BARWA BANK Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2019

BARWA BANK Q.P.S.C.
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BARWA BANK (Q.P.S.C.)

Opinion

We have audited the consolidated financial statements of Barwa Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of changes in equity, consolidated statement of changes in restricted investment accounts and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the 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. For each matter below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BARWA BANK (Q.P.S.C.) (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addresses the key audit matters
Impairment of financing assets	
At 31 December 2019, the Group's financing assets amounted to QR 52 billion (2018: QR 28 billion) representing 67% of Group's total assets (2018: 63%). The process for estimating impairment provision on credit risk associated with financing assets in accordance with FAS 30 involves significant judgement. FAS 30 requires the use of the Expected Credit Loss ("ECL") model for the purposes of calculating impairment provision. ECL model requires the Group to exercise significant judgement using subjective assumptions when determining both the timing and the amounts of ECL for financing assets. Due to the complexity of requirements under FAS 30, the significance of judgements applied and the Group's exposure to financing assets, which forms a major portion of the Group's assets, the audit of ECL for financing assets is a key audit matter. The disclosures relating to the above key audit matter are included in the following notes to the consolidated financial statements: Note 3 – Significant accounting policy Note 4 - Credit risk disclosure Note 5 – Use of estimates and judgements Note 10 – Financing assets	Our audit procedures included the following: • Evaluated the controls over granting, booking, monitoring and provisioning processes of financing assets. • Obtained an understanding of the Group's impairment provisioning policy and compared it with the requirements of FAS 30. • Involved our internal specialist to assist us in reviewing the ECL model. • Selected a sample of financing assets based on our judgement and assessed the key data sources and inputs and the reasonableness of assumptions used in the ECL model. • Recalculated the amounts of impairment losses required for financing assets and assessed whether they have been provided for in accordance with the requirements of FAS 30. • Performed detailed credit risk assessment for a sample of performing and non-performing financing assets, in line with FAS 30 and QCB regulations. • Evaluated the adequacy of disclosures in the consolidated financial statements against the requirements of FAS 30.
Impairment of goodwill	
At 31 December 2019, the Group has an existing goodwill of QR 893 million (2018: QR 777 million), in which an amount of QR 777 million arose from past acquisition of subsidiaries namely First Finance Company Q.P.S.C., The First Investor Company Q.P.S.C. and First Leasing Company Q.P.S.C. and an amount of QR 116 million resulting from the merger with International Bank of Qatar (IBQ) in 2019. As required by the International accounting standard ("IAS") 36 "Impairment of assets", an impairment review is performed on goodwill at least annually and when there is an indicator of impairment. In carrying out the impairment assessment of carrying value of the goodwill, management is required to make judgements in respect to the assumptions used to determine the recoverable amount.	Our procedures included the following: • Obtained an understanding and evaluated the Group's impairment assessment process and evaluated the appropriateness of management's identification of the Group's CGUs. • Assessed the competence and capabilities of the management team who performed the impairment evaluation of the goodwill. • Evaluated the key assumptions used in the impairment model for goodwill, including the operating cash flow projections, discount rates, and long-term growth rates and compared them to external industry outlook reports and economic growth forecasts with the assistance of our internal experts. • Assessed the reliability of cash flow forecasts through a review of actual past performance, comparison to previous forecasts and checked the mathematical accuracy.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BARWA BANK (Q.P.S.C.) (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addresses the key audit matters
Impairment of goodwill (continued)	
We focused on this area because of the significance of the balance and the significant judgments and assumptions involved in determining the recoverable amount of the CGU to which the goodwill is associated. Hence, this is considered a key audit matter. Information regarding the goodwill is included in Note 15 to the consolidated financial statements.	• Assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements.
Merger accounting	
In December 2018, the Shareholders of Barwa Bank Q.P.S.C. and International Bank of Qatar (IBQ) approved the merger of the two banks (the "Transaction") with an effective date of 21 April 2019 (the "merger date"). In the absence of specific guidance on business combinations in the Financial Accounting Standards ("FAS") as issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Group used the accounting treatment in accordance with IFRS 3 "Business Combination". Purchase Price Allocation ("PPA"), required to be carried out as part of business combination accounting, is a complex and inherently judgmental exercise. In particular, measuring the fair value of the identifiable assets acquired and the liabilities assumed involves complex valuation techniques and management judgments and assumptions. Due to the above, the significance of the assets acquired and liabilities assumed, and the complexity in merger accounting, we considered this as a key audit matter. The business combination related disclosures are included in note 40 to the consolidated financial statements.	Our procedures included the following: • Evaluated the controls put in place by the Group to ensure the existence and accuracy of the assets acquired and the completeness of liabilities assumed on the merger date. • Involved our internal specialists in the audit of the PPA and assessed the appropriateness of the methodology and the valuation techniques and assumptions used to value the assets acquired and the liabilities assumed by the Group and the appropriateness of the useful lives assigned to the identified intangible assets. • Validated the fair value adjustments recognized by management, checked the arithmetical accuracy of computations and evaluated the accounting entries carried out, ensuring that they are in accordance with the requirements of IFRS. • Evaluated the appropriateness and completeness of related disclosures in the consolidated financial statements against the requirements of IFRS.

Other matter
The consolidated financial statements of the Group as at and for the year ended 31 December 2018 were audited by another auditor, whose audit report dated 26 February 2019 expressed an unmodified audit opinion thereon.

Other information included in the Group's 2019 annual report
Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BARWA BANK (Q.P.S.C.) (CONTINUED)

Other information included in the Group's 2019 annual report (continued)
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the management and those charged with governance for the consolidated financial statements
The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FASs issued by AAOIFI and the applicable provisions of Qatar Central Bank regulations, and for such internal control as the management 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 management 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.

Those charged with governance is responsible for overseeing the Group's financial reporting process.

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 guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

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

- Identify and assess the risk 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 reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the management's 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BARWA BANK (Q.P.S.C.) (CONITNUED)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 those charged with governance 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 those charged with governance 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 Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 legal and other regulatory requirements

We have obtained all the information and explanations, which we considered necessary for the purpose of our audit. We confirm that we are not aware of any contraventions by the Bank of its Articles of Association and the amendments thereto, the applicable provisions of Qatar Central Bank Law and of the Qatar Commercial Companies Law No. 11 of 2015, having occurred during the financial year which might have had a material effect on the Group's financial position or performance.

ERNST & YOUNG
Doha

Ziad Nader
of Ernst & Young
Qatar Auditors Registry Number 258

Date: 9 June 2020
Doha - State of Qatar

BARWA BANK Q.P.S.C.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	31 December 2019 QAR '000	31 December 2018 QAR '000
ASSETS			
Cash and balances with Qatar Central Bank	8	**2,378,257**	1,714,903
Due from banks	9	**4,343,485**	2,628,481
Financing assets	10	**51,924,104**	27,937,909
Investment securities	11	**16,099,098**	10,642,350
Investment in associates and joint ventures	12	**147,404**	152,603
Investment properties	13	**3,730**	3,963
Fixed assets	14	**379,395**	229,899
Intangible assets	15	**1,599,269**	777,230
Other assets	16	**255,950**	274,202
TOTAL ASSETS		**77,130,692**	44,361,540
LIABILITIES			
Due to banks	17	**14,185,854**	9,727,565
Sukuk and fixed income financing	18	**1,824,096**	843,980
Customer current accounts	19	**5,392,893**	2,814,243
Other liabilities	20	**1,738,282**	1,006,437
TOTAL LIABILITIES		**23,141,125**	14,392,225
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	21	**42,485,121**	23,219,256
OWNERS' EQUITY			
Share capital	22(a)	**5,234,100**	3,000,000
Legal reserve	22(b)	**4,273,812**	2,548,997
Treasury shares	22(e)	**(38,350)**	(38,350)
Risk reserve	22(c)	**810,504**	113,650
Fair value reserve	11	**22,901**	1,666
Foreign currency translation reserve	12(a)	**(81)**	(81)
Other reserves	22(d)	**673,333**	673,333
Retained earnings		**528,136**	450,753
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**11,504,355**	6,749,968
Non-controlling interests	23	**91**	91
TOTAL OWNERS' EQUITY		**11,504,446**	6,750,059
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**77,130,692**	44,361,540

These consolidated financial statements were approved by the Board of Directors on 20 May 2020 and were signed on its behalf by:

Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

Khalid Yousef Al-Subeai
Group Chief Executive Officer

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

	Notes	For the year ended 31 December 2019 QAR '000	For the year ended 31 December 2018 QAR '000
Net income from financing activities	24	**2,316,832**	1,633,933
Net income from investing activities	25	**635,055**	457,982
Total net income from financing and investing activities		**2,951,887**	2,091,915
Fee and commission income		**256,952**	166,065
Fee and commission expense		**(65,592)**	(28,883)
Net fee and commission income	26	**191,360**	137,182
Net foreign exchange gain		**122,175**	84,870
Share of results of associates and joint ventures	12	**(525)**	(29,446)
Other income		**10,419**	9,913
Total income		**3,275,316**	2,294,434
Staff costs	27	**(410,316)**	(306,927)
Depreciation and amortisation	14&15	**(77,846)**	(24,668)
Other expenses	28	**(227,355)**	(146,699)
Finance cost		**(398,458)**	(330,969)
Total expenses		**(1,113,975)**	(809,263)
Net impairment loss on financing assets	4(b)	**(334,924)**	(10,755)
Net impairment reversal / (loss) on due from banks	4(b)	**2,022**	(876)
Net Impairment loss on investment securities	4(b)&11	**(11,292)**	(54,514)
Net impairment loss on investment in associates and joint ventures	12	**(4,762)**	(11,143)
Net impairment reversal on off balance sheet exposures subject to credit risk	4(b)	**3,184**	77,234
Profit for the year before return to unrestricted investment account holders		**1,815,569**	1,485,117
Return to unrestricted investment account holders	21	**(1,050,517)**	(720,151)
Net profit for the year		**765,052**	764,966
Net profit for the year attributable to:			
Equity holders of the Bank		**765,052**	764,966
Non-controlling interests		**-**	-
Net profit for the year		**765,052**	764,966
Earnings per share			
Basic and diluted earnings per share (QAR per share)	32	**1.69**	2.58

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

For the year ended 31 December 2019	*Share capital QAR '000*	*Legal reserve QAR '000*	*Treasury shares QAR '000*	*Risk reserve QAR '000*	*Fair value reserve QAR '000*	*Foreign currency translation reserve QAR '000*	*Other reserves QAR '000*	*Retained earnings QAR '000*	*Total equity attributable to equity holders of the Bank QAR '000*	*Non-controlling interests QAR '000*	*Total owners' equity QAR '000*
Balance at 1 January 2019	**3,000,000**	**2,548,997**	**(38,350)**	**113,650**	**1,666**	**(81)**	**673,333**	**450,753**	**6,749,968**	**91**	**6,750,059**
Fair value reserve movement (Note 11)	**-**	**-**	**-**	**-**	**21,147**	**-**	**-**	**-**	**21,147**	**-**	**21,147**
Share of comprehensive income of associates (Note 12)	**-**	**-**	**-**	**-**	**88**	**-**	**-**	**-**	**88**	**-**	**88**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**765,052**	**765,052**	**-**	**765,052**
Total recognised income for the year	**-**	**-**	**-**	**-**	**21,235**	**-**	**-**	**765,052**	**786,287**	**-**	**786,287**
Business Combination transaction (Note 40 (c))	**2,234,100**	**1,648,310**	**-**	**529,938**	**-**	**-**	**-**	**-**	**4,412,348**	**-**	**4,412,348**
Transfer to legal reserve	**-**	**76,505**	**-**	**-**	**-**	**-**	**-**	**(76,505)**	**-**	**-**	**-**
Transfer to risk reserve	**-**	**-**	**-**	**166,916**	**-**	**-**	**-**	**(166,916)**	**-**	**-**	**-**
Transfer to other reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(444,248)**	**(444,248)**	**-**	**(444,248)**
Balance at 31 December 2019	**5,234,100**	**4,273,812**	**(38,350)**	**810,504**	**22,901**	**(81)**	**673,333**	**528,136**	**11,504,355**	**91**	**11,504,446**

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

BARWA BANK Q.P.S.C.
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December 2019

For the year ended 31 December 2018	Share capital	Legal reserve	Treasury shares	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners' equity
Balance at 1 January 2018	3,000,000	2,396,004	(38,350)	695,563	3,208	141	574,002	977,361	7,607,929	13,680	7,621,609
Application of ECL	-	-	-	(645,563)	-	-	-	(560,969)	(1,206,532)	-	(1,206,532)
Restated balance as at 1 January 2018	3,000,000	2,396,004	(38,350)	50,000	3,208	141	574,002	416,392	6,401,397	13,680	6,415,077
Fair value reserve movement (note 11)	-	-	-	-	(2,495)	-	-	-	(2,495)	-	(2,495)
Share of associates foreign currency translation reserve (note 12)	-	-	-	-	953	(222)	-	-	731	-	731
Net profit for the year	-	-	-	-	-	-	-	764,966	764,966	-	764,966
Total recognised income and expense for the year	-	-	-	-	(1,542)	(222)	-	764,966	763,202	-	763,202
Transfer to legal reserve	-	152,993	-	-	-	-	-	(152,993)	-	-	-
Transfer to risk reserve	-	-	-	63,650	-	-	-	(63,650)	-	-	-
Change in other reserves, net	-	-	-	-	-	-	99,331	(99,331)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(414,631)	(414,631)	-	(414,631)
Change in ownership stake	-	-	-	-	-	-	-	-	-	(13,589)	(13,589)
Balance at 31 December 2018	3,000,000	2,548,997	(38,350)	113,650	1,666	(81)	673,333	450,753	6,749,968	91	6,750,059

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

	Notes	For the year ended 31 December 2019 QAR '000	2018 QAR '000
Cash flows from operating activities			
Net profit for the year		**765,052**	764,966
Adjustments for:			
Net impairment (reversal) / loss on due from banks	4(b)	**(2,022)**	876
Net impairment reversal on off balance sheet exposures subject to credit risk	4(b)	**(3,184)**	(77,234)
Net impairment loss on financing assets	4(b)	**334,924**	10,755
Net impairment loss on investment securities	4(b)&11	**11,292**	54,514
Impairment loss on investment in associates and joint ventures	12	**4,762**	11,143
Depreciation and amortisation	14&15	**77,846**	24,668
Employees' end of service benefits provision	20.1	**20,528**	19,247
Net gain / (loss) on sale of investment securities	25	**(21,150)**	5,759
Dividend income	25	**(27,283)**	(41,506)
Gain on disposal of fixed assets		**(264)**	(442)
Share of results of associates and joint ventures	12	**525**	29,446
Profit before changes in operating assets and liabilities		**1,161,026**	802,192
Change in reserve account with Qatar Central Bank		**124,551**	(38,888)
Change in due from banks		**169,597**	(2,988)
Change in financing assets		**(4,426,547)**	2,842,989
Change in other assets		**101,621**	(123,092)
Change in due to banks		**2,815,530**	(1,724,862)
Change in sukuk and fixed income financing		**(834,261)**	(1,364,286)
Change in customer current accounts		**(748,507)**	1,140,471
Change in other liabilities		**(403,650)**	57,498
		(2,040,640)	1,589,034
Dividends received	25	**27,283**	37,093
Employees' end of service benefits paid	20.1	**(20,093)**	(6,415)
Net cash (used in) / from operating activities		**(2,033,450)**	1,619,712
Cash flows from investing activities			
Disposal of investments, net		**(904,240)**	327,194
Disposal of associates and joint ventures		**-**	27,716
Acquisition of fixed and intangible assets, net	14	**(45,179)**	(12,492)
Proceeds from sale of fixed assets		**497**	2,128
Cash acquired on business combination		**535,863**	-
Net cash (used in) / from investing activities		**(413,059)**	344,546
Cash flows used in financing activities			
Change in unrestricted investment account holders		**3,754,319**	(1,576,858)
Dividend paid		**(444,248)**	(414,631)
Net cash from / (used in) financing activities		**3,310,071**	(1,991,489)
Net increase / (decrease) in cash and cash equivalents		**863,562**	(27,231)
Cash and cash equivalents at 1 January		**2,895,115**	2,922,346
Cash and cash equivalents at 31 December	33	**3,758,677**	2,895,115

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

For the year ended 31 December 2019	**At 1 January 2019**	**Movements during the year**					**At 31 December 2019**
	Total value QAR '000	**Investment / (withdrawal) QAR '000**	**Revaluation QAR '000**	**Gross Income QAR '000**	**Dividends paid QAR '000**	**Group's fee as an agent QAR '000**	**Total value QAR '000**
Discretionary Portfolio Management	**225,667**	**-**	**(2,977)**	**11,938**	**-**	**-**	**234,628**
Other Restricted Wakalas	**438,659**	**35,824**	**87,172**	**-**	**-**	**-**	**561,655**
	664,326	**35,824**	**84,195**	**11,938**	**-**	**-**	**796,283**

For the year ended 31 December 2018	At 1 January 2018	Movements during the year					At 31 December 2018
	Total value QAR '000	Investment / (withdrawal) QAR '000	Revaluation QAR '000	Gross Income QAR '000	Dividends paid QAR '000	Group's fee as an agent QAR '000	Total value QAR '000
Discretionary Portfolio Management	96,871	127,660	(844)	1,980	-	-	225,667
Other Restricted Wakalas	426,903	11,756	-	-	-	-	438,659
	523,774	139,416	(844)	1,980	-	-	664,326

The attached notes 1 to 41 form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Barwa Bank (the "Bank") was incorporated as a Qatari Shareholding Company in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the "date of incorporation"). The Bank commenced its activities on 1 February 2009 under Qatar Central Bank ("QCB") License No. RM/19/2007. On 21 March 2019, the Bank changed its status from Qatari Shareholding Company to Qatari Private Shareholding Company (Q.P.S.C.) following approval from shareholders and Ministry of Business and Trade, State of Qatar. The Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") are primarily engaged in financing, investing and advisory activities in accordance with Islamic Shari'a principles as determined by the Shari'a Committee of the Bank and provisions of its Memorandum and Articles of Association. Investment activities are carried out for proprietary purpose and on behalf of customers.

On 12 August 2018, the Bank and International Bank of Qatar ("IBQ") entered into a merger agreement as approved by the Board of Directors of both banks, which was subsequently approved by shareholder of both banks at respective extraordinary general meetings in December 2018. On 21 April 2019 (the effective date), the merger became effective upon receiving QCB confirmation pursuant to Article 161(2) of the Central Bank Law, Article 278 of the Companies Law, and the Merger Agreement. On the effective date, the assets and liabilities of IBQ has been assumed by Barwa Bank in consideration for the issue of New Barwa Bank Shares to existing IBQ Shareholders. Upon the merger becoming effective, IBQ has been dissolved as a legal entity pursuant to the provisions of Article 291 of the Companies Law. The combined bank retains Barwa Bank's legal registrations and licenses and continued to be a Shari'a compliant entity. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 9 branches in Doha, State of Qatar.

The merger transaction has been executed through a share swap, with the IBQ shareholders receiving 2.031 Barwa Bank shares for each of the IBQ share they hold. Following the issuance of the new Barwa Bank shares, shareholders of the Bank owns approximately 57% of the combined bank and IBQ shareholders owns approximately 43%. The Bank post completion of merger is now 24.48% owned by General Retirement and Social Insurance Authority, 11.67% by Military Pension Fund (Qatar), and 6.96% by Qatar Holding, strategic and direct investment arm of Qatar Investment Authority being the sovereign wealth fund of the State of Qatar; and remaining shares are owned by several individuals and corporate entities.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	***Country of incorporation***	***Year of incorporation***	***Percentage of ownership at 31 December***	
			2019	*2018*
The First Investor P.Q.S.C. ("TFI") (i)	Qatar	1999	**100%**	100%
First Finance Company P.Q.S.C. ("FFC") (ii)	Qatar	1999	**100%**	100%
First Leasing Company P.Q.S.C ("FLC") (iii)	Qatar	2008	**100%**	100%
BBG Sukuk limited (iv)	Cayman Islands	2015	**100%**	100%
IBQ Finance Limited (v)	Cayman Islands	2015	**100%**	-
IBQ Global Markets Limited (vi)	Cayman Islands	2017	**100%**	-

(i) TFI provides a full range of investment banking products and services that comply with Shari'a principles.
(ii) FFC is engaged in Shari'a compliant financing activities in accordance with its Articles of Association and QCB regulations.
(iii) FLC is primarily engaged in the Islamic leasing business.
(iv) BBG Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk financing (issuance) for the benefit of the Group.
(v) IBQ Finance Limited was incorporated in the Cayman Islands to engage in debt issuance for the benefit of IBQ.
(vi) IBQ Global Markets Limited was incorporated in the Cayman Islands to engage in conducting derivative transactions on behalf of the Group.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") as issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the applicable provisions of the Qatar Central Bank regulations and the applicable provisions of Qatar Commercial Company's Law No. 11 of 2015. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard ("IFRS").

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through equity, investments carried at fair value through the statement of income, derivatives held for risk management purposes and Shari'a compliant risk management instruments, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional currency. Except as otherwise indicated, financial statements presented in QAR has been rounded to the nearest thousands. The functional currencies for the Group entities have also been assessed as Qatari Riyals.

(d) Use of estimates and judgments

The preparation of these 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 the accounting policies that have 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.

(a) New standards, amendments and interpretations

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards, amendments and interpretations (continued)

New standards, amendments and interpretations issued but not effective from 1 January 2019

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 has replaced FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

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

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

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 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'ah principles. The standard shall be effective from the financial periods beginning on or after 1 January 2020, with an option to early adopt.

Categorization and classification:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards, amendments and interpretations (continued)

New standards, amendments and interpretations issued but not effective from 1 January 2019 (Continued)

FAS 33 Investment in sukuks, shares and similar instruments (continued)

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

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.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2019. The Group consolidates a subsidiary when it controls it. Control is achieved when the Bank 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.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

Profit or loss are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (conitnued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, 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 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, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in owners' equity. Gains or losses on disposals to non-controlling interests are also recorded in owners' equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in consolidated income statement. In addition, any amounts previously recognised in owners' equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to consolidated income statement where appropriate.

(iii) Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (conitnued)

(iv) Associates and joint ventures

Associates are entities over which the Group has significant influence but not control, generally significant influence presumed to exist when the Group has 20% or more of the voting rights.

Joint Ventures are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures 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 and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' and joint ventures post-acquisition profits or losses is recognised in the consolidated income statement; 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 or joint venture equals or exceeds its interest in the associate or joint venture, 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 or joint venture

Intergroup gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses in associates and joint ventures are recognised in the consolidated income statement. The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group.

(v) Business combination 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 other 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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.

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 consolidated statement of income.

Foreign currency differences are generally recognised in consolidated statement of income. However, foreign currency differences arising from the translation of the following items are recognized in consolidated statement of changes in equity:

- Fair value through equity investments (except on impairment, in which case foreign currency differences that have been recognized in consolidated statement of changes in equity are reclassified to consolidated income statement);

- A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective.

Foreign Operations
The assets and liabilities of foreign operations are translated into Qatari Riyal at the rate of exchange prevailing at the reporting date and their income statement is translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in consolidated statement of changes in equity. On disposal of a foreign operation, the component of consolidated statement of changes in equity relating to that particular foreign operation is recognised in the consolidated income statement

Hedge of a net investment in foreign operation
The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency.

To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in consolidated statement of changes in equity and accumulated in the foreign currency translation reserve. Any remaining differences are recognised in consolidated income statement. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to consolidated income statement as part of the gain or loss on disposal.

(d) Investment securities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities (continued)

(i) Classification (continued)

Debt-type instruments
Investments in debt-type instruments are classified into the following categories:

1) at amortised cost or
2) at fair value through income statement.

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 instruments
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.

(ii) 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 de-recognised 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.

(iii) 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 income statement.

Subsequent measurement
Investments at fair value through income statement are re-measured at fair value at the end of each reporting period and the resultant re-measurement gains or losses is recognised in the consolidated income statement 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 amoritisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities (continued)

(iii) Measurement (continued)

Subsequent measurement (continued)

Investments at fair value through equity are re-measured 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 owners' 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 income statement.

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).

(iv) 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 closing bid price for that instrument. For unlisted investments, the Group recognises any increase in the fair value when they have reliable indicators to support such an increase and to evaluate the fair value of these investments. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between willing and informed parties.

(e) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

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. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Based on QCB instructions Chapter VII, Section D, Para 3/2/1, the Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not enters into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financing assets (continued)

Murabaha and Musawama (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).

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. Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. The Group recognises Istisna'a revenue and profit margin based on 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
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, investments, customer current accounts, due to banks, and financing liabilities including sukuk and fixed income financing 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other financial assets and liabilities (conitnued)

(ii) De-recognition of financial assets and financial liabilities

The Group de-recognises 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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition 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 income statement.

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 derecognized.

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 de-recognised if it meets the de-recognition 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 de-recognises 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 or religious 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.

(g) Impairment of financial assets

Measurement of ECL

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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 instruments;
- Financial guarantee contracts issued; and
- Financing commitments issued.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

Measurement of ECL (continued)

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 income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through consolidated income statement.

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 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.

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 and Letter of credit: 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.

The determination of the FAS 30 provision results from a two-step approach:

Step 1: The facilities will have to be allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the facility has been credit impaired.

Step 2: The expected credit loss is calculated i.e., 12-month expected loss for all facilities in stage 1 and lifetime expected credit loss for all facilities in stage 2. The facilities in stage 3 are covered by specific provisions as per QCB regulations.

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 borrower, 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 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. The 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through equity 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 borrower 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 borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Qatar), is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

Any credit exposures to the Government of Qatar, represented by the Ministry of Finance and QCB are exempted from the application of expected credit loss model as per QCB's Circular 9 / 2017.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment / off balance sheet component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components is presented as a provision in other liabilities; and
- Debt instruments measured at fair value through equity: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financing assets and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(h) 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 less than three months from the reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment property

Properties held for rental or for capital appreciation purpose are classified as investment property and are measured at fair value with any change therein recognised in equity within the fair value reserve. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(j) Risk management instruments

Risk management instruments are measured at fair value on the consolidated statement of financial position and any resulting gain or loss is recognised in the consolidated income statement.

(k) Fixed assets

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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of related equipment. 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.

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 consolidated income statement.

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

Buildings	20 years
IT Equipment (hardware/software)	3-5 years
Fixtures, fittings and office equipment	4-7 years
Motor vehicles	5-7 years

(l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

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 are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (continued)

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 continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated statement of income.

The estimated useful lives of intangible assets for the current year are as follows:

Customer relationship	10.0 years
Core deposits	8.5 years

(m) Impairment of non-financial assets

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

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

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

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

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

An impairment loss in respect of goodwill cannot be subsequently 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.

(n) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Equity of unresticted investment account holders

Equity of unrestricted investment account holders is 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 investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after 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 investment accounts. Investment accounts are carried at their book values (amortised cost).

(p) Distribution of profit between equity of unrestricted investment account holders and owners

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 investment account holders and owners.
- The share of profit of 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 investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the year-end are net losses, then QCB, being the authority responsible for determining the Group's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of 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.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(r) Employee benefits

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 cost under note 27 in the consolidated financial statements. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

Defined benefit scheme
The Group provides for employees end of service benefits determined in accordance with the requirements of Qatar Labour law pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Group on the basis of employees' salaries and the number of years of service at the statement of financial position date.

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.

(s) 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 it is actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

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.

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.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Earnings per share

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

(u) 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 Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(v) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

(w) 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, the Group reserve these funds for charitable purposes.

(x) Taxation

The Group is currently exempt from income tax. However, the Group and certain subsidiaries of the Group that meet the Tax Law criteria are required to file income tax returns with the General Tax Authority.

(y) Financial information of the parent

A statement of financial position and income statement of the Parent as disclosed at the end of the consolidated financial statements are prepared following the same accounting policies as mentioned above except for investment in subsidiaries and associates which are carried at cost.

(z) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit and guarantees.

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.

Any increase in the liability relating to guarantees is taken to the consolidated statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "fee and commission income".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) 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 Group.

(ab) Sukuk and fixed income financing

Financing raised under Sukuks or fixed income financing program are recognised at amortised cost and disclosed as a separate line in the consolidated statement of financial position as "Sukuk and fixed income financing". Profit expense is recognised periodically till maturity. Sukuk and fixed income financing bears variable / fixed profit rate, which is paid on semi-annual basis.

(ac) Restricted investment accounts

Restricted investment accounts represents 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.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

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.

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risks and operational risk.

Risk Management Structure
The Board of Directors is ultimately responsible for identifying and controlling risks, however, there are separate independent functions responsible for managing and monitoring risks.

Risk Management and Compliance Committee
The Risk Management and Compliance Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Credit Committee
The Board of Directors has delegated authority to Credit Committee to approve, sub-delegate, direct, monitor and reviews the Group's financing activities, within specified limits, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

The Credit Committee is the highest level of executive credit approval authority in the Group and is responsible for taking credit decisions within its delegated authority, recommending credit policies and future direction of the credit activities in the Group.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Asset Liability Committee (ALCO)
ALCO is responsible for the overall balance sheet management of the Group. ALCO set guidelines for the overall management of the liquidity and profit rate risk. ALCO also determine the borrowing and funding strategy (asset allocation) of the Group in order to maximize the profit and minimize risk.

Operational Risk Committee
The Operational Risk Committee is responsible for managing and overseeing all aspects of operational risk in the Group. The Committee is responsible for the effective implementation of all operational risk policies and standards.

Internal Audit
Risk management processes are audited by the Group Internal Audit function which examines both the adequacy and compliance with the procedures in addition to a specific audit of the Group Risk function itself as per the approved audit plan. Group Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

(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.

The Group manages credit risk through diversification of investments, capital markets, lending and financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains collaterals when appropriate.

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or customer (collectively referred as "counterparties"). It is the risk that a loss will be incurred if counterparty defaults or fails to honor a financial obligation that is due. It takes into account both probability of involuntary default, wherein the counterparty does not possess the financial means to repay, and strategic default, wherein counterparty with the ability to repay deliberately defaults.

Credit risk may have the following results:

- Delay in payment obligation;
- Partial loss of the credit exposure; or
- Complete loss of the credit exposure.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk
The Board of Directors has delegated responsibility for the oversight of credit risk upto a specified limit to its Credit Committee, which is responsible for management of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, compliance with QCB regulations, other applicable legal and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Facilities exceeding a certain threshold require Board of Directors approval;
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of financial risk;
- Limiting geographical exposures, concentration risk based on internal and external ratings, exposure limits and QCB guidelines;
- Collateralising the exposures by adequate tangible and intangible collaterals. The types of collaterals obtained include cash, mortgages over real estate properties, pledges over shares and personal/corporate guarantees, as appropriate; and

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Management of credit risk (continued)

- Reviewing business units compliance of agreed exposure limits, including those for selected industries, country risk and product types. Regular review of the credit quality of Group's portfolios is performed and appropriate corrective actions are taken when required.

The Group has implemented Moody's Risk Analyst Rating System, in order to effectively monitor credit risk at an obligor's level on the Group's portfolio and align capital adequacy to such risks. The system is globally proven and enables the Group to rate credit risk on a more objective basis.

(i) Credit risk measurement

Group regularly analyze the quality of the overall credit portfolio with particular focus on the problem credits and the remedial management process.
This include:

- Transaction level review
- Obligor level review
- Portfolio based review
- Exception based review.

Credit review and Credit Administration units are responsible to ensure that all financing activity is undertaken within the approved framework and any deviations are promptly detected, reported and followed up for remedial action.

Credit portfolio management

Objective and responsibility
Portfolio management is an integral part of the credit process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. It does so by incorporating portfolio strategy and planning, performance assessment and reporting functions into one comprehensive management process.

Group is responsible for carrying out the activities in relation to credit risk portfolio management by seeking information from different business units on a regular basis to perform this function. The portfolio analyst undertakes the review, monitoring and control of limits structures based on the portfolio diversification parameters. Further, it prepares portfolio studies and periodic sector/ regional exposure information for management review.

Portfolio diversification
The Group takes into consideration the following parameters to assess the diversification of the credit portfolio across:

- Group exposure limits
- Industry/ sector exposure limits
- Country exposure limits
- Product exposure limits
- Exposure to a particular credit risk mitigant

Stress testing of credit portfolio
The Group follows a rigorous and forward looking stress testing procedure (in line with pillar 2 requirements of Basel 3 Accord as well as taking into consideration QCB guidelines) that identifies possible events or changes in market conditions (or risk factors) that could adversely impact the Group. This requires foreseeing situations under hypothetical scenarios considering the question 'what-if' and development of stress tests in such scenarios. This enables the Group to be well equipped to cope with the crisis situations when they arise. Risk function has the responsibility of conducting periodic stress testing of the credit portfolio.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Credit risk measurement

Credit portfolio management (continued)

Stress testing of credit portfolio (continued)
The stress-testing program of the Group involves the following steps:

- Capturing reliable data (accuracy and timeliness)
- Identification of risk factors that have an impact on the portfolio value. The different categories of risk factors used by the Group are:

  a. Obligor rating
  b. Environment (industry, economic, political, real estate prices, etc.)
  c. Model (assumptions, holding period, etc.)
  d. Analytics (correlation, transition matrices, etc.)

- Construction of stress tests on the basis of single factor or multi-factor scenarios
- Deciding magnitude of factor shock
- Running stress tests
- Reporting results of stress tests
- Assessing the impact of abovementioned results on capital adequacy of the Group
- Reassessing the relevance of stress tests on yearly basis.

Credit risk management information system (MIS)
Information on all elements of the Group's risk asset portfolio, and most particularly on irregular accounts and on those displaying characteristics of deterioration, are readily available with the concerned staff. Reports are thoroughly scrutinized and, where indicated, triggers appropriate response from the department concerned.

(ii) Risk limit control and mitigation policies

The Group has processes in place for mitigating credit risk which mainly include processes for credit Initiation, credit standards, collateral management and large exposure management.

Collateral
The Group secures credit exposures through a variety of collaterals including cash margins, lien on fixed deposits, real estate and marketable securities. Independent valuation of real estate collaterals are obtained periodically to determine collateral coverage. The value of marketable securities is constantly monitored to determine whether any replenishments /disposals are required.

Financing limits (for risk management instrument and financing books)
The Group has defined limits by counterparty, borrowing group, country, Board of Directors, subsidiaries and affiliates. Exposures against these limits are monitored and any breach is reported to the Board through Risk Management and Compliance Committee.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

At 31 December	*2019* *QAR'000*	*2018* *QAR'000*
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Balances with Qatar Central Bank	**2,125,599**	1,422,596
Due from banks	**4,343,485**	2,628,481
Financing assets	**51,924,104**	27,937,909
Investment securities – debt type	**15,203,161**	9,777,582
Other assets	**202,262**	227,893
	73,798,611	41,994,461
Other credit risk exposures are as follows:		
Guarantees	**17,935,220**	8,250,634
Letters of credit	**1,753,949**	1,051,735
Unutilised credit facilities	**10,438,117**	8,214,465
	30,127,286	17,516,834

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.

(iv) 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 support), as categorised by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

31 December 2019

	Qatar *QAR'000*	*Other GCC* *QAR'000*	*Europe* *QAR'000*	*Others* *QAR'000*	*Total* *QAR'000*
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	**2,125,599**	**-**	**-**	**-**	**2,125,599**
Due from banks	**3,906,809**	**27,555**	**159,736**	**249,385**	**4,343,485**
Financing assets	**46,036,544**	**367,122**	**3,370,157**	**2,150,281**	**51,924,104**
Investment securities – debt type	**14,688,727**	**196,787**	**-**	**317,647**	**15,203,161**
Other assets	**202,262**	**-**	**-**	**-**	**202,262**
	66,959,941	**591,464**	**3,529,893**	**2,717,313**	**73,798,611**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Geographical sectors (continued)

31 December 2018	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	1,422,596	-	-	-	1,422,596
Due from banks	2,420,246	4,282	52,490	151,463	2,628,481
Financing assets	23,849,896	524,065	3,367,403	196,545	27,937,909
Investment securities – debt type	9,523,491	144,847	-	109,244	9,777,582
Other assets	227,893	-	-	-	227,893
	37,444,122	673,194	3,419,893	457,252	41,994,461

31 December 2019

Other credit risk exposures	***Qatar QAR'000***	***Other GCC QAR'000***	***Europe QAR'000***	***Others QAR'000***	***Total QAR'000***
Guarantees	**14,907,104**	**422,512**	**1,355,116**	**1,250,488**	**17,935,220**
Letters of credit	**1,727,294**	**-**	**-**	**26,655**	**1,753,949**
Unutilised credit facilities	**10,056,586**	**183,377**	**196,551**	**1,603**	**10,438,117**
	26,690,984	**605,889**	**1,551,667**	**1,278,746**	**30,127,286**

31 December 2018

Other credit risk exposures	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*Others QAR'000*	*Total QAR'000*
Guarantees	7,096,659	278,286	244,582	631,107	8,250,634
Letters of credit	1,051,161	-	-	574	1,051,735
Unutilised credit facilities	8,084,359	125,143	-	4,963	8,214,465
	16,232,179	403,429	244,582	636,644	17,516,834

Industry sectors

The following table breaks down the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements, as categorised by the industry sectors of the Group's counterparties.

	Total exposure	
As at 31 December	***2019 QAR'000***	*2018 QAR'000*
Funded and unfunded		
Government	**25,054,990**	16,476,689
Industry and Manufacturing	**2,947,261**	915,026
Commercial	**9,612,673**	3,738,400
Financial services	**8,962,756**	4,957,486
Contracting	**18,114,362**	10,370,832
Real estate	**12,910,083**	8,549,922
Personal	**11,174,915**	3,478,442
Services and others	**15,148,857**	11,024,498
	103,925,897	59,511,295

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Credit risk exposure

The tables below presents an analysis of financial assets by rating agency designation, based on Moody's ratings or their equivalent Standard & Poor's / Fitch:

At 31 December	***2019 QAR'000***	*2018 QAR'000*
Equivalent grades		
Aaa to Aa3	**28,854,400**	16,529,306
A1 to A3	**3,755,392**	4,182,060
Baa1 to Baa3	**1,169,427**	60,780
Ba1 to B3	**676,466**	353,805
Below B3	**29,053**	-
Unrated	**69,441,159**	38,385,344
	103,925,897	59,511,295

(v) Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings except retail portfolio. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 5 represents investment grade and ORR 6 to 7 represents sub-investment grade ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavors continuously to improve upon the 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 lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

The following table sets out information about the credit quality of financial assets, commitments and financial guarantees.

Due from banks		***31 December 2019***			*31 December 2018*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**4,343,603**	**-**	**-**	**4,343,603**	2,630,621
Sub-investment grade - ORR 6 to 7	**-**	**-**	**-**	**-**	-
Substandard - ORR 8	**-**	**-**	**-**	**-**	-
Doubtful ORR 9	**-**	**-**	**-**	**-**	-
Loss - ORR 10	**-**	**-**	**-**	**-**	-
	4,343,603	**-**	**-**	**4,343,603**	2,630,621
Loss allowance	**(118)**	**-**	**-**	**(118)**	(2,140)
Carrying amount	**4,343,485**	**-**	**-**	**4,343,485**	2,628,481

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality (continued)

Financing assets

	31 December 2019				*31 December 2018*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**36,814,794**	**2,299,253**	**-**	**39,114,047**	24,381,768
Sub-investment grade - ORR 6 to 7	**7,592,914**	**5,309,545**	**-**	**12,902,459**	4,230,281
Substandard - ORR 8	**-**	**-**	**297,132**	**297,132**	69,244
Doubtful ORR 9	**-**	**-**	**70,400**	**70,400**	351,158
Loss - ORR 10	**-**	**-**	**1,556,554**	**1,556,554**	553,006
	44,407,708	**7,608,798**	**1,924,086**	**53,940,592**	29,585,457
Loss allowance	**(151,213)**	**(587,259)**	**(1,178,674)**	**(1,917,146)**	(1,583,429)
Suspended profit	**-**	**-**	**(99,342)**	**(99,342)**	(64,119)
	(151,213)	**(587,259)**	**(1,278,016)**	**(2,016,488)**	(1,647,548)
Carrying amount	**44,256,495**	**7,021,539**	**646,070**	**51,924,104**	27,937,909

Investment securities

	31 December 2019				*31 December 2018*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**538,680**	**-**	**-**	**538,680**	439,917
Sub-investment grade - ORR 6 to 7	**437,990**	**53,391**	**-**	**491,381**	7,329
Substandard - ORR 8	**-**	**-**	**-**	**-**	-
Doubtful ORR 9	**-**	**-**	**-**	**-**	-
Loss - ORR 10	**-**	**-**	**-**	**-**	-
	976,670	**53,391**	**-**	**1,030,061**	447,246
Loss allowance	**(3,757)**	**(4,415)**	**-**	**(8,172)**	(10,454)
Carrying amount	**972,913**	**48,976**	**-**	**1,021,889**	436,792

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality (continued)

Financing commitments and financial guarantees	***31 December 2019***				*31 December 2018*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Investment grade - ORR 1 to 5	**15,228,119**	**969,858**	**-**	**16,197,977**	8,707,433
Sub-investment grade - ORR 6 to 7	**2,003,175**	**1,472,243**	**-**	**3,475,418**	587,664
Substandard - ORR 8	**-**	**-**	**2,630**	**2,630**	2,738
Doubtful ORR 9	**-**	**-**	**4,000**	**4,000**	2,203
Loss - ORR 10	**-**	**-**	**9,144**	**9,144**	2,331
	17,231,294	**2,442,101**	**15,774**	**19,689,169**	9,302,369
Loss allowance	**(300,841)**	**(26,061)**	**(5,481)**	**(332,383)**	(51,141)
Carrying amount	**16,930,453**	**2,416,040**	**10,293**	**19,356,786**	9,251,228

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.

(vi) 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 material deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group. The Group has collateral in form of blocked deposits, pledge of shares and legal mortgages. The aggregate fair value of collateral as at 31 December 2019 is QAR 41,909.2 million (31 December 2018: QAR 36,004.6 million).The value of the collateral held against credit-impaired financing assets and advances as at 31 December 2019 is QR 1,086.0 million (31 December 2018: QR 279.2 million).

The amount of contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2019 and 31 December 2018 was Nil.

(vii) Inputs, assumptions and techniques used for estimating impairment

To determine if the risk of default of a financial instrument has increased significantly since origination, the current risk of default at the reporting date is compared with the risk of default at initial recognition. The Group considers SICR based on the rating migration data, historical default rates, Days Past Due (DPD) status of the account, the internal credit rating of the Group and QCB guidelines. The SICR criteria for Internally rated portfolio (Wholesale and Private banking), Un-rated portfolio (Retail banking) and externally rated portfolio (Financials institution/ Banks) has been described below.

Internally rated portfolio:
For the internally rated portfolio the below criteria are used to determine the SICR for each facility

1. Two notch downgrade from ratings 1,2,3 and 4
2. One notch downgrade from ratings 5 and 6
3. Accounts classified under rating 7
4. 30-59 Days Past Due (subject to rebuttal)
5. 60-89 Days past Due
6. Restructured accounts in last 12 months

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Externally rated financial instruments

For all the financing portfolio and investments which are externally rated will be subject to the below criteria for determining the SICR:

1. Investment Grade – 2 notch downgrade from Aaa to Baa3
2. Speculative Grade – 1 notch downgrade from Ba1 to Caa3
3. Unrated exposures
4. Restructured accounts

Retail Portfolio

The following staging criteria based on Days Past Dues (DPDs) has been fixed for retail portfolio as per the FAS 30 and QCB guidelines:

FAS 30 presumes 30 DPD criteria for Stage 2 classification. This will be further assessed through forward and backward flow rates to rebut the 30 DPD criteria. However, in any case, this should not exceed 60 days as a back stop measure as defined by QCB.

Apart from the above mentioned staging criteria based upon rating grades and DPD buckets, following qualitative criteria is also evaluated by the management to categorize a particular borrower or portfolio into Stage 2 by providing appropriate reasoning for the same at the time of ECL computation.

1. Any particular industry/sector under stress can be treated as stage 2 for a temporary period as a whole irrespective of individual borrower ratings;
2. Any cross border exposures leading to deterioration in credit quality based upon worsening economic conditions of the country can be adjudged as stage 2 (e.g. all exposures to a country X can be deemed Stage 2);

For retail stage 2 assets, based upon its internal experience, the Group may treat sub portfolios differently as compared to portfolio level staging in case a significant increase in credit risk is seen for a particular segment of borrowers (e.g. by salary bands, employer, nationality etc.).

Credit risk grades

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

Generating the term structure of Probability of Default (PD)

The Group employs statistical models to analyse the data collected and generate estimates of PD to determine Expected Credit Loss (ECL). The Group has used different methodology for different portfolios based on the default history and rating methodologies. The statistical techniques include Transition matrix analysis for corporate portfolio, Pluto Tasche methodologies for low default portfolio like private Banking, flow rate analysis for retail portfolio.

Renegotiated financial assets

The contractual terms of a financing asset 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 asset whose terms have been modified may be derecognised and the renegotiated financing asset recognised as a new financing asset at fair value. Where possible, the Group seeks to restructure financing assets rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new financing asset conditions. Management continuously reviews renegotiated financing assets to ensure that all criteria are met and that future payments are likely to occur. As at 31 December 2019, QAR 2,541.6 million (31 December 2018: QAR 1,221.7 million) of deals were restructured.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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

- the borrower 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 borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is rated 8, 9 or 10.

In assessing whether a borrower is in default, the Group also 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
The Group employs statistical models to incorporate macro-economic factors to reflect all potential future deterioration scenarios for the loan according to their associated probability. This estimation integrates all information available including current conditions and anticipations of future potential economic conditions. The group has developed Merton model, credit index method and regression analysis and used the best fit model for incorporation of forward looking information.

In case none of the macro - economic parameters are statistically significant or the results of forecasted PD’s are too much deviated from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analyzing the portfolio as per the diagnostic tool. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

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 primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment 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 recovery costs of any collateral that is integral to the financial asset.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Measurement of ECL (continued)

LGD estimation includes:

1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

2) 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.

3) 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 amortization. The EAD of a financial asset is the amount that is outstanding at the time of default.

The off-Balance Sheet instruments such as lending commitments and financial guarantees, the EAD estimation is calculated after applying the credit conversion factor (CCF) to the nominal amount of the off-balance sheet instruments.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- credit risk grading's;
- product type; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance
The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Comparative amounts represent allowance account for credit losses and reflect measurement basis under FAS 30.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Loss allowance (continued)

Due from banks	***31 December 2019***				*31 December 2018*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	2,140	-	-	**2,140**	-
Impact of initial application	-	-	-	**-**	1,264
Transfers to Stage 1	-	-	-	**-**	-
Transfers to Stage 2	-	-	-	**-**	-
Transfers to Stage 3	-	-	-	**-**	-
Impairment allowance for the year, net	(2,022)	-	-	**(2,022)**	876
Amounts written off	-	-	-	**-**	-
	118	**-**	**-**	**118**	2,140

Financing assets	***31 December 2019***				*31 December 2018*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	135,065	879,347	633,136	**1,647,548**	548,649
Impact of initial application	-	-	-	-	1,066,439
Transfers to Stage 1	102	(102)	-	**-**	-
Transfers to Stage 2	(38,981)	38,981	-	**-**	-
Transfers to Stage 3	(12,249)	(281,738)	293,987	**-**	-
Impairment allowance for the year, net	67,276	(49,229)	316,877	**334,924**	10,755
Suspended profit, net movement	-	-	35,223	**35,223**	22,566
Amounts written off	-	-	(1,207)	**(1,207)**	(861)
	151,213	**587,259**	**1,278,016**	**2,016,488**	1,647,548

Investment securities	***31 December 2019***				*31 December 2018*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	10,454	-	-	**10,454**	-
Impact of initial application	-	-	-	**-**	10,454
Transfers to Stage 1	-	-	-	**-**	-
Transfers to Stage 2	(9,821)	9,821	-	**-**	-
Transfers to Stage 3	-	-	-	**-**	-
Impairment allowance for the year, net	3,124	(5,406)	-	**(2,282)**	-
Amounts written off	-	-	-	**-**	-
	3,757	**4,415**	**-**	**8,172**	10,454

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Loss allowance (continued)

Financing commitments and financial guarantees (including LC & LG)	***31 December 2019***				*31 December 2018*
	Stage 1 QAR'000	***Stage 2 QAR'000***	***Stage 3 QAR'000***	***Total QAR'000***	*Total QAR'000*
Balance at 1 January	27,850	23,291	-	**51,141**	-
Acquired on business combination	278,945	-	5,481	**284,426**	-
Impact of initial application	-	-	-	**-**	128,375
Transfers to Stage 1	-	-	-	**-**	-
Transfers to Stage 2	(10,380)	10,380	-	**-**	-
Transfers to Stage 3	-	-	-	**-**	-
Impairment allowance for the year, net	4,426	(7,610)	-	**(3,184)**	(77,234)
Amounts written off	-	-	-	**-**	-
	300,841	**26,061**	**5,481**	**332,383**	51,141

(viii) 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 the 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 borrower's / issuer's financial position such that the borrower / 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. The amount written off during the year was QAR 1.2 million (31 December 2018: QAR 0.9 million).

(c) Liquidity risk

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

(i) Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible that it has sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the Group's reputation. The primary objective of liquidity risk management over which the Asset and Liability Committee (ALCO) has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behavior or abnormal market conditions. The ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit mobilization plans are regularly reviewed for consistency with the liquidity policy requirements. A contingency plan is also in place which is reviewed periodically.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Management of liquidity risk (continued)

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Liquidity policy and procedures are subject to review and approval of the Board of Directors and ALCO. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board of Directors and ALCO.

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. The Group ratio of liquid assets to customer deposits As at 31 December 2019 was 19% (31 December 2018: 23%).

A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB. As at 31 December 2019, liquidity ratio as per QCB prescribed method was 110.0% (31 December 2018: 110.5%). The minimum liquidity ratio determined by the QCB is 100%.

(iii) Maturity analysis

Maturity analysis of Group's financial assets and liabilities are prepared on the basis of their contractual maturities. The contractual maturities have been determined on the basis of the remaining period at the statement of financial postion date and do not take into account effective maturities as indicated by the Group's deposit retention history. Cash in hand is not considered for liquidity risk management.

	Carrying amount QAR'000	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
31 December 2019						
Balances with Qatar Central Bank	**2,125,599**	**127,877**	**-**	**-**	**-**	**1,997,722**
Due from banks	**4,343,485**	**3,011,876**	**366,267**	**928,229**	**-**	**37,113**
Financing assets	**51,924,104**	**3,705,282**	**4,348,132**	**6,009,561**	**20,522,733**	**17,338,396**
Investment securities – debt type	**15,203,161**	**95,722**	**-**	**852,662**	**8,240,434**	**6,014,343**
Other assets	**202,262**	**125,337**	**-**	**76,925**	**-**	**-**
Total financial assets	**73,798,611**	**7,066,094**	**4,714,399**	**7,867,377**	**28,763,167**	**25,387,574**
Due to banks	**14,185,854**	**13,194,372**	**-**	**43,690**	**856,608**	**91,184**
Sukuk and fixed income financing	**1,824,096**	**-**	**-**	**1,824,096**	**-**	**-**
Customer current accounts	**5,392,893**	**5,392,893**	**-**	**-**	**-**	**-**
Other liabilities	**974,996**	**548,016**	**20,630**	**406,350**	**-**	**-**
Total financial liabilities	**22,377,839**	**19,135,281**	**20,630**	**2,274,136**	**856,608**	**91,184**
Equiy of unrestricted investment account holders	**42,485,121**	**20,418,531**	**4,966,963**	**16,025,342**	**1,074,285**	**-**
Total	**64,862,960**	**39,553,812**	**4,987,593**	**18,299,478**	**1,930,893**	**91,184**
Difference	**8,935,651**	**(32,487,718)**	**(273,194)**	**(10,432,101)**	**26,832,274**	**25,296,390**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

	Carrying amount QAR'000	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
31 December 2018						
Balances with Qatar Central Bank	1,422,596	234,327	-	-	-	1,188,269
Due from banks	2,628,481	2,369,033	-	-	259,448	-
Financing assets	27,937,909	1,037,986	793,502	3,522,792	11,326,205	11,257,424
Investment securities – debt type	9,777,582	550,000	138,043	177,769	4,463,666	4,448,104
Other assets	227,893	140,899	40,545	18,032	28,417	-
Total financial assets	41,994,461	4,332,245	972,090	3,718,593	16,077,736	16,893,797
Due to banks	9,727,565	8,561,974	29,213	404,495	731,883	-
Sukuk and fixed income financing	843,980	-	-	843,980	-	-
Customer current accounts	2,814,243	2,814,243	-	-	-	-
Other liabilities	476,152	160,114	144,901	169,943	1,194	-
Total financial liabilities	13,861,940	11,536,331	174,114	1,418,418	733,077	-
Equiy of unrestricted investment account holders	23,219,256	10,681,849	4,329,321	6,883,566	1,324,520	-
Total	37,081,196	22,218,180	4,503,435	8,301,984	2,057,597	-
Difference	4,913,265	(17,885,935)	(3,531,345)	(4,583,391)	14,020,139	16,893,797

(iv) Maturity analysis (Financial liabilities and risk management instruments)

31 December 2019	***Carrying amount QAR'000***	***Gross undisc-ounted cash flows QAR'000***	***Less than 1 month QAR'000***	***1-3 months QAR'000***	***3 months – 1 year QAR'000***	***1-5 years QAR'000***	***More than 5 years QAR'000***
Non-derivative financial liabilities							
Due to banks	**14,185,854**	**14,185,854**	**13,194,372**	**-**	**43,690**	**856,608**	**91,184**
Sukuk and fixed income financing	**1,824,096**	**1,824,096**	**-**	**-**	**1,824,096**	**-**	**-**
Customer current accounts	**5,392,893**	**5,392,893**	**5,392,893**	**-**	**-**	**-**	**-**
Other liabilities	**974,996**	**974,996**	**548,016**	**20,630**	**406,350**	**-**	**-**
Total liabilities	**22,377,839**	**22,377,839**	**19,135,281**	**20,630**	**2,274,136**	**856,608**	**91,184**
Equity of unrestricted investment account holders	**42,485,121**	**42,485,121**	**20,418,531**	**4,966,963**	**16,025,342**	**1,074,285**	**-**
Risk management instruments							
Risk Management:	**(71,661)**						
Outflow		**3,092,840**	**492,568**	**958,459**	**1,614,934**	**26,879**	**-**
Inflow		**(3,244,909)**	**(492,511)**	**(1,046,442)**	**(1,679,077)**	**(26,879)**	**-**
	64,791,299	**64,710,891**	**39,553,869**	**4,899,610**	**18,235,335**	**1,930,893**	**91,184**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iv) Maturity analysis (Financial liabilities and risk management instruments) (continued)

31 December 2018	*Carrying amount QAR'000*	*Gross undisc-ounted cash flows QAR'000*	*Less than 1 month QAR'000*	*1-3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*
Non-derivative financial liabilities							
Due to banks	9,727,565	9,727,565	8,561,974	29,213	404,495	731,883	-
Sukuk and fixed income financing	843,980	843,980	-	-	843,980	-	-
Customer current accounts	2,814,243	2,814,243	2,814,243	-	-	-	-
Other liabilities	476,152	476,152	160,114	144,901	169,943	1,194	-
Total liabilities	13,861,940	13,861,940	11,536,331	174,114	1,418,418	733,077	-
Equity of unrestricted investment account holders	23,219,256	23,219,256	10,681,849	4,329,321	6,883,566	1,324,520	-
Risk management instruments							
Risk Management:	(128,500)						
Outflow		3,092,840	492,568	958,459	1,614,934	26,879	-
Inflow		(3,244,909)	(492,511)	(1,046,442)	(1,679,077)	(26,879)	-
	36,952,696	36,929,127	22,218,237	4,415,452	8,237,841	2,057,597	-

(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 Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the profit rate management of the entity'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 is responsible for the development of detailed risk management policies (subject to review and approval by Board of Directors) and for the day-to-day review of their implementation.

The Board of Directors has set risk limits based on different factors including country-wise exposure limits. These limits are closely monitored by senior management and reviewed by ALCO on a regular basis.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(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). A fully integrated VaR computation system is used by the Group to calculate VaR through historical simulation, analytical and Monte Carlo approaches, which is based upon a 99 percent confidence level assuming a 1-day, 10-day and 30-day holding periods. Taking account of market data from the previous one year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. Market Risk limits are set and monitored by the Market Risk Management function endorsed by BOD.The Group uses VaR limits for total market risk and specific foreign exchange, profit rate, equity and other price risks. The overall structure of VaR limits are reviewed by ALCO and approval by the Board of Directors. VaR limits are allocated to trading portfolios

The Group's trading portfolio is comparitively insignificant in size, consist mainly of Equities however, the Group has established policies for VaR measurement to overlook the trends for market risk management. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity, on individual trading portfolios and the Group's overall position.

(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 central Treasury in its day-to-day monitoring activities.

The Islamic Financial Services Board ("IFSB") has issued a document on Risk Management guidelines for Institutions (other than Insurance Institutions) offering only Islamic Financial Service ("IFS"). This includes sections on 'Rate of Return Risk' and 'Liquidity Risk'. The Group adheres to the guidelines on 'Rate of Return Risk' and 'Liquidity Risk'.

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

	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*More than 5 years QAR'000*	*Non-profit rate sensitive QAR'000*	*Effective profit rate QAR'000*
31 December 2019							
Balances with Qatar Central Bank	**2,125,599**	**-**	**-**	**-**	**-**	**2,125,599**	**0.0%**
Due from banks	**4,343,485**	**219,782**	**-**	**-**	**-**	**4,123,703**	**1.9%**
Financing assets	**51,924,104**	**28,219,116**	**12,540,869**	**3,238,801**	**216,464**	**7,708,854**	**5.1%**
Investment securities-debt type	**15,203,161**	**-**	**-**	**-**	**-**	**15,203,161**	**4.0%**
	73,596,349	**28,438,898**	**12,540,869**	**3,238,801**	**216,464**	**29,161,317**	
Due to banks	**14,185,854**	**731,207**	**260,274**	**-**	**-**	**13,194,373**	**2.3%**
Sukuk and fixed income financing	**1,824,096**	**-**	**-**	**-**	**-**	**1,824,096**	**3.7%**
Equity of unrestricted investment account holders	**42,485,121**	**18,312,679**	**16,025,342**	**1,074,285**	**-**	**7,072,815**	**2.9%**
Consolidated statement of financial position items - Profit rate sensitivity gap	**15,101,278**	**9,395,012**	**(3,744,747)**	**2,164,516**	**216,464**	**7,070,033**	
Off-consolidated statement of financial position items	**10,438,117**	**5,270,218**	**4,192,992**	**139,273**	**835,634**	**-**	**4.8%**
Cumulative profit rate sensitivity gap	**25,539,395**	**14,665,230**	**448,245**	**2,303,789**	**1,052,098**	**7,070,033**	

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*Non-profit rate sensitive QAR'000*	*More than 5 years QAR'000*	*Effective profit rate QAR'000*
31 December 2018							
Balances with Qatar Central Bank	1,422,596	-	-	-	1,422,596	-	0.0%
Due from banks	2,628,481	259,448	-	-	2,369,033	-	1.8%
Financing assets	27,937,909	13,917,678	4,904,856	2,567,685	6,547,690	-	5.6%
Investment securities-debt type	9,777,582	-	-	-	9,777,582	-	3.7%
	41,766,568	14,177,126	4,904,856	2,567,685	20,116,901	-	
Due to banks	9,727,565	731,883	-	-	8,995,682	-	2.8%
Sukuk and fixed income financing	843,980	843,980	-	-	-	-	4.2%
Equity of unrestricted investment account holders	23,219,256	11,351,706	6,883,566	1,324,521	3,659,463	-	3.2%
Consolidated statement of financial position items - Profit rate sensitivity gap	7,975,767	1,249,557	(1,978,710)	1,243,164	7,461,756	-	
Off-consolidated statement of financial position items	8,214,465	1,472,275	5,592,212	1,149,978	-	1,149,978	5.3%
Cumulative profit rate sensitivity gap	16,190,232	2,721,832	3,613,502	2,393,142	7,461,756	2,393,142	

Sensitivity analysis

Management monitors sensitivity of the Group's financial assets and liabilities to various standard and Non - standard profit rate scenarios. Standard scenario that is considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in yield curve. 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	***10 bp parallel increase QAR'000***	***10 bp parallel decrease QAR'000***
31 December 2019		
At 31 December	**7,651**	**(7,651)**
Average for the year	**8,695**	**(8,695)**
31 December 2018		
At 31 December	7,650	(7,650)
Average for the year	7,832	(7,832)

Profit rate movements affect reported equity in the following way:

- retained earnings arising from increases or decreases in net profit and the fair value changes reported in consolidated income statement.

Overall non-trading profit rate risk positions are managed by Treasury & Investments Group (TIG), 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

Foreign exchange risks arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within approved limits established by the Board of Directors.

As at the reporting date the net foreign currency exposures, other than USD which is pegged to the Qatari Riyal, and their respective sensitivities to a 500 bps change was as follows:

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Functional currency of the Group entities **At 31 December**	***2019*** ***QAR'000***	*2018* *QAR'000*
Net foreign currency exposure:		
Pounds Sterling	**(2,530)**	2,560
Euro	**1,021**	2,100
Other currencies*	**93,105**	76,131

5% increase / decrease in currency exchange rate as at 31 December	***Increase / decrease in profit***		***Increase / decrease in equity***	
	2019	*2018*	***2019***	*2018*
	QAR'000	*QAR'000*	***QAR'000***	*QAR'000*
Pound Sterling	**127**	128	**127**	128
Euro	**51**	105	**51**	105
Other currencies	**4,655**	3,807	**4,655**	3,807

* Other currencies include net exposure to Other GCC currencies amounting to QAR 87.2 million (31 December 2018: QAR 74.2 million).

Equity price risk

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

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

	2019 ***QAR'000***	*2018* *QAR'000*
5% increase / decrease in QE and other index		
Increase / decrease in profit and loss	**1,639**	-
Increase / decrease in equity	**44,797**	43,238

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 direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks (continued)

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The strategy and framework for operational risk management is set by the Operational Risk Committee (ORC) and is implemented consistently across the Group. While the management of operational risk is the primary responsibility of each function or service responsible, the implementation of an integrated Operational Risk Management Framework is coordinated by a dedicated and independent team led by an Operational Risk Manager (ORM). This team reports to the Chief Risk Officer (CRO) of the Group. Each business unit has nominated a “Unit Operational Risk Manager (UORM)” who acts as a single point of contact for ORM regarding all Operational Risks for the respective business unit.

The organization has also invested in a state-of-the-art Operational Risk System to create a repository for all Operational risk incidents, losses and near-miss events. There is a robust process for reporting of issues, conducting of root cause analysis (where applicable) and rolling out mitigation plans to avoid recurrence of the issues.

(f) Capital management

Regulatory capital

The Group’s policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on owners’ 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 period. The capital adequacy ratio of the Group is calculated in accordance with the Basel Committee guidelines as adopted by the QCB. The Group’s regulatory capital position under Basel III and QCB regulations was as follows:

At 31 December	***2019 QAR’000***	*2018 QAR’000*
Tier 1 capital	**9,384,331**	5,528,490
Tier 2 capital	**668,887**	407,096
Total regulatory capital	**10,053,218**	5,935,586

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Regulatory capital (continued)

Eligible capital (numerator in Capital Adequecy Ratio) consists of Tier 1 and Tier 2 capitals. Tier 1 consists of two parts: Common Equity Tier 1 (CET1), and Aditional Tier 1 (AT1). CET1, is part of Tier 1 capital and is the purest form of capital, which includes share capital, statutory reserves, general reserve, retained earnings, exchange translation reserve and non-controlling interests, risk reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy calculation purposes. The Group deducts intangible assets(including goodwill) and treasury stock from CET1/ Tier1.

The Group is following the standardised approach for credit and market and Basic Indicator approach for operational risk as permitted by the Qatar Central Bank and as per Pillar 1 of Basel 3. Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the Qatar Central Bank. The required information is computed and monitored on monthly basis and filed with the regulators on a quarterly basis after getting reviewed by Group appointed external auditors.

Risk weighted assets and carrying amounts

	Risk weighted amount		*Carrying amount*	
	2019 QAR'000	*2018 QAR'000*	***2019 QAR'000***	*2018 QAR'000*
Balances with Qatar Central Bank	**-**	-	**2,125,599**	1,422,596
Due from banks	**391,956**	882,432	**4,343,485**	2,628,481
Financing assets	**39,335,145**	24,597,343	**51,924,104**	27,937,909
Investment securities	**1,334,514**	868,633	**15,452,931**	10,081,988
Investment in associates and joint ventures	**442,212**	221,893	**147,404**	152,603
Other assets	**642,339**	511,532	**891,733**	800,371
Off balance sheet assets	**10,960,005**	4,814,837	**30,127,286**	17,516,834
Total risk weighted assets for credit risk	**53,106,171**	31,896,670	**105,012,542**	60,540,782
Risk weighted assets for market risk	**1,386,459**	1,125,384	**646,167**	560,362
Risk weighted assets for operational risk	**2,788,332**	2,454,811	**-**	-
	4,174,791	3,580,195	**646,167**	560,362
Total Risk weighted assets			**57,280,962**	35,476,865
Regulatory capital			**10,053,218**	5,935,586
CET1/Tier 1 Ratio			**16.4%**	15.6%
Total Capital Ratio			**17.6%**	16.7%

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Risk weighted assets and carrying amounts (continued)

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

	CET 1 ratio without capital conservation buffer	*CET 1 ratio including capital conservation buffer*	*Tier 1 capital ratio including capital conservation buffer*	*Total capital ratio including capital conservation buffer*	*Total capital including capital conservation buffer and domestic systematic important bank ("DSIB") buffer*	*Total capital Including capital conservation buffer, DSIB buffer and ICAAP Pillar II capital charge*
Actual	16.4%	16.4%	16.4%	17.6%	17.6%	17.6%
Minimum limit (QCB)	6.0%	8.5%	10.5%	12.5%	13.0%	14.0%

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 from 2019 onwards, once the date of implementation and the final guidelines are issued by QCB.

5. USE OF ESTIMATES AND JUDGMENTS

(a) Going concern

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 resources to continue in the 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.

(b) Key sources of estimation uncertainty

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

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of financing and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Key sources of estimation uncertainty (continued)

(ii) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iii) 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 as described in significant accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(c) Critical accounting judgments in applying the Group's accounting policies

(i) 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.

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, Black-Scholes and polynomial option pricing models 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, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Critical accounting judgments in applying the Group's accounting policies (continued)

(ii) Financial asset and liability classification

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 QAR'000	*Level 2 QAR'000*	*Level 3 QAR'000*	*Total QAR'000*
31 December 2019				
Risk management instruments – assets	**-**	**-**	**121,978**	**121,978**
Investment securities carried at fair value	**618,838**	**-**	**277,099**	**895,937**
	618,838	**-**	**399,077**	**1,017,915**
Risk management instruments – liabilities	**-**	**-**	**50,317**	**50,317**
	-	**-**	**50,317**	**50,317**
31 December 2018				
Risk management instruments – assets	-	-	138,807	138,807
Investment securities carried at fair value	560,362	-	304,406	864,768
	560,362	-	443,213	1,003,575
Risk management instruments – liabilities	-	-	10,307	10,307
	-	-	10,307	10,307

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets or liabilities at fair value through income statement, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

For the purpose of disclosure of fair value of financial assets and liabilities which are carried at amortised cost, the level 2 valuation method has been used except for the impaired financing assets for which level 3 valuation method has been used. Details of the Group's classification of financial assets and liabilities are given in note 7.

(iii) Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies note 3.

(iv) Useful lives of fixed assets

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

(v) Useful life of intangible assets

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

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 Group Management Committee reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

Wholesale Banking	Includes financings, deposits and other transactions and balances with wholesale customers
Personal and Private Banking	Includes financings, deposits and other transactions and balances with retail and private customers
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, issues of debt securities, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Further also manages Group's trading of investments and corporate finance activities.
Investment Banking and Asset Management	Operates the Group's funds management activities. Mainly includes financial advisory services, including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement; debt structuring, restructuring and placement including project finance, securitisation and sukuk; client portfolios management, structuring of liquidity products; structuring and marketing and management of open and closed ended funds; structuring, acquisition, placement and initial public offering of private equities; and private equity, equity structuring, private placements and initial public offerings.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group Management Committee. 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.

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

31 December 2019	*Wholesale banking QAR'000*	*Personal and Private banking QAR'000*	*Treasury and Investments division QAR'000*	*Investment banking and Asset management QAR'000*	*Unallocated QAR'000*	*Total QAR'000*
Total income from financing and investing activities	1,279,642	1,037,190	625,361	9,694	-	2,951,887
Net fee and commission income	136,432	37,720	7,162	10,046	-	191,360
Foreign exchange gain	18,071	38,889	65,215	-	-	122,175
Other income	8,026	-	-	2,393	-	10,419
Share of results of associates and joint ventures	-	-	-	(525)	-	(525)
Total segment revenue	1,442,171	1,113,799	697,738	21,608	-	3,275,316
Other material non-cash items:						
Net impairment loss on financing assets	(292,112)	(42,812)	-	-	-	(334,924)
Net impairment loss on investment securities	-	-	(9,618)	(1,674)	-	(11,292)
Net impairment loss on off balance sheet exposures subject to credit risk	3,184	-	-	-	-	3,184
Reportable segment net profit	178,828	419,937	165,436	851	-	765,052
Reportable segment assets	31,762,468	21,118,939	22,133,077	516,939	1,599,269	77,130,692
Reportable segment liabilities	31,537,917	17,637,360	16,441,979	8,990	-	65,626,246

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments (continued)

31 December 2018	*Wholesale banking QAR'000*	*Personal and Private banking QAR'000*	*Treasury and Investments division QAR'000*	*Investment banking and Asset management QAR'000*	*Unallocated QAR'000*	*Total QAR'000*
Total income from financing and investing activities	906,700	727,233	447,886	10,096	-	2,091,915
Net fee and commission income	92,419	19,347	8,970	16,446	-	137,182
Foreign exchange gain	9,107	8,220	67,543	-	-	84,870
Other income	6,492	5	-	3,416	-	9,913
Share of results of associates and joint ventures	-	-	(10,037)	(19,409)	-	(29,446)
Total segment revenue	1,014,718	754,805	514,362	10,549	-	2,294,434
Other material non-cash items:						
Net impairment loss on financing assets	10,913	(21,668)	-	-	-	(10,755)
Net impairment loss on investment securities	-	-	(27,036)	(27,478)	-	(54,514)
Net impairment loss on off balance sheet exposures subject to credit risk	77,234	-	-	-	-	77,234
Reportable segment net profit	368,613	374,764	63,220	(41,631)	-	764,966
Reportable segment assets	16,332,613	12,477,125	14,258,823	515,749	777,230	44,361,540
Reportable segment liabilities	19,013,572	7,687,288	10,901,106	9,515	-	37,611,481

7. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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

31 December 2019	*Fair value through income statement QAR'000*	*Fair value through equity QAR'000*	*Amortised cost QAR'000*	*Total carrying amount QAR'000*	*Fair value QAR'000*
Cash and balances with Qatar Central Bank	**-**	**-**	**2,378,257**	**2,378,257**	**2,378,257**
Due from banks	**-**	**-**	**4,343,485**	**4,343,485**	**4,343,485**
Financing assets	**-**	**-**	**51,924,104**	**51,924,104**	**51,924,104**
Investment securities:					
- Carried at fair value	**32,777**	**863,160**	**-**	**895,937**	**895,937**
- Carried at amortised cost	**-**	**-**	**15,203,161**	**15,203,161**	**15,261,931**
Risk management instruments	**121,978**	**-**	**-**	**121,978**	**121,978**
	154,755	**863,160**	**73,849,007**	**74,866,922**	**74,925,692**
Due to banks	**-**	**-**	**14,185,854**	**14,185,854**	**14,185,854**
Sukuk and fixed income financing	**-**	**-**	**1,824,096**	**1,824,096**	**1,824,096**
Customer current accounts	**-**	**-**	**5,392,893**	**5,392,893**	**5,392,893**
Risk management instruments	**50,317**	**-**	**-**	**50,317**	**50,317**
	50,317	**-**	**21,402,843**	**21,453,160**	**21,453,160**
Equity of unrestricted investment account holders	**-**	**-**	**42,485,121**	**42,485,121**	**42,485,121**
	50,317	**-**	**63,887,964**	**63,938,281**	**63,938,281**

7. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

31 December 2018	*Fair value through income statement QAR'000*	*Fair value through equity QAR'000*	*Amortised cost QAR'000*	*Total carrying amount QAR'000*	*Fair value QAR'000*
Cash and balances with Qatar Central Bank	-	-	1,714,903	1,714,903	1,714,903
Due from banks	-	-	2,628,481	2,628,481	2,628,481
Financing assets	-	-	27,937,909	27,937,909	27,937,909
Investment securities:					
- Carried at fair value	-	864,768	-	864,768	864,768
- Carried at amortised cost	-	-	9,777,582	9,777,582	9,752,396
Risk management instruments	138,807	-	-	138,807	138,807
	138,807	864,768	42,058,875	43,062,450	43,037,264
Due to banks	-	-	9,727,565	9,727,565	9,727,565
Sukuk financing	-	-	843,980	843,980	843,980
Customer current accounts	-	-	2,814,243	2,814,243	2,814,243
Risk management instruments	10,307	-	-	10,307	10,307
	10,307	-	13,385,788	13,396,095	13,396,095
Equity of unrestricted investment account holders	-	-	23,219,256	23,219,256	23,219,256
	10,307	-	36,605,044	36,615,351	36,615,351

8. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2019 ***QAR'000***	*2018* *QAR'000*
Cash	**252,658**	292,307
Cash reserve with QCB*	**1,997,722**	1,188,269
Other balances with QCB	**127,877**	234,327
	2,378,257	1,714,903

*The cash reserve with QCB is not available for use in the Group's day to day operations.

9. DUE FROM BANKS

	2019 ***QAR'000***	*2018* *QAR'000*
Current accounts	**352,051**	127,049
Wakala placements with banks	**3,660,113**	2,089,297
Mudaraba placements	**219,187**	153,475
Commodity Murabaha receivable	**111,521**	260,248
Accrued profit	**731**	552
Allowance for impairment*	**(118)**	(2,140)
	4,343,485	2,628,481

* For stage-wise exposure and allowance for impairment, refer to Note 4.

10. FINANCING ASSETS

(a) By type

	2019 ***QAR'000***	*2018* *QAR'000*
Murabaha	**45,781,923**	21,735,020
Ijarah Muntahia Bittamleek	**5,990,065**	7,115,012
Musawama	**1,395,628**	1,492,702
Acceptances	**395,609**	303,592
Cards	**209,614**	59,576
Others	**2,575,266**	10,487
Accrued profit	**458,708**	181,210
Total financing assets	**56,806,813**	30,897,599
Less: Deferred profit	**2,866,221**	1,312,142
Allowance for impairment on financing assets	**1,917,146**	1,583,429
Suspended profit on non performing financing assets	**99,342**	64,119
Allowance for impairment*	**2,016,488**	1,647,548
Net financing assets	**51,924,104**	27,937,909

* For stage-wise exposure and allowance for impairment, refer to Note 4. The total non-performing financing assets at 31 December 2019 amounted to QAR 1,924.1 million, representing 3.6% of the financing assets (31 December 2018: QAR 973.4 million, representing 3.3%).

10. FINANCING ASSETS (CONTINUED)

(a) By type (continued)

Others include QAR 2,562.7 million of net loans acquired on business combination, which are in process of conversion to sharia compliant equivalent products. These are carried at amortised cost and its corresponding income is recognised on a time-apportioned basis over the period of the loan term using effective profit rate till conversion is completed.

	2019 QAR'000	*2018 QAR'000*
Government	**7,169,424**	1,551,581
Corporate	**30,485,285**	15,377,759
Retail and Private	**19,152,104**	13,968,259
	56,806,813	30,897,599
Less: Deferred profit	**2,866,221**	1,312,142
Allowance for impairment on financing assets	**1,917,146**	1,583,429
Suspended profit on non performing financing assets	**99,342**	64,119
Allowance for impairment	**2,016,488**	1,647,548
	51,924,104	27,937,909

(b) Movement in the allowance (provision) for impairment on financing assets:

	2019 QAR'000	*2018 QAR'000*
Balance at 1 January	**1,583,429**	507,096
Expected credit loss allowance – opening adjustment	**-**	1,066,439
Provided during the year	**371,886**	83,444
Recoveries during the year	**(36,962)**	(72,689)
	334,924	10,755
Written off during the year	**(1,207)**	(861)
	1,917,146	1,583,429
Break down as below:		
Allowance for impairment on financing assets – Specific	**1,178,674**	569,017
Allowance for impairment on financing assets – Expected Credit Loss	**738,472**	1,014,412

(c) Movement in the suspended profit on non performing financing assets:

	2019 QAR'000	*2018 QAR'000*
Balance at 1 January	**64,119**	41,553
Additions during the year	**40,003**	29,187
Recoveries during the year	**(4,780)**	(6,621)
	35,223	22,566
	99,342	64,119

10. FINANCING ASSETS (CONTINUED)

(d) Movement in the provision for specific impairment and suspended profit on financing assets - sector wise:

	Corporates QAR'000	***SMEs QAR'000***	***Retail and Private QAR'000***	***Total QAR'000***
Balance at 1 January 2019	**278,106**	**133,554**	**221,476**	**633,136**
Provided during the year	**251,901**	**2,099**	**139,842**	**393,842**
Recoveries during the year	**(1,576)**	**(1,823)**	**(38,343)**	**(41,742)**
Trasfer from ECL during the year	**252,084**	**34,651**	**7,252**	**293,987**
Written off during the year	**-**	**(286)**	**(921)**	**(1,207)**
Balance at 31 December 2019	**780,515**	**168,195**	**329,306**	**1,278,016**

	Corporates QAR'000	*SMEs QAR'000*	*Retail and Private QAR'000*	*Total QAR'000*
Balance at 1 January 2018	293,964	130,560	124,125	548,649
Provided during the year	24,624	20,693	119,341	164,658
Recoveries during the year	(40,482)	(17,135)	(21,693)	(79,310)
Written off during the year	-	(564)	(297)	(861)
Balance at 31 December 2018	278,106	133,554	221,476	633,136

(e) By sector

	2019 QAR'000	*2018 QAR'000*
Government	**7,169,424**	1,551,581
Industry and Manufacturing	**2,110,637**	639,723
Commercial	**6,878,152**	5,822,671
Contracting	**4,496,101**	3,498,264
Real estate	**13,857,009**	8,560,524
Consumer	**5,402,463**	3,819,999
Services & Others	**16,893,027**	7,004,837
Total financing assets	**56,806,813**	30,897,599
Less: Deferred profit	**2,866,221**	1,312,142
Allowance for impairment	**2,016,488**	1,647,548
Net financing assets	**51,924,104**	27,937,909

11. INVESTMENT SECURITIES

At 31 December	**2019**			2018		
	Quoted QAR'000	***Unquoted QAR'000***	***Total QAR'000***	*Quoted QAR'000*	*Unquoted QAR'000*	*Total QAR'000*
Investments classified as fair value through income statement						
Investments classified as held for trading:						
• equity-type investments	**29,447**	**-**	**29,447**	-	-	-
• debt-type investments	**3,330**	**-**	**3,330**	-	-	-
	32,777	**-**	**32,777**	-	-	-
Debt-type investments classified at amortised cost						
- Fixed rate*	**2,027,493**	**13,023,396**	**15,050,889**	1,403,671	8,285,000	9,688,671
- Allowance for impairment**	**(8,172)**	**-**	**(8,172)**	(10,454)	-	(10,454)
	2,019,321	**13,023,396**	**15,042,717**	1,393,217	8,285,000	9,678,217
Equity-type investments classified as fair value through equity	**613,390**	**249,770**	**863,160**	560,362	304,406	864,768
	2,665,488	**13,273,166**	**15,938,654**	1,953,579	8,589,406	10,542,985
Accrued profit income			**160,444**			99,365
			16,099,098			10,642,350

* Investments in unquoted debt-type instruments classified at amortised cost represent investments in Sovereign securities. It include acquired Sovereign bonds portfolio of QAR 3,438 million on business combination, which are in process of conversion into Sovereign sukuks at same terms.

** For stage-wise exposure and allowance for impairment, refer to Note 4.

The carrying amount of the debt-type investments pledged under repurchase agreements amounted to QAR 1,167 million (31 December 2018: QAR 3,007 million).

11. INVESTMENT SECURITIES (CONTINUED)

The cumulative change in fair value of equity-type investments designated as fair value through equity, during the year is as follows:

	2019 QAR'000	*2018 QAR'000*
Balance at 1 January	**1,666**	3,208
Net change in fair value	**8,563**	(57,009)
Transferred to consolidated statement of income on impairment	**13,574**	54,514
	22,137	(2,495)
Share of associate's fair value changes	**88**	953
Appropriated to equity of unrestricted investment account holders (note 21)	**(990)**	-
Balance at year end	**22,901**	1,666

As at 31 December 2019, the cumulative positive and negative balances in the fair value reserve are QAR 25.9 million (31 December 2018: QAR 23.0 million) and QAR 3.0 million (31 December 2018: QAR 21.4 million). During the year 13.6 million (31 December 2018: QAR 54.5 million) was transferred to consolidated statement of income from negative fair value reserve.

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2019 QAR'000	*2018 QAR'000*
Balance at 1 January	**152,603**	217,730
Disposal during the year	**-**	(27,716)
Share of results	**(525)**	(29,446)
Cash dividend	**-**	(669)
Share of associates and joint venture fair value changes	**88**	953
Share of associates currency translation reserve (12a)	**-**	2,894
Impairment	**(4,762)**	(11,143)
	147,404	152,603

Name of the Associates and Joint Ventures As at 31 December	***Activities***	***Country***	***Ownership %***		***Amount in QAR'000***	
			2019	*2018*	***2019***	*2018*
Emdad Equipment Leasing Company Qatar W.L.L. (Emdad)	Machinery and equipment leasing	Qatar	39.2%	39.2%	**10,179**	10,179
TFI-Tanween Investment Company (Tanween Inv.)	Real estate	Qatar	50.0%	50.0%	**9,018**	8,350
Juman Village	Real estate	Saudi Arabia	27.4%	27.4%	**8,063**	12,935
Tanween W.L.L. (Tanween)	Real Estate development management	Qatar	48.0%	48.0%	**84,714**	85,073
Shatter Abbas	Restaurant	Qatar	49.0%	49.0%	**35,430**	36,066
Total					**147,404**	152,603

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The Group holds significant influence on all above listed associates. The financial position, revenue and results of significant associates and joint ventures based on latest financial statements, as at and for the year ended 31 December 2019 and 31 December 2018 are as follows:

31 December 2019	***TFI-Investra QAR'000***	***Shatter Abbas QAR'000***	***Emdad QAR'000***	***Tanween QAR'000***	***Juman Village QAR'000***	***Tanween Inv. QAR'000***
Total assets	**-**	**17,902**	**68,906**	**225,001**	**185,279**	**18,035**
Total liabilities	**-**	**14,333**	**39,590**	**64,347**	**100,178**	**-**
Total revenue	**-**	**47,852**	**-**	**82,478**	**28**	**1,335**
Net profit	**-**	**(1,298)**	**-**	**(931)**	**(402)**	**1,335**
Share of profit	**-**	**(636)**	**-**	**(447)**	**(110)**	**668**

31 December 2018	*TFI-Investra QAR'000*	*Shatter Abbas QAR'000*	*Emdad QAR'000*	*Tanween QAR'000*	*Juman Village QAR'000*	*Tanween Inv. QAR'000*
Total assets	-	23,580	68,906	226,540	181,210	16,704
Total liabilities	-	16,423	43,090	57,050	94,834	-
Total revenue	-	37,344	12,418	86,597	13	977
Net profit	-	(249)	(25,575)	(44,529)	(10)	964
Share of profit	1,607	(122)	(10,037)	(21,374)	(2)	482

(a) Foreign currency translation reserve

	2019 QAR'000	*2018* ***QAR'000***
Balance at 1 January	**(81)**	141
Share of associate foreign currency translation reserve changes	**-**	2,894
Gain on foreign currency revaluation of liability designated as net investment hedge	**-**	(3,116)
Net movement	**-**	(222)
	(81)	(81)

13. INVESTMENT PROPERTIES

The carrying amount of investment property as of 31 December 2019 is QAR 3.73 million (31 December 2018: QAR 3.96 million). The fair value of the investment properties is not materially different from the carrying amount as of the reporting date.

14. FIXED ASSETS

	Land and Buildings QAR'000	*IT Equipment QAR'000*	*Fixtures, Fittings and office equipment QAR'000*	*Motor Vehicles QAR'000*	*Total QAR'000*
Cost:					
Balance at 1 January 2018	197,381	163,781	174,711	17,401	553,274
Acquisitions	-	5,410	4,517	2,565	12,492
Disposals	-	(160)	(1)	(5,734)	(5,895)
Balance at 31 December 2018	197,381	169,031	179,227	14,232	559,871
Balance at 1 January 2019	**197,381**	**169,031**	**179,227**	**14,232**	**559,871**
Acquisitions	**-**	**22,530**	**4,504**	**18,145**	**45,179**
Business combination	**123,179**	**106,166**	**66,670**	**1,079**	**297,094**
Disposals	**-**	**(1,937)**	**(580)**	**(1,138)**	**(3,655)**
Balance at 31 December 2019	**320,560**	**295,790**	**249,821**	**32,318**	**898,489**
Accumulated depreciation and impairment losses:					
Balance at 1 January 2018	8,106	134,980	158,603	7,824	309,513
Depreciation charged during the year	756	15,558	5,128	3,226	24,668
Disposals	-	(160)	-	(4,049)	(4,209)
Balance at 31 December 2018	8,862	150,378	163,731	7,001	329,972
Balance at 1 January 2019	**8,862**	**150,378**	**163,731**	**7,001**	**329,972**
Depreciation charged during the year	**757**	**17,358**	**6,041**	**4,620**	**28,776**
Business combination	**-**	**99,986**	**63,044**	**738**	**163,768**
Disposals	**-**	**(1,937)**	**(580)**	**(905)**	**(3,422)**
Balance at 31 December 2019	**9,619**	**265,785**	**232,236**	**11,454**	**519,094**
Carrying amounts					
Net book value at 31 December 2019	**310,941**	**30,005**	**17,585**	**20,864**	**379,395**
Net book value at 31 December 2018	188,519	18,653	15,496	7,231	229,899

15. INTANGIBLE ASSETS

	Goodwill	Customer Relationship	Core Deposits	As at 31 December 2019 QAR'000	2018 QAR'000
Goodwill and Intangibles					
Balance at 1 January	**777,230**	**-**	**-**	**777,230**	777,230
Acquired on business combination*	**116,009**	**587,500**	**167,600**	**871,109**	-
Amortisation / impairment	**-**	**(32,639)**	**(16,431)**	**(49,070)**	-
Carrying amounts	**893,239**	**554,861**	**151,169**	**1,599,269**	777,230

Impairment testing for cash-generating unit containing goodwill
For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), being the Group's subsidiaries, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU will be carried out at the year-end. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

*For further details, refer note 40.

16. OTHER ASSETS

	2019 QAR'000	2018 QAR'000
Positive fair value of risk management instruments	**121,978**	138,807
Prepayments and advances	**27,746**	20,743
Projects under process	**22,193**	23,750
Operating lease receivables	**2,798**	1,235
Sundry debtors	**2,560**	5,835
Others	**79,034**	84,191
	256,309	274,561
Allowance for impairment	**(359)**	(359)
	255,950	274,202

17. DUE TO BANKS

	2019 QAR'000	2018 QAR'000
Commodity Murabaha payable*	**947,792**	2,831,883
Wakala payable	**13,229,375**	6,888,328
Profit payable	**8,687**	7,354
	14,185,854	9,727,565

*This includes amount held under repurchase agreements amounting to QAR 1,167 million (31 December 2018: QAR 3,007 million).

18. SUKUK AND FIXED INCOME FINANCING

Through Sharia'a compliant USD sukuk program and after getting Sharia'a Board approval, the Group raised medium term funding in 2016. Current outstanding balance under this Sharia compliant sukuks program is QAR Nil (2018: QAR 844 million) as it matured during 2019. It bears average profit rate of three months LIBOR + 1.74%. The USD two billion sukuk program was listed on the Irish Stock Exchange.

On merger with IBQ, the Group assumed USD 500 million five year senior unsecured fixed rate notes under USD two billion European Medium Term Note ("EMTN") Programme, maturing in 2020. Its total outstanding balance is QAR 1,824 million (2018: Nil). The notes carry a fixed profit coupon of 3.50% per annum with profit payable semi-annually in arrears and are listed on the Irish Stock Exchange. The Programme established in 2015 is managed through a wholly-owned subsidiary, IBQ Finance Limited. The Group has decided to run down this Programme on maturity.

19. CUSTOMER CURRENT ACCOUNTS

	2019 QAR'000	*2018 QAR'000*
Current accounts by sector:		
- Government & GREs	**248,897**	944,177
- Non-Banking Financial Institutions	**99,719**	35,512
- Corporate	**2,519,787**	1,122,325
- Individuals	**2,524,490**	712,229
	5,392,893	2,814,243

20. OTHER LIABILITIES

	2019 QAR'000	*2018 QAR'000*
Acceptances	**395,609**	303,592
Allowance for impaiment on off balance sheet exposures subject to credit risk *	**332,383**	51,141
Accrued expenses	**189,947**	134,720
Employees' end of service benefits (note 20.1)	**141,653**	92,140
Cash margins	**99,201**	87,440
Unearned commission income	**98,949**	48,549
Sundry creditors	**85,848**	19,025
Negative fair value of risk management instruments	**50,317**	10,307
Others	**344,375**	259,523
	1,738,282	1,006,437

* For stage-wise exposure and allowance for impairment, refer to Note 4

20. OTHER LIABILITIES (CONTINUED)

20.1 Movement in employees' end of service benefits is as follows:

	2019 QAR'000	*2018 QAR'000*
Balance at 1 January	**92,140**	79,308
Acquired on business combination	**49,078**	-
Charge for the year	**20,528**	19,247
Paid during the year	**(20,093)**	(6,415)
Balance at 31 December	**141,653**	92,140

21 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2019 QAR'000	*2018 QAR'000*
Unrestricted investment account holders balance before share of profit (a)	**42,194,387**	23,047,454
Distributable profits for the year (b)	**1,050,517**	720,151
Profit already distributed during the year	**(760,020)**	(547,596)
Profit payable to unrestricted investment account holders	**290,497**	172,555
Share in fair value reserve	**237**	(753)
Total unrestricted investment account holders balance	**42,485,121**	23,219,256
By type:		
Saving accounts	**6,013,850**	3,249,867
Call accounts	**965,114**	325,884
Term accounts	**35,215,423**	19,471,703
Total (a)	**42,194,387**	23,047,454
By sector:		
Government & GREs	**14,898,366**	7,863,985
Non-banking financial institution	**3,748,506**	2,294,111
Individuals	**12,789,983**	3,011,615
Corporate	**10,757,532**	9,877,743
Total (a)	**42,194,387**	23,047,454

	2019 QAR'000	*2018 QAR'000*
Unrestricted Investment account holders' share of profit for the year	**1,316,408**	892,944
Bank shares as Mudarib	**(1,250,588)**	(848,297)
Owners' contribution	**984,697**	675,504
	(265,891)	(172,793)
Distributable profits to unrestricted investment account holders for the year (b)	**1,050,517**	720,151

21 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

	For the year ended 31 December	
	2019	*2018*
	QAR'000	*QAR'000*
Net return breakup as below:		
Saving accounts	**71,551**	57,478
Call accounts	**5,071**	1,410
Term accounts - 1 month	**131,647**	134,584
Term accounts - 3 month	**163,974**	144,515
Term accounts - 6 month	**71,144**	56,404
Term accounts - 9 month	**1,764**	-
Term accounts - 1 year and above	**605,366**	325,760
Total(b)	**1,050,517**	720,151

Movement in share of fair value reserve:

	2019	*2018*
	QAR'000	*QAR'000*
Balance at 1 January	**(753)**	(753)
Share in fair value reserve movement (note 11)	**990**	-
Balance at 31 December	**237**	(753)

22. OWNERS' EQUITY

(a) Share capital

	Ordinary shares	
	2019	*2018*
In thousands of shares		
Issued	**523,410**	300,000

The Merger between the Bank and IBQ was effected by a capital issuance of 223.410 million shares of QAR 10 by the Bank to the shareholders of IBQ, in a share swap transaction at the exchange rate of 2.031 shares of the Bank for each share of IBQ. Following issuance of the new shares, the authorised share capital was increased to 523,410 thousand ordinary shares (31 December 2018: 400,000 thousand), having a par value of QAR 10 each share. Out of this authorised capital 523,410 thousand ordinary shares (31 December 2018: 300,000 thousand) are issued and fully paid. For details on issuance of new shares, refer note 40 (a).

(b) Legal reserve

In accordance with QCB Law No.13 of 2012 and the Memorandum and Articles of Association of the Group, 10% (31 December 2018: 20%) of net profit attributable to the owners of the Group 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 and after QCB approval. The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law. New capital issuance due to Business combination, resulted in increase in legal reserve by QAR 1,648.3 million to QAR 4,197.3 million. For details on increase in legal reserve due to business combination, refer note 40 (c). During the year ended 31 December 2019, the appropriation made to legal reserve amounts to QAR 76.5 million (31 December 2018: QAR 153.0 million).

22. OWNERS' EQUITY (CONTINUED)

(c) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – State of Qatar and finance against cash guarantees are excluded from the gross direct finance. On 1 January 2019, the Group after obtaining Qatar Central Bank approval has utilized QAR 645.6 million of risk reserve balance to accommodate the day-1 impact of adoption of ECL regulations. Further as per the QCB directive, pursuant to the business combination, pre-merger risk reserve balance of IBQ was required to be retained by the Group, which increased the risk reserve balance by QAR 529.9 million to QAR 643.6 million. For details on increase in risk reserve due to business combination, refer note 40 (c). During the year ended 31 December 2019, the appropriation made to risk reserve amounts to QAR 166.9 million (31 December 2018: QAR 63.6 million).

(d) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates is not available for distribution, except to the extent of dividend received from the associates and joint ventures, and should be transferred to a separate reserve account in Owners' equity. Further, the Group has set aside QAR 600 million till 31 December 2019 as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events on recommendation of the Board of Directors. As at 31 December 2019, other reserve total balance was QAR 673.3 million (31 December 2018: QAR 673.3). During the year ended 31 December 2019, the appropriation made to other reserve amounts to Nil (31 December 2018: QAR 99.3 million).

	2019 QAR'000	*2018 QAR'000*
Undistributed profit from investments in associates and joint ventures	**73,333**	73,333
Contingency reserve	**600,000**	600,000
	673,333	673,333

(e) Treasury shares

Treasury shares represent ordinary shares of Barwa Bank with nominal value of QAR 10 each. Treasury shares are presented as a deduction from equity.

(f) Proposed dividend

The Board of Directors in their meeting held on 20 May 2020 proposed a cash dividend of 10.0% (31 December 2018: 15.0%) of the paid up share capital amounting to QAR 520 million – QAR 1.0 per share (31 December 2018: QAR 444 million – QAR 1.5 per share), which is subject to approval for distribution at the Annual General Meeting of the shareholders of the Group.

23. NON-CONTROLLING INTERESTS

This represents non-controlling interests in a Group's subsidiary.

24. NET INCOME FROM FINANCING ACTIVITIES

	2019 QAR'000	*2018 QAR'000*
Murabaha	**1,449,333**	1,089,972
Ijarah	**338,583**	383,001
Musawama	**123,988**	131,993
Others	**404,928**	28,967
	2,316,832	1,633,933

25. NET INCOME FROM INVESTING ACTIVITIES

	2019 QAR'000	*2018 QAR'000*
Coupon income from investment in debt-type instruments, net of amortisation	**517,005**	358,038
Income from inter-bank and murabaha placements with Islamic banks	**69,617**	64,164
Dividend income	**27,283**	41,506
Net gain on sale of debt-type investments	**36,301**	4
Net loss on sale of equity-type investments	**(15,381)**	(5,763)
Net fair value and capital gain on investment securities carried as fair value through income statement	**230**	33
	635,055	457,982

26. NET FEE AND COMMISSION INCOME

	2019 QAR'000	*2018 QAR'000*
Management and other fee income	**160,552**	95,444
Commission income	**92,904**	61,040
Advisory fee income	**2,024**	4,263
Structuring fee	**1,162**	2,276
Performance fee income	**310**	3,042
	256,952	166,065
Commission expense	**(65,592)**	(28,883)
Net fee and commission income	**191,360**	137,182

27. STAFF COSTS

	2019 QAR'000	*2018 QAR'000*
Basic salaries	**164,682**	120,859
Housing allowance	**60,236**	40,980
Transport allowance	**27,235**	23,703
Staff indemnity costs	**20,528**	19,247
Education fee	**12,942**	11,032
Medical expenses	**11,787**	8,850
Social Allowance	**10,026**	6,512
Others	**102,880**	75,744
	410,316	306,927

28. OTHER EXPENSES

	2019 QAR'000	2018 QAR'000
Rent	**47,508**	32,899
Legal and professional fees	**44,259**	17,118
IT expenses	**34,325**	24,600
Utility and services	**30,037**	21,701
Board of Directors' remuneration	**17,100**	16,350
Advertising and marketing expenses	**10,243**	8,665
Repair and maintenance	**9,508**	5,788
Travel expenses	**1,893**	1,141
Government fee and charges	**1,614**	397
Other expenses	**30,868**	18,040
	227,355	146,699

29. CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent liabilities

	2019 QAR'000	2018 QAR'000
Unused credit facilities	**10,438,117**	8,214,465
Guarantees	**17,935,220**	8,250,634
Letters of credit	**1,753,949**	1,051,735
	30,127,286	17,516,834

b) Commitments

	2019 QAR'000	2018 QAR'000
Profit rate swaps	**391,258**	256,318
Options	**701,879**	496,872
Other risk management instruments - WAAD	**6,589,730**	3,209,974
	7,682,867	3,963,164

Unused facilities

Commitments to extend credit represent contractual commitments to make financings and revolving credits. The majority of these 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 the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as financings.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Lease commitments

The Group leases a number of branches and office premises under operating leases. Non-cancellable operating lease rentals are payable as follows:

	2019 QAR'000	*2018 QAR'000*
Within one year	**42,531**	24,493
After one year but not more than five years	**127,210**	72,600

30. 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:

31 December 2019	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*North America QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets						
Cash and balances with central bank	2,378,257	-	-	-	-	2,378,257
Due from banks	3,906,809	27,555	159,736	239,723	9,662	4,343,485
Financing assets	46,036,544	367,122	3,370,157	734,580	1,415,701	51,924,104
Investment securities	14,951,886	690,309	-	26,975	429,928	16,099,098
Investment in associates and joint ventures	139,341	8,063	-	-	-	147,404
Investment property	3,730	-	-	-	-	3,730
Intangible assets	1,599,269	-	-	-	-	1,599,269
Fixed assets	379,395	-	-	-	-	379,395
Other assets	246,835	-	9,115	-	-	255,950
Total assets	**69,642,066**	**1,093,049**	**3,539,008**	**1,001,278**	**1,855,291**	**77,130,692**
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	12,625,559	8,693	553,259	182,815	815,528	14,185,854
Sukuk and fixed income financing	-	-	1,824,096	-	-	1,824,096
Customer current accounts	5,369,105	8,279	11,789	130	3,590	5,392,893
Other liabilities	1,719,894	-	9,115	-	9,273	1,738,282
Total liabilities	**19,714,558**	**16,972**	**2,398,259**	**182,945**	**828,391**	**23,141,125**
Equity of unrestricted investment account holders	**38,651,187**	**16,442**	**3,800,735**	**3,079**	**13,678**	**42,485,121**
Total liabilities and equity of unrestricted investment account holders	**58,365,745**	**33,414**	**6,198,994**	**186,024**	**842,069**	**65,626,246**

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Geographical sector (continued)

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

31 December 2018	*Qatar QAR'000*	*Other GCC QAR'000*	*Europe QAR'000*	*North America QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets						
Cash and balances with central bank	1,714,903	-	-	-	-	1,714,903
Due from banks	2,420,246	4,282	52,490	149,899	1,564	2,628,481
Financing assets	23,849,896	524,065	3,367,403	-	196,545	27,937,909
Investment securities	9,610,444	816,073	-	6,176	209,657	10,642,350
Investment in associates and joint ventures	139,668	12,935	-	-	-	152,603
Investment property	3,963	-	-	-	-	3,963
Fixed assets	229,899	-	-	-	-	229,899
Intangible assets	777,230	-	-	-	-	777,230
Other assets	274,202	-	-	-	-	274,202
Total assets	39,020,451	1,357,355	3,419,893	156,075	407,766	44,361,540
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	8,356,804	638,878	548,863	183,020	-	9,727,565
Sukuk and fixed income financing	-	-	843,980	-	-	843,980
Customer current accounts	2,808,292	4,888	433	-	630	2,814,243
Other liabilities	917,957	76,783	9,707	-	1,990	1,006,437
Total liabilities	12,083,053	720,549	1,402,983	183,020	2,620	14,392,225
Equity of unrestricted investment account holders	22,392,681	6,231	698,818	19,635	101,891	23,219,256
Total liabilities and equity of unrestricted investment account holders	34,475,734	726,780	2,101,801	202,655	104,511	37,611,481

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector

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

31 December 2019	*Real estate QAR'000*	*Construction, engeering and manufacturing QAR'000*	*Oil and gas QAR'000*	*Financial services QAR'000*	*Individuals QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets							
Cash and balances with central bank	-	-	-	2,378,257	-	-	2,378,257
Due from banks	-	-	-	4,343,485	-	-	4,343,485
Financing assets	12,442,086	4,356,550	1,085,189	1,112	11,173,696	22,865,471	51,924,104
Investment securities	123,733	77,241	275	1,173,094	-	14,724,755	16,099,098
Investment in associates and joint ventures	93,732	8,063	-	-	-	45,609	147,404
Investment property	3,730	-	-	-	-	-	3,730
Intangible assets	-	-	-	1,599,269	-	-	1,599,269
Fixed assets	-	-	-	-	-	379,395	379,395
Other assets	-	-	-	121,978	-	133,972	255,950
Total assets	**12,663,281**	**4,441,854**	**1,085,464**	**9,617,195**	**11,173,696**	**38,149,202**	**77,130,692**
Liabilities and equity of unrestricted investment account holders							
Liabilities							
Due to banks	-	-	-	14,185,854	-	-	14,185,854
Sukuk and fixed income financing	-	-	-	-	-	1,824,096	1,824,096
Customer current accounts	232,310	883,017	53,516	98,626	2,524,490	1,600,934	5,392,893
Other liabilities	-	421,007	-	50,317	7,448	1,259,510	1,738,282
Total liabilities	**232,310**	**1,304,024**	**53,516**	**14,334,797**	**2,531,938**	**4,684,540**	**23,141,125**
Equity of unrestricted investment account holders	**567,805**	**3,112,473**	**2,357,363**	**3,043,907**	**12,789,983**	**20,613,590**	**42,485,121**
Total liabilities and equity of unrestricted investment account holders	**800,115**	**4,416,497**	**2,410,879**	**17,378,704**	**15,321,921**	**25,298,130**	**65,626,246**

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector (continued)

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

31 December 2018	*Real estate QAR'000*	*Construction, engeering and manufacturing QAR'000*	*Oil and gas QAR'000*	*Financial services QAR'000*	*Individuals QAR'000*	*Others QAR'000*	*Total QAR'000*
Assets							
Cash and balances with Qatar Central Bank	-	-	-	1,714,903	-	-	1,714,903
Due from banks	-	-	-	2,628,481	-	-	2,628,481
Financing assets	8,188,177	2,533,878	305,934	-	3,139,396	13,770,524	27,937,909
Investment securities	152,101	73,433	6,782	840,409	-	9,569,625	10,642,350
Investment in associates and joint ventures	93,423	12,935	-	-	-	46,245	152,603
Investment property	3,963	-	-	-	-	-	3,963
Fixed assets	-	-	-	-	-	229,899	229,899
Intangible assets	-	-	-	777,230	-	-	777,230
Other assets	-	-	-	138,807	-	135,395	274,202
Total assets	8,437,664	2,620,246	312,716	6,099,830	3,139,396	23,751,688	44,361,540
Liabilities and equity of unrestricted investment account holders							
Liabilities							
Due to banks	-	-	-	9,727,565	-	-	9,727,565
Sukuk and fixed income financing	-	-	-	843,980	-	-	843,980
Customer current accounts	66,790	426,959	2,595	35,512	438,619	1,843,768	2,814,243
Other liabilities	13,263	186,617	-	2,448	57	804,052	1,006,437
Total liabilities	80,053	613,576	2,595	10,609,505	438,676	2,647,820	14,392,225
Equity of unrestricted investment account holders	183,298	2,275,938	171,624	2,293,358	4,778,130	13,516,908	23,219,256
Total liabilities and equity of unrestricted investment account holders	263,351	2,889,514	174,219	12,902,863	5,216,806	16,164,728	37,611,481

31. MATURITY PROFILE

31 December 2019	*Up to 3 months QAR'000*	*3 to 6 months QAR'000*	*6 months - 1 year QAR'000*	*1 to 3 years QAR'000*	*Over 3 years QAR'000*	*Total QAR'000*
Assets						
Cash and balances with Qatar Central Bank	380,535	-	-	-	1,997,722	2,378,257
Due from banks	3,378,143	745,560	182,669	-	37,113	4,343,485
Financing assets	8,053,414	3,398,453	2,611,108	13,014,209	24,846,920	51,924,104
Investment securities	909,863	79,874	806,051	2,093,913	12,209,397	16,099,098
Investment in associates and joint ventures	-	-	-	-	147,404	147,404
Investment property	-	-	-	-	3,730	3,730
Intangible assets	-	-	-	-	1,599,269	1,599,269
Fixed assets	-	-	-	41,998	337,397	379,395
Other assets	125,337	23,683	106,930	-	-	255,950
Total financial assets	12,847,292	4,247,570	3,706,758	15,150,120	41,178,952	77,130,692
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	13,194,372	14,788	28,902	-	947,792	14,185,854
Sukuk and fixed income financing	-	-	1,824,096	-	-	1,824,096
Customer current accounts	5,392,893	-	-	-	-	5,392,893
Other liabilities	568,646	1,027,983	-	-	141,653	1,738,282
Total liabilities	19,155,911	1,042,771	1,852,998	-	1,089,445	23,141,125
Equity of unrestricted investment account holders	25,385,494	7,824,530	8,200,812	947,901	126,384	42,485,121
Total liabilities and equity of unrestricted investment account holders	44,541,405	8,867,301	10,053,810	947,901	1,215,829	65,626,246
Maturity gap	(31,694,113)	(4,619,731)	(6,347,052)	14,202,219	39,963,123	11,504,446

31. MATURITY PROFILE (CONTINUED)

31 December 2018	*Up to 3 months QAR'000*	*3 to 6 months QAR'000*	*6 months – 1 year QAR'000*	*1 to 3 years QAR'000*	*Over 3 years QAR'000*	*Total QAR'000*
Assets						
Cash and balances with Qatar Central Bank	526,634	-	-	-	1,188,269	1,714,903
Due from banks	2,369,033	-	-	259,448	-	2,628,481
Financing assets	1,831,488	1,420,248	2,102,544	3,059,781	19,523,848	27,937,909
Investment securities	888,750	177,769	167,805	1,272,687	8,135,339	10,642,350
Investment in associates and joint ventures	-	-	-	-	152,603	152,603
Investment property	-	-	-	-	3,963	3,963
Fixed assets	-	-	-	-	229,899	229,899
Intangible assets	-	-	-	-	777,230	777,230
Other assets	181,444	18,032	46,309	28,417	-	274,202
Total financial assets	5,797,349	1,616,049	2,316,658	4,620,333	30,011,151	44,361,540
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	8,591,187	404,495	-	-	731,883	9,727,565
Sukuk and fixed income financing	-	-	843,980	-	-	843,980
Customer current accounts	2,814,243	-	-	-	-	2,814,243
Other liabilities	347,121	485,162	14,208	32,348	127,598	1,006,437
Total liabilities	11,752,551	889,657	858,188	32,348	859,481	14,392,225
Equity of unrestricted investment account holders	15,011,170	2,098,328	4,785,238	1,147,422	177,098	23,219,256
Total liabilities and equity of unrestricted investment account holders	26,763,721	2,987,985	5,643,426	1,179,770	1,036,579	37,611,481
Maturity gap	(20,966,372)	(1,371,936)	(3,326,768)	3,440,563	28,974,572	6,750,059

32. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to the owners of the Group by the weighted average number of ordinary shares in issue during the year.

	2019 QAR'000	*2018 QAR'000*
Net profit for the year attributable to the owners of the Group	**765,052**	764,966
Weighted average number of outstanding shares	**451,447**	296,165
Basic and diluted earning per share (QAR)	**1.69**	2.58

The weighted average number of shares have been calculated as follows:

	2019 QAR'000	*2018 QAR'000*
Weighted average number of shares from beginning	**300,000**	300,000
Weighted average number of shares issued on business combination	**155,282**	-
Treasury shares	**(3,835)**	(3,835)
Weighted average number of shares	**451,447**	296,165

33. CASH AND CASH EQUIVALENTS

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

	2019 QAR'000	*2018 QAR'000*
Cash and balances with Qatar Central Bank (excluding QCB restricted reserve account)	**380,535**	526,634
Due from banks	**3,378,142**	2,368,481
	3,758,677	2,895,115

34. 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 significant owners' and entities over which the Group and the owners' exercise significant influence, directors and executive management of the Group. All transactions conducted with related parties are at arm's length.

The related party transactions and balances included in these consolidated financial statements are as follows:

	31 December 2019		
	Subsidiaries QAR'000	***Board of directors QAR'000***	***Others QAR'000***
Assets:			
Customer financing	**-**	**5,694,791**	**-**
Liabilities:			
Customer deposits	**706,166**	**961,840**	**3,782,578**
Off balance sheet items:			
Unfunded credit facilities	**4,462**	**225,673**	**-**

	31 December 2018		
	Subsidiaries QAR'000	*Board of directors QAR'000*	*Others QAR'000*
Assets:			
Customer financing	-	1,555,752	-
Liabilities:			
Customer deposits	655,228	89,910	3,578,073
Off balance sheet items:			
Unfunded credit facilities	-	251,991	-

Consolidated statement of income items for the year ended in the same order as above:

	31 December 2019			*31 December 2018*		
	QAR'000	***QAR'000***	***QAR'000***	*QAR'000*	*QAR'000*	*QAR'000*
Profit income	**-**	**142,096**	**-**	93	62,322	-
Profit expense	**21,326**	**39,439**	**131,229**	16,624	2,283	117,232

Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as:

	2019 QAR'000	*2018 QAR'000*
Financing to key management personel	**9,296**	4,109

34. RELATED PARTIES (CONTINUED)

Key management personnel compensation comprised as:

	2019 ***QAR'000***	*2018* *QAR'000*
Short-term employee benefits	**70,787**	48,744
Post-employment benefits	**4,035**	3,486
	74,822	52,230

35. RISK MANAGEMENT INSTRUMENTS

	Positive fair value QAR'000	Negative fair value QAR'000	Notional amount QAR'000	Notional / expected amount by term to maturity			
				within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
At 31 December 2019:							
Risk management instruments:							
Profit rate swaps	**7,195**	**(7,195)**	**391,258**	**-**	**-**	**391,258**	**-**
Options	**1,920**	**(1,920)**	**701,879**	**-**	**-**	**701,879**	**-**
Forward foreign exchange contracts	**112,863**	**(41,202)**	**6,589,730**	**4,201,091**	**899,694**	**1,488,945**	**-**
Total	**121,978**	**(50,317)**	**7,682,867**	**4,201,091**	**899,694**	**2,582,082**	**-**
At 31 December 2018:							
Risk management instruments:							
Profit rate swaps	4,017	(4,017)	256,318	-	-	256,318	-
Options	2,424	(2,424)	496,872	-	-	-	496,872
Forward foreign exchange contracts	132,366	(3,866)	3,209,974	1,536,978	1,672,996	-	-
Total	138,807	(10,307)	3,963,164	1,536,978	1,672,996	256,318	496,872

36. ZAKAH

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

37. 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 Shari'a 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.

38. ASSETS UNDER MANAGEMENT

Assets under management represent the funds belonging to Group's customers, for which it has assumed investment management responsibilities in accordance with the terms and conditions of the investment agreement entered into with the customers. Such funds are invested on behalf of the customers by the Group, acting as an agent or a trustee, and accordingly such funds and the attributable investment gains or losses are not included in these consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or fee. As at 31 December 2019, such assets total was QAR 2.9 billion (31 December 2018: QAR 2.0 billion). However of such assets, QAR 1,647.2 million (31 December 2018: QAR 755.2 million) was held in a fiduciary capacity.

39. COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current year. However, such reclassification did not have any effect on the consolidated net profit or the consolidated owners' equity for the comparative year.

40. BUSINESS COMBINATION

On 21 April 2019, the Bank received Qatar Central Bank approval on the merger with International Bank of Qatar ("IBQ"), being the last requirement before completion of legal merger between both banks. Pursuant to all regulatory and legal approvals, the Merger was effected by a capital issuance of 223.410 million shares of QAR 10 by the Bank to the shareholders of IBQ, in a share swap transaction at the exchange rate of 2.031 shares of the Bank for each share of IBQ.

The Shariaa' board approved the conversion process which focuses on four main pillars:

a) comply with Shariaa' rules and principles;
b) facilitate transactions for the customers, whether on the merger day or after;
c) accelerate the conversion process; and
d) effective conversion plan that can be done financially and operationally.

Also, shariaa' board approved sending correspondence to clients informing them that their current products will be converted to products that comply with Islamic Shariaa' principles.

The Shariaa' board approved the conversion of IBQ conventional products to Islamic compliant products that was executed through different steps by Barwa Bank.

40. BUSINESS COMBINATION (CONTINUED)

a) Share capital

	Per Share	*Amount in QAR'000*
Outstanding shares of IBQ		110,000
Exchange ratio		2.031
Number of shares of Barwa Bank to be issued		223,410
Par value of new share (QAR 10 each)	10.00	2,234,100
IBQ shareholders ownership		43.0%
Outstanding share capital of Barwa Bank (net of treasury shares)		2,961,650
Barwa Bank shareholders ownership		57.0%
Total share capital post acquisition		**5,195,750**
Outstanding Share Capital		5,234,100
Less: Treasury shares		(38,350)
Net Outstanding Share Capital		**5,195,750**

b) Purchase consideration

The purchase consideration is determined to be QAR 4,412 million, calculated on the basis of Barwa Bank's share price fair value (QAR 19.75) as determined by independent valuation advisor during the year.

	21 April 2019 QAR'000
Outstanding shares of Barwa Bank	296,165
Divided by: Barwa Bank percentage ownership in the Group	57.0%
Total number of share of the Group	**519,575**
Multiplied by: IBQ percentage ownership in the Group	43.0%
Total number of share to be issued by Barwa Bank to IBQ	**223,410**
Multiplied by: Barwa Bank share price	19.75
Total Consideration	**4,412,348**

40. BUSINESS COMBINATION (CONTINUED)

c) Share premium

Any share premium on issuance of new shares in accordance with Qatar Commercial Companies Law is to be make part of the legal reserve. However as per QCB directive part of the share premium was assigned to risk reserve as well.

	Per Share	*Amount in QAR'000*
Total Consideration	19.75	4,412,348
Par value of shares issued	10.00	2,234,100
Share premium	9.75	2,178,248
Allocated as:		
- Legal reserve		1,648,310
- Risk reserve		529,938
Legal Reserve		
Barwa Bank		2,548,997
IBQ		2,025,884
		4,574,881
Less: pre-acquisition legal reserve		(2,025,884)
Add: part share premium on issuance of new shares		1,648,310
		(377,574)
Closing balance post business combination		**4,197,307**
Risk Reserve		
Barwa Bank		113,650
IBQ		529,938
		643,588
Less: pre-acquisition risk reserve		(529,938)
Add: part share premium on issuance of new shares		529,938
		-
Closing balance post business combination		**643,588**

40. BUSINESS COMBINATION (CONTINUED)

d) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed of IBQ at the date of acquisition.

ASSETS	***21 April 2019 QAR'000***
Cash and balances with central banks	1,469,867
Due from banks	872,918
Financing assets*	19,894,572
Investment securities	4,521,270
Fixed assets	133,326
Other assets	83,369
Intangible assets – Customer relationship	587,500
Intangible assets – Core deposits	167,600
TOTAL ASSETS	**27,730,422**
LIABILITIES	
Due to banks	1,642,759
Fixed income financing	1,814,377
Customer current accounts	3,327,157
Customer deposits	15,511,546
Other liabilities	1,138,244
TOTAL LIABILITIES	**23,434,083**
NET ASSETS AS AT ACQUISITION DATE ATTRIBUTABLE TO ITS COMMON EQUITY HOLDERS	**4,296,339**

* Gross carrying amount of financing assets acquired on the business combination as at 21 April 2019 was QAR 20,986 millions.

e) Intangible assets

The Group has assumed the carrying value of IBQ financial assets and liabilities as at 21 April 2019 (the date of acquisition) to be equal to the fair value for the purpose of calculating goodwill amount except when it was readily available in the market.

	21 April 2019 QAR'000
Total purchase consideration	4,412,348
Net Assets of IBQ	(4,296,339)
Goodwill on business combination	116,009
Existing goodwill	777,230
Total	**893,239**

Separately the Group has completed a comprehensive purchase price allocation, which covered the following items:

- valuation of identifiable intangible assets including customer relationship and core deposits;
- valuation adjustments to the fair value of financing assets;
- valuation adjustments to the fair value of investments;
- valuation of fixed assets; and
- valuation adjustments on other recognised financial and non-financial assets and liabilities.

The goodwill is attributable to the synergies expected to be achieved from integrating IBQ into the Group.

40. BUSINESS COMBINATION (CONTINUED)

e) Intangible assets

The following approach was followed to estimate the fair value of identifiable intangibles:

Customer relationship
The income approach has been used in estimating the fair value of IBQ customer relationships as an intangible asset as at the Transaction Date. The income approach values the customer relationship as the present value of the future earnings that it is expected to generate over its remaining useful economic life.

Under the income approach, the Multi-period excess earnings method ("MEEM") has been utilized which is a commonly accepted method for valuing customer relationships. MEEM is a specific application of the discounted cash flow method where the value of an intangible asset is taken as the present value of the incremental cash flows attributable only to the subject intangible asset after deducting contributory asset charges ("CAC").

The principle behind CAC is that an intangible asset "rents" or "leases" from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including element of goodwill) and not the ones that it does not need, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the fair value of the rented assets.

Thus, any net cash flows remaining after the CAC are attributable to the subject intangible asset being valued. The incremental cash flows attributable to the subject intangible asset are then discounted to their present value.

Core deposits
The incremental profit method under the income approach to valuation has been used in estimating the fair value of the core deposits as an intangible asset as at the Transaction Date. Under this method, the economic benefits earned from the core deposit have been computed over the life of the core deposits considering an attrition rate. Such benefits have then been discounted to the present value considering an appropriate discounting rate. The Incremental profit method utilized is a commonly accepted method for valuing core deposits.

f) Integration related cost

The Group incurred merger and integration related costs of QAR 72 million during current year and previous years relating to consultants and other professional firms. These costs have been included in 'Other expenses' in the consolidated statement of income.

g) Impact on Group's results

From the date of acquisition until 31 December 2019, IBQ contributed total income of QAR 860 million and a net income of QAR 220 million to the Group's results. If the acquisition had occurred on 1 January 2019, management estimate that consolidated total income and net income for the year would have been QAR 3,765 million and QAR 764 million respectively.

41. SUBSEQUENT EVENTS

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of Covid-19 has had an impact on the economy and financial sector. Recent global developments since February 2020 have caused further volatility in commodity markets. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

PARENT BANK

The statement of financial position and income statement of the Parent are presented below:

i. STATEMENT OF FINANCIAL POSITION OF THE PARENT

As at 31 December	2019 QAR'000	2018 QAR'000
ASSETS		
Cash and balances with Qatar Central Bank	**2,377,286**	1,712,973
Due from banks	**4,316,608**	2,556,308
Financing assets	**50,583,263**	26,584,044
Investment securities	**15,999,241**	10,508,153
Investment in subsidiaries and associates	**2,389,355**	2,391,220
Intangible assets	**822,039**	-
Fixed assets	**317,333**	179,866
Other assets	**224,615**	251,918
TOTAL ASSETS	**77,029,740**	44,184,482
LIABILITIES		
Due to banks	**14,185,854**	9,727,565
Sukuk and fixed income financing	**1,824,096**	843,980
Customer current accounts	**5,393,986**	2,814,511
Other liabilities	**1,675,995**	940,522
TOTAL LIABILITIES	**23,079,931**	14,326,578
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	**43,189,957**	23,874,969
OWNERS' EQUITY		
Share capital	**5,234,100**	3,000,000
Legal reserve	**4,213,965**	2,469,985
Treasury shares	**(26,550)**	(26,550)
Risk reserve	**810,504**	113,650
Fair value reserve	**4,733**	(18,398)
Retained earnings	**523,100**	444,248
TOTAL OWNERS' EQUITY	**10,759,852**	5,982,935
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**77,029,740**	44,184,482

ii. INCOME STATEMENT OF THE PARENT

For the year ended 31 December	*2019* QAR'000	*2018* QAR'000
Net income from financing activities	**2,165,194**	1,482,475
Net income from investing activities	**631,586**	453,672
Total net income from financing and investing activities	**2,796,780**	1,936,147
Fee and commission income	**244,311**	146,674
Fee and commission expense	**(65,592)**	(10,993)
Net fee and commission income	**178,719**	135,681
Net foreign exchange gain	**122,175**	84,870
Dividend from subsidiaries	**127,830**	43,957
Other income	**-**	8,868
Total income	**3,225,504**	2,209,523
Staff costs	**(358,468)**	(250,920)
Depreciation	**(70,569)**	(14,519)
Other expenses	**(205,515)**	(146,555)
Finance cost	**(398,458)**	(330,969)
Total expenses	**(1,033,010)**	(742,963)
Net impairment reversal / (loss) on due from banks	**1,985**	(843)
Net impairment loss on financing assets	**(326,884)**	(7,818)
Net impairment loss on investments	**(9,618)**	(27,036)
Net impairment loss on an associate	**(1,862)**	(4,356)
Net impairment reversal on off balance sheet exposures subject to credit risk	**3,184**	77,234
Profit for the year before return to unrestricted investment account holders	**1,859,299**	1,503,741
Net return to unrestricted investment account holders	**(1,071,843)**	(736,775)
Net profit for the year	**787,456**	766,966