss) recorded in consolidated income statement / equity	Purchases	Sales/ transfers	At 31 December 2018
Equity investments					
at fair value through equity	267,532	10,877	937	(279,346)	-
at fair value through income statement	1,140,472	(94,710)	412,416	(16,221)	1,441,957
at fair value through income statement	7,433	(7,433)	-	-	-
Financing assets classified as FVTIS	522,019	(7,678)	-	(19,412)	494,929
	1,937,456	(98,944)	413,353	(314,979)	1,936,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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**

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.

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.

Corporate banking	Includes services offered to institutional investors, corporates, small and medium enterprises, financial institutions and investment vehicles.
Personal banking	Includes services that are offered to individual customers through local branches of the bank which includes checking and savings accounts, credit cards, personal lines of credit, mortgages, and so forth.
Group function	Treasury, investment, finance and other central functions.
Local & international subsidiaries	Local and international subsidiaries include the Groups local and international subsidiaries all of which are consolidated in the Group financial statements

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
Total income	5,060,156	1,612,769	712,895	352,425	7,738,245
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	-	-
Reportable segment net profit after tax	1,545,940	1,085,961	407,249	(54,562)	2,984,588
Reportable segment assets	101,292,679	19,538,847	38,115,941	4,571,744	163,519,211
Reportable segment liabilities and equity of unrestricted investments account holders	55,876,231	38,897,124	42,415,545	4,170,999	141,359,899
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
Total income	4,655,133	1,458,825	337,445	431,476	6,882,879
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	-	-
Reportable segment net profit after tax	1,532,712	1,039,503	53,045	15,435	2,640,695
Reportable segment assets	91,400,552	18,298,362	38,827,233	4,706,218	153,232,365
Reportable segment liabilities and equity of unrestricted investments account holders	58,369,504	35,316,924	34,976,783	3,829,777	132,492,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
2019					
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
	995,952	1,987,532	155,620,975	158,604,459	158,579,364
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
	-	-	141,359,899	141,359,899	141,359,899
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
	486,027	2,536,696	145,144,711	148,167,435	148,042,956
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
	-	-	132,492,988	132,492,988	132,492,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
	7,402,932	7,298,914

(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)
	3,552,284	6,424,153

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
Total financing assets	124,378,154	112,407,272
Less: Deferred profit	(7,859,426)	(8,004,893)
Total financing assets net of deferred profit	116,518,728	104,402,379
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)
Net financing assets	113,753,593	102,209,930

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).

(b) Movement in impairment` 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	2,173,241	2,072,781
Charge for the year	856,680	638,037
Recoveries during the year	(232,611)	(132,963)
Net impairment losses during the year	624,069	505,074
Written off during the year	(99,390)	(194,608)
Foreign currency translation and adjustments	767	(253,443)
Balance at 31 December*	2,698,687	2,129,804

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019

10. FINANCING ASSETS (continued)

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

	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 2019	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)
Net impairment losses during the year	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
Balance at 31 December 2019 (i)	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

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**10. FINANCING ASSETS (continued)****(d) By sector**

2019	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
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	82,662,946	18,675,895	20,076,735	848,730	18,311	2,095,537	124,378,154
Less: Deferred profit							(7,859,426)
Total financing assets net of deferred profit							116,518,728
Less: Expected credit losses on financing assets - performing (Stage 1 and 2)							(1,250,074)
Allowance for impairment on financing assets - credit impaired (Stage 3)							(1,448,613)
Suspended profit							(66,448)
Net financing assets							113,753,593

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.

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	12,257,445	307,801	1,748,471	34,725	14,111	506,962	14,869,515
Services	8,179,590	88,627	84,382	1,541	-	1,283,418	9,637,558
Contracting	4,373,176	63,593	279,747	7,211	52,907	94,874	4,871,508
Real estate	8,738,023	42,735	15,642,146	686,655	4,305	6,394	25,120,258
Personal	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
Total financing assets	70,236,861	16,869,479	21,218,805	744,665	71,323	3,266,139	112,407,272
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)
Net financing assets							102,209,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**11. INVESTMENT SECURITIES**

	2019			2018		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
<i>Investments classified as fair value through income statement</i>						
• equity-type investments						
• debt-type investments	78,727	1,290,367	1,369,094	15,934	1,927,331	1,943,265
- Fixed rate						
- Floating rate	19,883	1,673	21,556	16,608	-	16,608
	-	83,437	83,437	-	81,895	81,895
	98,610	1,375,477	1,474,087	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	1,996,326	27,830,166	29,826,492	1,845,212	26,358,874	28,204,086
- Fixed rate	804,609	270,849	1,075,458	620,868	233,766	854,634
Less: Allowance for impairment*	(5,081)	(95,145)	(100,226)	(6,013)	(106,900)	(112,913)
	2,795,854	28,005,870	30,801,724	2,460,067	26,485,739	28,945,806
<i>Equity-type investments classified as fair value through equity</i>	440,693	555,259	995,952	408,737	77,290	486,027
	3,335,157	29,936,606	33,271,763	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	1,250,301	1,066,659
Charge during the year	94,353	237,709
Write off / reversals / transfers during the year	(403,329)	(54,067)
Balance at 31 December	941,325	1,250,301

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**12. INVESTMENT IN ASSOCIATES**

Associates' movement during the year is as follows:

	2019	2018	Name of the principal associates	Country of Incorporation	Company's Activities	Ownership %	
						2019	2018
Balance at 1 January	568,392	668,512	Al Jazeera Finance Company (Q.S.C)	Qatar	Financing	30.00%	30.00%
Foreign currency translation and other movements	(2,803)	(17,155)					
Investments transferred / disposed during the year	(12,660)	(71,577)	Al Daman Islamic Insurance	Qatar	Insurance	30.82%	30.01%
Share of results	(1,196)	(552)					
Cash dividend	(6,998)	(10,836)	Ambit Corporate Finance	India	Financial Service	25.83%	30.77%
Balance at 31 December	544,735	568,392					

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:

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

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)
Balance at 31 December	2,175,459	1,231,107

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**14. FIXED ASSETS**

	Land and buildings	IT equipment	Fixtures and fittings	Motor vehicles	Work in Progress	Total
Cost:						
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
Balance at 31 December 2019	428,448	188,145	359,185	5,109	6,238	987,125
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
Accumulated depreciation:						
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
Balance at 31 December 2019	84,349	171,214	275,188	4,626	-	535,377
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
Carrying amounts:						
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
Balance at 31 December 2019	344,099	16,931	83,997	483	6,238	451,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**15. INTANGIBLE ASSETS**

	Goodwill	Trade marks	Software	Work in Progress	Total
Balance at 1 January 2019	239,914	897	133,123	11,806	385,740
Additions	-	-	52,118	49,287	101,405
Transfers	-	(897)	897	(46,318)	(46,318)
Foreign currency translation	-	-	3	-	3
Amortisation during the year	-	-	(40,570)	-	(40,570)
Balance at 31 December 2019	239,914	-	145,571	14,775	400,260
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**16. OTHER ASSETS**

Notes:

	Note	2019	2018
Projects under development		39,589	62,728
Reposessed 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>

- (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
a) Held for trading						
Forward foreign exchange contracts	68,245	29,684	9,502,316	134,408	43,284	3,380,681
b) Held as cash flow hedges:						
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	-	-*
c) Held as hedge of net investment in foreign operation						
Forward foreign exchange contracts	49,773	5,039	850,619	8,290	624	197,834
d) Held as fair value hedges						
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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
	14,355,068	17,233,968

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
	14,979,086	15,420,808

19. SUKUK FINANCING

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

The terms of the above sukuk's arrangement include transfer of certain identified assets including original leased and Musharaka assets and Shari'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:

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

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

Year of Maturity	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	-
	10,881,780	9,153,643

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
	4,450,379	5,471,990

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)
Balance at 31 December	178,648	168,114

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

21. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**21. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (continued)**

	2019	2018
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	96,513,891	85,131,183
Share in fair value reserve	127,583	45,992
Total unrestricted investment account holders balance	96,641,474	85,177,175

22. EQUITY**(a) Share capital**

	2019	2018
At 1 January	2,362,932	2,362,932
At 31 December	2,362,932	2,362,932

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.

(f) Fair value reserve movement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019

22. EQUITY (continued)

(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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**26. NET INCOME FROM INVESTING ACTIVITIES**

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

27. NET FEE AND COMMISSION INCOME

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

28. NET FOREIGN EXCHANGE GAIN

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

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
	640,163	653,323

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
	377,493	402,081

31. TAX EXPENSE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**32. CONTINGENT LIABILITIES AND COMMITMENTS**

	2019	2018
a) Contingent liabilities		
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) Commitments		
Investment commitment	37,337	152,678
Total	<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.

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
Assets						
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
Total assets	<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
Total liabilities	<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	<u>77,716,330</u>	<u>4,660,907</u>	<u>7,702,843</u>	<u>373,766</u>	<u>6,187,628</u>	<u>96,641,474</u>
Total liabilities and equity of unrestricted investment account holders	<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>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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
Assets						
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
Total assets	134,409,880	1,828,135	11,592,845	1,310,484	4,091,021	153,232,365
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
Total liabilities	27,174,232	3,743,317	14,090,096	11,993	2,296,175	47,315,813
Equity of unrestricted investment account holders	74,139,662	3,633,801	5,347,806	387,733	1,668,173	85,177,175
Total liabilities and equity of unrestricted investment account holders	101,313,894	7,377,118	19,437,902	399,726	3,964,348	132,492,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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.

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

	<u>2019</u>	<u>2018</u>
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
	6,210,268	9,087,614

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:

	<u>2019</u>		<u>2018</u>		
	Associate companies	Board of Directors	Associate Companies	Board of Directors	Others
Assets:					
Gross financing assets (excluding provisions)	92,031	1,447,976	157,905	1,334,045	1,456,204
Equity of unrestricted investment account holders	64,494	1,093,382	50,811	1,061,279	25,150
Off balance sheet items:					
Contingent liabilities, guarantees and other commitments	-	503,764	-	470,999	-
Consolidated statement of income items:					
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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended 31 December 2019**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.

SUPPLEMENTARY INFORMATION at 31 December 2019**FINANCIAL STATEMENT OF THE PARENT BANK****A. Statement of financial position of the parent bank**

As at 31 December	2019	2018
ASSETS		
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
TOTAL ASSETS	158,947,466	148,526,147
LIABILITIES		
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
TOTAL LIABILITIES	43,012,694	45,438,326
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	94,457,591	83,224,885
SHAREHOLDERS' EQUITY		
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
TOTAL SHAREHOLDERS' EQUITY	17,477,181	15,862,936
Sukuk eligible as additional capital	4,000,000	4,000,000
Total equity	21,477,181	19,862,936
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY	158,947,466	148,526,147

SUPPLEMENTARY INFORMATION at 31 December 2019**B. STATEMENT OF INCOME OF THE PARENT BANK**

For the year ended 31 December	2019	2018
Net income from financing activities	5,665,717	5,125,015
Net income from investing activities	986,637	687,334
Total net income from financing and investing activities	6,652,354	5,812,349
Fee and commission income	805,568	677,892
Fee and commission expense	(172,618)	(145,891)
Net fee and commission income	632,950	532,001
Net foreign exchange gain	64,064	91,461
Share of results of associates	12,923	12,156
Other income	25,000	-
Total income	7,387,291	6,447,967
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)
Total expenses	(1,229,632)	(1,093,060)
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
Profit for the year before return to unrestricted investment account holders	5,514,579	4,701,339
Less: Return to unrestricted investment account holders	(2,473,957)	(2,079,513)
Profit for the year	3,040,622	2,621,826