CONSOLIDATED FINANCIAL STATEMENTS
BARWA BANK Q.S.C.

FOR THE YEAR ENDED
31 DECEMBER 2018

BARWA BANK Q.S.C.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Barwa Bank Q.S.C.
Doha - Qatar

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Barwa Bank Q.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of changes in restricted investment accounts for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards ("FASs") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of Qatar Central Bank 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code') together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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. 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.

Key Audit Matters	How the matter was addressed in our audit
Early adoption of FAS 30 : *Impairment, credit losses and onerous commitments*	
The Group adopted FAS 30 : *Impairment, credit losses and onerous commitments* from 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognised in the consolidated financial statements. As permitted by transitional provisions of FAS 30, the Group elected not to restate the comparative figures and recorded an adjustment of QAR. 561 million to the opening retained earnings and QAR. 645 million to the risk reserve as at 1 January 2018 respectively. The changes required to processes, systems and controls to comply with FAS 30 were complex and significant, as the standard requires a fundamental change to the way, when Expected Credit Losses (ECL) are recognised and how these are measured. There was a risk that: Judgements, assumptions and estimates, which includes adopting a 'default' definition and developing probability of defaults (PDs) at origination, lifetime-PDs, and macroeconomic models with a number of scenarios and probabilities for each scenario and other post-model adjustments and management overlays may be inadequate; Inadequate data, as well as lack of uniformity in the data being used which makes it difficult to develop models, which are sufficient for FAS 30 impairment requirements. Refer to the following notes of the consolidated financial statements: Note 3a – New standards, amendments and interpretations effective from January 1, 2018. Note 3g – Significant accounting policies on impairment of financial assets Note 4 – Financial risk management Note 7 – Fair value and classification of financial instruments	We updated our understanding of the Group's adoption of FAS 30 and identified the internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard. In addition, our work performed include the below procedures: Evaluated the appropriateness of key technical decisions, judgments and accounting policy elections made by the Group to ensure compliance with FAS 30 impairment requirements. Evaluated with the assistance of our specialists, the reasonableness of management's key judgements and estimates made in the ECL calculation, which include but not limited to the selection of methods, models, assumptions and data sources. Evaluated the appropriateness and testing the mathematical accuracy of the ECL model applied. Tested the IT controls related to the credit impairment process and verified the integrity of data used as input to the models Evaluated system-based and manual controls over the recognition and measurement of impairment allowances. Evaluated post model adjustments and management overlays in order to assess the reasonableness of these adjustments. Assessed the reasonableness of forward looking information incorporated into the impairment calculations.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Early adoption of FAS 30 : *Impairment, credit losses and onerous commitments (continued)*	
• Note 9 – Due from banks • Note 10 – Financing assets • Note 11 – Investment securities • Note 20 – Other liabilities	We have also assessed whether the related disclosures of this area were adequate in accordance with the requirements of Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and applicable provision of QCB regulations.
Impairment of financial assets	
The Group's financial assets, both on and off balance sheet, amounted to QAR 59,511 million and QAR 63,502 million as at 31 December 2018 and 2017 respectively. In addition, the expected credit loss (ECL) reversal for the year ended December 31, 2018 amounted to QAR 66 million. The Group has adopted FAS 30 from January 1, 2018, which is a complex accounting standard that requires considerable judgements, which were key in the development of new models to measure expected credit losses on financial assets, including debt type investments carried at amortized cost. There is a risk that financial assets are impaired and adequate impairment provisions are not provided in accordance to requirements of FAS 30 and the applicable provisions of Qatar Central Bank regulations. Financial assets might be inaccurate due to: - The methodologies used to develop probability of default (PD); loss given default (LGD); and (exposure at default EAD) are inappropriate. - Inappropriate segmentation of portfolios is used to develop risk parameters. - The number and range of forward-looking scenarios are not representative of an appropriate range of possible outcomes. - Extrapolation techniques used to project scenarios and parameters (PD, LGD, and EAD) in future periods are inappropriate. - The methodology used to allocate a probability to each scenario is inappropriate or unsupported. - Significant increases (or reductions) in credit risk (movements between Stage 1, Stage 2 and Stage 3) are not completely or accurately identified on a timely basis. - Assumptions incorporated in the ECL model are not updated on a timely basis.	We have assessed and tested the design and operating effectiveness of the relevant controls over data governance, methodologies, inputs and assumptions used by the Group in calculating impairment allowances. In addition, IT controls with respect to the ECL model were tested. In addition, our work performed include the below procedures, among others on the Group's FAS 30 ECL model: Review and assessment of the appropriateness of data, assumptions and methodologies used within the Bank's ECL model (PD, LGD, and EAD) and customer internal rating systems and methodology. Assessment on whether significant increase in credit risk (SICR) indicators are present for the financing assets portfolio based on FAS 30 and Qatar Central Banks guidance and the possible implications on the ECL staging and expected provisioning. Assessment of the ECL methodology, macroeconomic scenarios weightage, model validation/testing, on a sample basis.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment of financial assets (continued)	
Refer to the following notes of the consolidated financial statements: Note 3a – New standards, amendments and interpretations effective from January 1, 2018. Note 3g – Significant accounting policies on impairment of financial assets Note 4 – Financial risk management Note 7 – Fair value and classification of financial instruments Note 9 – Due from banks Note 10 – Financing assets Note 11 – Investment securities Note 20 – Other liabilities	We have assessed whether the related disclosures of this area are adequate in accordance to the requirements of Financial Accounting Standards ("FASs") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and applicable provision of QCB regulations.
Valuation of goodwill	
The Group has QR. 777.23 million of goodwill as at 31 December 2018 arising from past acquisitions of subsidiaries namely The First Investor P.Q.S.C. ("TFI"), First Finance Company P.Q.S.C. ("FFC") and First Leasing Company P.Q.S.C. ("FLC"). There is a risk regarding the potential impairment of the carrying value of the goodwill given the judgements management is required to make in respect of the assumptions used to determine the recoverable amount. The key judgements include identification of cash generating units, growth rates in future cash flow forecasts both short term and longer term, discount rates applied to these forecasts and determining the impact of reasonably possible changes in these assumptions.	Our audit work assessed the adequacy of the design and implementation and operating effectiveness of controls over monitoring the carrying value of goodwill. Independently we identified and challenged management's assessment of the cash generating units within the Group based on a review of the cash flows internally reported by management, and our understanding of the Group structure. We challenged the assumptions used by management in their impairment assessment by using valuation specialists within the audit team to benchmark the discount rate against independently available data, together with peer group analysis, our understanding of the assumptions underpinning the Group's cash flow forecasts, and the historical performance of the businesses. Having audited the assumptions, we checked that the impairment model had been prepared on the basis of management's assumptions and was arithmetically accurate. We challenged the appropriateness of management's sensitivities based on our work performed on the key assumptions, and recalculated these sensitised scenarios.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus because the Bank's financial accounting and reporting systems are vitally dependent on complex technology. The extensive volume and variety of transactions processed daily raises a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. A particular area of focus related to logical access management and segregation of duties. The underlying principles are important because they ensure that changes to applications and data are appropriate, authorised and monitored. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.	Our audit approach relies on automated controls and therefore procedures were designed to test access and control over IT systems. Our audit procedures included: Obtain the IT understanding on applications relevant to financial reporting including the Ethix Core – core banking system, Ethix Finance – loans application, Ethix Branch – branch banking application, Ethix Trade – trading system and the Swift messaging and the infrastructure supporting these applications; and Testing the key automated input / processing and output controls relevant to business processes. Testing the IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations; Assessing accuracy and completeness of computer generated information used in financial reporting;

Other information

Board of Directors is responsible for the other information. The other information comprises the Director's Report which we obtained prior to the date of this auditor's report and other information included in the the Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Board of Directors 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 risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the 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 management.

- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such 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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

Report on other legal and regulatory requirements

We are also of the opinion that proper books of account were maintained by the Group. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the consolidated financial information included in the Director's report addressed to the General Assembly is in agreement with the books and records of the Group. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Central Bank Law, Qatar Commercial Companies' Law and the Bank's Articles of Association were committed during the year which would materially affect the Group's financial position or its financial performance.

Doha - Qatar
February 26, 2019

For **Deloitte & Touche**
Qatar Branch

Walid Slim
Partner
License No. 319
QFMA Auditor License No. 120156

BARWA BANK Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — QAR '000s

As at 31 December	Note	2018	2017
ASSETS			
Cash and balances with Qatar Central Bank	8	**1,714,903**	1,383,847
Due from banks	9	**2,627,929**	2,946,480
Financing assets	10	**27,756,699**	31,676,882
Investment securities	11	**10,542,985**	10,958,738
Investment in associates and joint ventures	12	**152,603**	217,730
Investment properties	13	**3,963**	4,662
Fixed assets	14	**229,899**	243,761
Intangible assets	15	**777,230**	777,230
Other assets	16	**555,329**	427,824
TOTAL ASSETS		**44,361,540**	48,637,154
LIABILITIES			
Due to banks	17	**9,720,211**	11,445,073
Sukuk financing	18	**836,984**	2,201,270
Customer current accounts	19	**2,814,243**	1,673,772
Other liabilities	20	**1,020,787**	899,316
TOTAL LIABILITIES		**14,392,225**	16,219,431
EQUITY OF INVESTMENT ACCOUNT HOLDERS	21	**23,219,256**	24,796,114
OWNERS' EQUITY			
Share capital	22(a)	**3,000,000**	3,000,000
Legal reserve	22(b)	**2,548,996**	2,396,003
Treasury shares	22(e)	**(38,349)**	(38,349)
Risk reserve	22(c)	**113,650**	695,563
Fair value reserve	11	**1,666**	3,208
Foreign currency translation reserve	12(a)	**(81)**	141
Other reserves	22(d)	**673,333**	574,002
Retained earnings		**450,753**	977,361
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**6,749,968**	7,607,929
Non-controlling interests	23	**91**	13,680
TOTAL OWNERS' EQUITY		**6,750,059**	7,621,609
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**44,361,540**	48,637,154

These consolidated financial statements were approved by the Board of Directors on 20 February 2019 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 40 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT **QAR '000s**

For the year ended 31 December	Note	2018	2017
Net income from financing activities	24	**1,633,933**	1,540,034
Net income from investing activities	25	**457,982**	460,609
Total net income from financing and investing activities		**2,091,915**	2,000,643
Fee and commission income		**166,065**	174,467
Fee and commission expense		**(11,356)**	(8,570)
Net fee and commission income	26	**154,709**	165,897
Net foreign exchange gain		**84,870**	56,776
Share of results of associates and joint ventures	12	**(29,446)**	(6,286)
Other income		**9,913**	27,723
Total income		**2,311,961**	2,244,753
Staff costs	27	**(306,927)**	(303,426)
Depreciation	14	**(24,668)**	(28,985)
Other expenses	28	**(164,226)**	(172,275)
Finance cost		**(330,969)**	(229,445)
Total expenses		**(826,790)**	(734,131)
Net impairment loss on due from banks	4(b)	**(876)**	-
Net impairment loss on financing assets	4(b)	**(10,755)**	(48,596)
Net impairment loss on investments	11	**(54,514)**	(26,198)
Net impairment loss on an associate	12	**(11,143)**	-
Net reversal of impairment on off balance sheet exposures subject to credit risk	4(b)	**77,234**	-
Profit for the year before return to investment account holders		**1,485,117**	1,435,828
Net return to investment account holders	21	**(720,151)**	(681,504)
Net profit for the year		**764,966**	754,324
Net profit for the year attributable to:			
Equity holders of the Bank		**764,966**	753,228
Non-controlling interests		**-**	1,096
Net profit for the year		**764,966**	754,324
Earnings per share			
Basic and diluted earnings per share (QAR per share)	33	**2.58**	2.54

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY **QAR '000s**

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	2,396,003	(38,349)	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	2,396,003	(38,349)	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 12a)	-	-	-	-	953	(222)	-	-	731	-	731
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
Dividend paid	-	-	-	-	-	-	-	(414,631)	(414,631)	-	(414,631)
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)	-	-	-
Change in ownership stake (note 23)	-	-	-	-	-	-	-	-	-	(13,589)	(13,589)
Balance at 31 December 2018	3,000,000	2,548,996	(38,349)	113,650	1,666	(81)	673,333	450,753	6,749,968	91	6,750,059

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

BARWA BANK Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY **QAR '000s**

For the year ended 31 December 2017

	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 2017	3,000,000	2,245,357	(38,349)	695,563	(11,320)	107	530,224	818,380	7,239,962	23,250	7,263,212
Fair value reserve movement (note 11)	-	-	-	-	15,664	-	-	-	15,664	-	15,664
Share of associates foreign currency translation reserve (note 12a)	-	-	-	-	(1,136)	-	-	-	(1,136)	-	(1,136)
Net investment hedge gain (note 12a)	-	-	-	-	-	34	-	-	34	-	34
Profit for the year	-	-	-	-	-	-	-	753,228	753,228	1,096	754,324
Total recognised income and expense for the year	-	-	-	-	14,528	34	-	753,228	767,790	1,096	768,886
Dividend paid	-	-	-	-	-	-	-	(399,823)	(399,823)	-	(399,823)
Transfer to legal reserve	-	150,646	-	-	-	-	-	(150,646)	-	-	-
Change in other reserves, net	-	-	-	-	-	-	43,778	(43,778)	-	-	-
Change in ownership stake (note 23)	-	-	-	-	-	-	-	-	-	(10,666)	(10,666)
Balance at 31 December 2017	3,000,000	2,396,003	(38,349)	695,563	3,208	141	574,002	977,361	7,607,929	13,680	7,621,609

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

CONSOLIDATED STATEMENT OF CASH FLOWS QAR '000s

For the year ended 31 December	Note	2018	2017
Cash flows from operating activities			
Net profit for the year		**764,966**	754,324
Adjustments for:			
Net impairment loss on due from banks	4(b)	**876**	-
Net impairment loss on financing assets	4(b)	**10,755**	84,735
Impairment loss on investment securities	11	**54,514**	26,198
Impairment loss on an associate	12	**11,143**	-
Net reversal of impairment on off balance sheet exposures subject to credit risk	4(b)	**(77,234)**	-
Depreciation	14	**24,668**	28,985
Employees' end of service benefits provision	20.1	**19,247**	20,266
Net loss on sale of investment securities	25	**5,759**	6,546
Dividend income	25	**(41,506)**	(65,388)
Share of results of associates and joint ventures	12	**29,446**	6,286
Gain on disposal of fixed assets		**(442)**	(361)
Profit before changes in operating assets and liabilities		**802,192**	861,591
Change in reserve account with Qatar Central Bank		**(38,888)**	220,894
Change in due from banks		**(2,988)**	444,641
Change in financing assets		**2,842,989**	(1,983,118)
Change in other assets		**(123,092)**	(110,559)
Change in due to banks		**(1,724,862)**	5,705,270
Change in sukuk financing		**(1,364,286)**	3,676
Change in customer current accounts		**1,140,471**	82,849
Change in other liabilities		**57,498**	13,782
		1,589,034	5,239,026
Dividends received	25	**37,093**	65,388
Employees' end of service benefits paid	20.1	**(6,415)**	(6,266)
Net cash from operating activities		**1,619,712**	5,298,148
Cash flows from investing activities			
Disposal / (acquisition) of investment securities		**327,194**	(638,198)
Disposal of associates and joint ventures, net		**27,716**	73,190
Acquisition of fixed assets	14	**(12,492)**	(29,627)
Proceeds from sale of fixed assets		**2,128**	4,084
Net cash from / (used in) investing activities		**344,546**	(590,551)
Cash flows from financing activities			
Change in unrestricted investment accounts		**(1,576,858)**	(3,590,500)
Dividends paid		**(414,631)**	(399,823)
Net cash used in financing activities		**(1,991,489)**	(3,990,323)
Net (decrease) / increase in cash and cash equivalents		**(27,231)**	717,274
Cash and cash equivalents at 1 January		**2,922,346**	2,205,072
Cash and cash equivalents at 31 December	34	**2,895,115**	2,922,346

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY QAR '000s

For the year ended 31 December 2018

	At 1 January 2018	Movements during the year					At 31 December 2018
	Total value	**Investment / (withdrawal)**	**Revaluation**	**Gross Income**	**Dividends paid**	**Group's fee as an agent**	**Total value**
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**

For the year ended 31 December 2017

	At 1 January 2017	Movements during the year					At 31 December 2017
	Total value	Investment / (withdrawal)	Revaluation	Gross Income	Dividends paid	Group's fee as an agent	Total value
Discretionary Portfolio Management	103,958	1,567	(11,561)	2,907	-	-	96,871
Other Restricted Wakalas	105,950	320,953	-	-	-	-	426,903
	209,908	322,520	(11,561)	2,907	-	-	523,774

The attached notes 1 to 40 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. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 6 branches in Doha, 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 investing, financing 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.

The Bank is owned 20.36% by General Retirement and Social Insurance Authority, 20.36% by Military Pension Fund (Qatar), 12.13% by Qatar Holding, the strategic and direct investment arm of Qatar Investment Authority being the sovereign wealth fund of the State of Qatar; with remaining shares are owned by several individuals and corporate entities.

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 setting out the terms of a proposed merger between Barwa Bank and IBQ. The merger is intended to be effected by way of a merger pursuant to Article 278 of the Companies Law, Article 161(2) of the Central Bank Law and the Merger Agreement. Subject to the satisfaction of the conditions to the merger, upon the effective date, the assets and liabilities of IBQ will be assumed by Barwa Bank in consideration for the issue of New Barwa Bank Shares to existing IBQ Shareholders. Upon the merger becoming effective, IBQ will be dissolved pursuant to the provisions of Article 291 of the Companies Law. The transaction will be 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 issue of the new Barwa Bank shares, shareholders of the Bank will own approximately 57% of the combined bank and IBQ shareholders will own approximately 43%.

On 19 December 2018, the shareholders in an extraordinary general assembly meeting approved the merger between the Bank and IBQ and other items related to the conversion of the Bank to a Qatari Private Shareholding Company and increase of the authorized and paid up share capital to QAR 5,234,100,000 following amendment in the Memorandum and Articles of Association as part of the agenda.

Management assessed the terms of the merger and concluded that no adjustments are required to the amount of assets and liabilities recognised in the accompanying consolidated financial statements. The combined bank will retain Barwa Bank's legal restrictions and licenses. On the effective date, post getting all the approvals as per the law and meeting all requirements as per the Merger Agreement, IBQ will be dissolved as a legal entity and the surviving entity (Barwa Bank) will continue to conduct all its operations in accordance with the Shari'a Principles.

1. REPORTING ENTITY (CONTINUED)

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Date of Acquisition / incorporation	Percentage of ownership	
			2018	2017
The First Investor P.Q.S.C. ("TFI")	Qatar	13 December 2009	100%	100%
First Finance Company P.Q.S.C. ("FFC")	Qatar	12 July 2010	100%	100%
First Leasing Company P.Q.S.C ("FLC")	Qatar	13 July 2010	100%	100%
BBG Sukuk limited	Cayman Islands	30 April 2015	-	-

(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 Bank.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of Qatar Central Bank ("QCB") regulations. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investments carried at fair value through equity, investments carried at fair value through the income statement, investment property and risk management instruments, which are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities except for the effect of adoption of FAS 30 on 1 January 2018, as described in note 3(a)(i).

(a) New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2018

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.

Expected credit losses (‘ECL’)

FAS 30 introduces the Credit Losses approach with a forward-looking ‘expected credit loss’ model. The Credit Losses approach for receivables and off balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss. The new impairment model is applied to financial assets which are subject to credit risk, and a number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

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

As required by the QCB, the Group has early adopted FAS 30 with effect from 1 January 2018 and as permitted by the standard, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and non-controlling interest of the current year.

3. SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

(a) New standards and intrepretations(continued)

New standards, amendments and interpretations effective from 1 January 2018(continued)

FAS 30 Impairment, credit losses and onerous commitments(continued)

ADOPTION OF FAS 30

The adoption of FAS 30 has resulted in changes in the accounting policies for impairment of financial assets. Set out below are the FAS 30 transition impact disclosures for the Group.

(i) Impact of adopting FAS 30

The impact from the adoption of FAS 30 as at 1 January 2018 has been to decrease retained earnings by QAR 561.0 million and risk reserve by QAR 645.6 million. The Group utilised part of the risk reserve to record the initial cumulative impact of the ECL after obtaining necessary approval from the QCB.

	Retained earnings	*Non-controlling interest*
Closing balance as at 31 December 2017	977,361	13,680
Risk reserve transferred on 1 January 2018	645,563	-
Impact on recognition of Expected Credit Losses		
Due from banks	1,264	-
Financing assets	1,066,439	-
Debt type securities at amortized cost	10,454	-
Off balance sheet exposures subject to credit risk	128,375	-
	1,206,532	-
Opening balance under FAS 30 on date of initial application of 1 January 2018	416,392	13,680

Financial Liabilities
There were no changes to the classification and measurement of financial liabilities.

(ii) Expected credit loss / Impairment allowances

The following table reconciles the closing impairment allowance for financial assets in accordance with the existing FAS as at 31 December 2017 to the opening ECL allowance determined in accordance with FAS 30 as at 1 January 2018.

	31 December 2017	Re-measurement	1 January 2018
Due from banks	-	1,264	1,264
Financing assets	548,649	1,066,439	1,615,088
Debt type investments carried at amortised cost	-	10,454	10,454
Off balance sheet exposures subject to credit risk	-	128,375	128,375
	548,649	1,206,532	1,755,181

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF FAS 30 (CONTINUED)

(ii) Expected credit loss / Impairment allowances (continued)

	Stage 1	Stage 2	Non-performing	Total
Exposure (carrying value) subject to ECL				
Due from banks	**2,630,069**	**-**	**-**	**2,630,069**
Debt type investments carried at amortised cost	**447,246**	**-**	**-**	**447,246**
Financing assets	**24,240,295**	**4,190,544**	**973,408**	**29,404,247**
Off-balance sheet exposures subject to credit risk	**9,112,819**	**182,278**	**7,272**	**9,302,369**
	36,430,429	**4,372,822**	**980,680**	**41,783,931**
Opening balance with Day 1 impact - as at 1 January 2018				
Due from banks	-	1,264	-	1,264
Debt type investments carried at amortised cost	465	9,989	-	10,454
Financing assets	124,603	941,836	548,649	1,615,088
Off-balance sheet exposures subject to credit risk	34,650	93,725	-	128,375
	159,718	1,046,814	548,649	1,755,181
Net transfer between stages				
Due from banks	1,248	(1,248)	-	-
Debt type investments carried at amortised cost	-	-	-	-
Financing assets	118,773	(119,298)	525	-
Off-balance sheet exposures subject to credit risk	43,351	(43,351)	-	-
	163,372	(163,897)	525	-
Charge for the period (net)				
Due from banks	892	(16)	-	876
Debt type investments carried at amortised cost	9,989	(9,989)	-	-
Financing assets	(108,311)	56,809	62,257	10,755
Off-balance sheet exposures subject to credit risk	(50,151)	(27,083)	-	(77,234)
	(147,581)	19,721	62,257	(65,603)
Financing assets – written off	-	-	(861)	(861)
Financing assets – suspended profit, net movement	-	-	22,566	22,566
	(147,581)	19,721	83,962	(43,898)
Closing balance - as at 31 December 2018				
Due from banks	**2,140**	**-**	**-**	**2,140**
Debt type investments carried at amortised cost	**10,454**	**-**	**-**	**10,454**
Financing assets	**135,065**	**879,347**	**633,136**	**1,647,548**
Off-balance sheet exposures subject to credit risk	**27,850**	**23,291**	**-**	**51,141**
	175,509	**902,638**	**633,136**	**1,711,283**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Changes in Accounting Policies and Significant Estimates and Judgements

Key changes to the Group's accounting policies

The key changes to the Group's accounting policies resulting from the adoption of FAS 30 are summarised below. Since the comparative financial information has not been restated, the accounting policies in respect of the financial instruments for comparative periods are based on FAS and applicable QCB regulations as disclosed in the audited consolidated financial statements as of and for the year ended 31 December 2017.

Impairment of financial assets

FAS 30 replaces the 'incurred loss' model in existing FAS with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under FAS 30, credit losses are recognised earlier than under existing FAS.

Key changes in the Group's accounting policy for impairment of financial assets are listed below:
The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL
Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk (i. local sovereign that carry credit rating of (Aaa) or (Aa) and carry (zero) credit weight in accordance with capital adequacy instructions of the QCB, ii. externally rated debt instruments, iii. other financial assets which the Group may classify as such after obtaining QCB's no objection) at the reporting date. For these assets, 12-month ECL are recognised and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired
Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but proft is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD') as the weight.

Stage 3: Non performing - credit impaired
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the QCB's instructions. For these assets, lifetime ECL is recognised and treated with the profit calculated on them, according to QCB's instructions as disclosed in most recent annual financial statements. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Changes in Accounting Policies and Significant Estimates and Judgements(continued)

Inputs, assumptions and techniques used for estimating impairment:

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

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

- Two notches down for rating from Aaa to Baa or one notch down for any ratings below this;
- Facilities restructured during previous twelve months; and
- Contractual payments overdue by more than 60 days as at the reporting date.

Credit risk grades

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

Generating the term structure of Probability of Default (PD)

The Group employs Moody's Risk Analyst to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Bank has taken exposures.

(iv) Changes to Group's financial risk management objectives and policies

1) Credit Risk Measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

2) Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Changes to Group's financial risk management objectives and policies(continued)

3) Credit quality assessments

Pursuant to the adoption of FAS 30, the Group has mapped its internal credit rating scale to Moody's rating scale. The table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on Moody's ratings (or their equivalent) as at 31 December 2018.

Rating grade	Financing assets	Debt type investments carried at amortised cost	Off balance sheet exposures subject to credit risk	Due from Banks
Aaa to Aa3	9,682	-	1,992,268	555,566
A1 to A3	2,315,947	294,648	3,472,188	1,698,098
Baa1 to Baa3	304,440	145,269	14,941,090	6,453,769
Ba1 to B3	-	7,329	4,230,281	587,664
Below B3	-	-	973,408	7,272
Unrated	-	-	3,795,012	-
Total	**2,630,069**	**447,246**	**29,404,247**	**9,302,369**

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

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

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

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation(continued)

(ii) Non-controlling interests (continued)

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.

(iv) Associates and joint ventures

Associates are entities over which the Bank 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 Bank's investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Bank'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 Bank'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 Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation(continued)

(iv) Associates and joint ventures (continued)

Intergroup gains on transactions between the Bank and its associates and joint ventures are eliminated to the extent of the Bank'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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency transactions and balances (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities (continued)

(i) Classification (continued)

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 Bank 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)

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 Bank 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)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other financial assets and liabilities (continued)

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets

Policy applicable from 1 January 2018:

The adoption of FAS 30 has fundamentally changed the Group's accounting for loan loss impairments by replacing FAS 11's incurred loss approach with a forward-looking expected credit loss (ECL) approach. FAS 30 requires the Group to record an allowance for ECLs for all financing assets and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitments 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 loan or advance 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

Policy applicable upto 31 December 2017:

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing facility or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparty or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the 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 equity.

Financial assets carried at amortised cost (including investment in debt-type instruments classified as amortised cost)

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated income statement and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated income statement, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 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.

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 as follows:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition goodwill is measured at cost less accumulated impairment losses.

Intangible assets other than goodwill are amortised over their useful lives, and carried net of accumulated amortisation and impairment losses.

(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 income statement. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Customer current accounts

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

(o) Equity of investment account holders

Equity of investment account holders is funds held by the Group, which it can invest at its own discretion. The 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 Bank 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 investment account holders and owners

The Bank 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 Bank's agreed and declared Mudaraba fee.
- In case of any expense or loss, which arises out of negligence on the part of the Bank 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 Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

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 income statement on declaration by the Mudarib.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (continued)

Ijara

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

Istisna'a

Revenue and the associated profit margin are recognised in the Group's consolidated income statement 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.

(t) Earnings per share

The Bank presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to owners of the Bank 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Earnings prohibited by Shari'a

The Bank is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account, the Bank reserve these funds for charitable purposes.

(x) Taxation

The Group is currently exempt from income tax. However, the Bank and certain subsidiaries of the Group that meet the Tax Law criteria are required to file income tax returns with the Public Revenues and Taxes department.

(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".

(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 Bank.

(ab) Sukuk financing

Financing raised under Sukuks program are recognised at amortised cost and disclosed as a separate line in the consolidated financial statements as "Sukuk financing". Profits are recognised periodically till maturity. Sukuk financing bears variable profit rate which is fixed on semi-annual basis along with the profit payment.

(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.

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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

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
- 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 obligors 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(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 Bank 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 (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 securties 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 affliates. 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

	2018	2017
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Balances with Qatar Central Bank	**1,422,596**	1,211,956
Due from banks	**2,627,929**	2,946,480
Financing assets	**27,756,699**	31,676,882
Investment securities – debt type	**9,678,217**	9,868,263
Other assets	**509,020**	391,984
	41,994,461	46,095,565
Other credit risk exposures are as follows:		
Guarantees	**8,250,634**	8,461,848
Letters of credit	**1,051,735**	1,608,432
Unutilised credit facilities	**8,214,465**	7,336,554
	17,516,834	17,406,834

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.

2018

	Qatar	Other GCC	Europe	Others	Total
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	1,422,596	-	-	-	1,422,596
Due from banks	2,419,694	4,282	52,490	151,463	2,627,929
Financing assets	23,668,686	524,065	3,367,403	196,545	27,756,699
Investment securities – debt type	9,424,126	144,847	-	109,244	9,678,217
Other assets	509,020	-	-	-	509,020
	37,444,122	673,194	3,419,893	457,252	41,994,461

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

2017

	Qatar	Other GCC	Europe	Others	Total
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	1,211,956	-	-	-	1,211,956
Due from banks	2,783,069	29,711	28,291	105,409	2,946,480
Financing assets	25,697,307	2,036,989	3,579,652	362,934	31,676,882
Investment securities – debt type	9,681,818	39,328	-	147,117	9,868,263
Other assets	391,984	-	-	-	391,984
	39,766,134	2,106,028	3,607,943	615,460	46,095,565

2018

Other credit risk exposures	**Qatar**	**Other GCC**	**Europe**	**Others**	**Total**
Guarantees	**7,096,659**	**278,286**	**244,582**	**631,106**	**8,250,633**
Letters of credit	**1,051,161**	**-**	**-**	**574**	**1,051,735**
Unutilised credit facilities	**8,084,359**	**125,143**	**-**	**4,964**	**8,214,466**
	16,232,179	**403,429**	**244,582**	**636,644**	**17,516,834**

2017

Other credit risk exposures	Qatar	Other GCC	Europe	Others	Total
Guarantees	7,495,469	315,293	128,800	522,286	8,461,848
Letters of credit	1,459,014	149,418	-	-	1,608,432
Unutilised credit facilities	6,747,280	225,115	-	364,159	7,336,554
	15,701,763	689,826	128,800	886,445	17,406,834

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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 2018	Total exposure 2017
Funded and unfunded		
Government	**16,476,689**	15,189,164
Industry and Manufacturing	**915,026**	1,087,750
Commercial	**3,738,400**	4,351,980
Financial services	**4,957,486**	6,129,804
Contracting	**10,370,832**	12,485,691
Real estate	**8,549,922**	9,695,202
Personal	**3,478,442**	2,416,642
Services and others	**11,024,498**	12,146,166
	59,511,295	63,502,399

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:

	2018	2017
Equivalent grades		
Aaa to Aa3	**16,529,306**	15,309,880
A1 to A3	**4,182,060**	4,406,670
Baa1 to Baa3	**60,780**	398,311
Ba1 to B3	**353,805**	102,599
Unrated	**38,385,344**	43,284,939
	59,511,295	63,502,399

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(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.

Cash and balances with Qatar Central Bank (excluding cash on hand) and due from banks

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Investment grade - ORR 1 to 5	2,630,069	-	-	**2,630,069**	2,946,480
Sub-investment grade - ORR 6 to 7	-	-	-	**-**	-
Substandard - ORR 8	-	-	-	**-**	-
Doubtful ORR 9	-	-	-	**-**	-
Loss - ORR 10	-	-	-	**-**	-
	2,630,069	-	-	**2,630,069**	2,946,480
Loss allowance	(2,140)	-	-	**(2,140)**	-
Carrying amount	**2,627,929**	**-**	**-**	**2,627,929**	2,946,480

Financing assets

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Investment grade - ORR 1 to 5	23,090,233	1,110,325	-	**24,200,558**	25,345,997
Sub-investment grade - ORR 6 to 7	1,150,062	3,080,219	-	**4,230,281**	5,854,230
Substandard - ORR 8	-	-	69,244	**69,244**	477,605
Doubtful ORR 9	-	-	351,158	**351,158**	190,219
Loss - ORR 10	-	-	553,006	**553,006**	357,480
	24,240,295	4,190,544	973,408	**29,404,247**	32,225,531
Loss allowance	(135,065)	(879,347)	(569,017)	**(1,583,429)**	(507,096)
Suspended profit	-	-	(64,119)	**(64,119)**	(41,553)
	(135,065)	(879,347)	(633,136)	**(1,647,548)**	(548,649)
Carrying amount	**24,105,230**	**3,311,197**	**340,272**	**27,756,699**	31,676,882

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality (continued)

Investment securities

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Investment grade - ORR 1 to 5	439,917	-	-	**439,917**	332,525
Sub-investment grade - ORR 6 to 7	7,329	-	-	**7,329**	38,249
Substandard - ORR 8	-	-	-	**-**	-
Doubtful ORR 9	-	-	-	**-**	-
Loss - ORR 10	-	-	-	**-**	-
	447,246	-	-	**447,246**	370,774
Loss allowance	(10,454)	-	-	**(10,454)**	-
Carrying amount	**436,792**	**-**	**-**	**436,792**	370,774

Loan commitments and financial guarantees

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Investment grade - ORR 1 to 5	8,701,217	6,216	-	**8,707,433**	9,597,606
Sub-investment grade - ORR 6 to 7	411,602	176,062	-	**587,664**	461,352
Substandard - ORR 8	-	-	2,738	**2,738**	7,338
Doubtful ORR 9	-	-	2,203	**2,203**	1,420
Loss - ORR 10	-	-	2,331	**2,331**	2,564
	9,112,819	182,278	7,272	**9,302,369**	10,070,280
Loss allowance (Other liabilities)	(27,850)	(23,291)	-	**(51,141)**	-
Carrying amount	**9,084,969**	**158,987**	**7,272**	**9,251,228**	**10,070,280**

At 31 December 2018 and 2017, 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(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 2018 is QAR 36,004.6 million (31 December 2017: QAR 40,314.0 million).The value of the collateral held against credit-impaired financing assets and advances as at 31 December 2018 is QR 279.2 million (31 December 2017: QR 279.2 million).

The amount of contractual amount of financial assets written off during the period, subject to enforcement activity as at 31 December 2018 and 2017 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 Bank 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

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);
3. For retail stage 2 assets, based upon its internal experience, the Bank 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.).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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 Excepted 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 loan 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 loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan 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 loan 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 2018, QAR 1,221.7 million (31 December 2017: QAR 1,238.4 million) of deals were restructured.

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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.

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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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 11 and 25.

Cash and balances with Qatar Central Banks (excluding cash on hand) and due from banks

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Balance at 1 January	-	-	-	**-**	-
Impact of initial application	-	1,264	-	**1,264**	-
Transfers to Stage 1	1,248	(1,248)	-	**-**	-
Transfers to Stage 2	-	-	-	**-**	-
Transfers to Stage 3	-	-	-	**-**	-
Impairment allowance for the period, net	892	(16)	-	**876**	-
Amounts written off	-	-	-	**-**	-
Balance at 31 December	**2,140**	**-**	**-**	**2,140**	-

Financing assets

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Balance at 1 January	-	-	548,649	**548,649**	493,212
Impact of initial application	124,603	941,836	-	**1,066,439**	-
Transfers to Stage 1	122,387	(122,387)	-	**-**	-
Transfers to Stage 2	(3,307)	3,307	-	**-**	-
Transfers to Stage 3	(307)	(218)	525	**-**	-
Impairment allowance for the period, net	(108,311)	56,809	62,257	**10,755**	48,596
Suspended profit, net movement	-	-	22,566	**22,566**	7,906
Amounts written off	-	-	(861)	**(861)**	(1,065)
Balance at 31 December	**135,065**	**879,347**	**633,136**	**1,647,548**	548,649

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Loss allowance (continued)

Investment securities

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Balance at 1 January	-	-	-	**-**	-
Impact of initial application	465	9,989	-	**10,454**	-
Transfers to Stage 1	-	-	-	**-**	-
Transfers to Stage 2	-	-	-	**-**	-
Transfers to Stage 3	-	-	-	**-**	-
Impairment allowance for the period, net	9,989	(9,989)	-	**-**	-
Amounts written off	-	-	-	**-**	-
Balance at 31 December	**10,454**	**-**	**-**	**10,454**	-

Loan commitments and financial guarantees (including LC & LG)

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Balance at 1 January	-	-	-	**-**	-
Impact of initial application	34,650	93,725	-	**128,375**	-
Transfers to Stage 1	43,400	(43,400)	-	**-**	-
Transfers to Stage 2	(49)	49	-	**-**	-
Transfers to Stage 3	-	-	-	**-**	-
Impairment allowance for the period, net	(50,151)	(27,083)	-	**(77,234)**	-
Amounts written off	-	-	-	**-**	-
Balance at 31 December	**27,850**	**23,291**	**-**	**51,141**	-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(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 0.9 million (31 December 2017: QAR 1.0 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(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.

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 at the reporting date was 23% (31 December 2017: 16%).

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 2018, liquidity ratio as per QCB prescribed method was 118% (31 December 2017: 105%). The minimum liquidity ratio determined by the QCB is 100%.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(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 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	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
2018						
Balances with Qatar Central Bank	**1,422,596**	**1,422,596**	**-**	**-**	**-**	**-**
Due from banks	**2,627,929**	**2,368,481**	**-**	**-**	**259,448**	**-**
Financing assets	**27,756,699**	**1,037,986**	**793,502**	**3,522,792**	**11,144,995**	**11,257,424**
Investment securities – debt type	**9,678,217**	**550,000**	**109,244**	**107,203**	**4,463,666**	**4,448,104**
Other assets	**509,020**	**141,451**	**69,344**	**88,598**	**209,627**	**-**
Total financial assets	**41,994,461**	**5,520,514**	**972,090**	**3,718,593**	**16,077,736**	**15,705,528**
Due to banks	**9,720,211**	**8,554,620**	**29,213**	**404,495**	**731,883**	**-**
Sukuk financing	**836,984**	**-**	**-**	**836,984**	**-**	**-**
Customer current accounts	**2,814,243**	**2,814,243**	**-**	**-**	**-**	**-**
Other liabilities	**490,502**	**167,468**	**144,901**	**176,939**	**1,194**	**-**
Total financial liabilities	**13,861,940**	**11,536,331**	**174,114**	**1,418,418**	**733,077**	**-**
Equiy of 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**	**(16,697,666)**	**(3,531,345)**	**(4,583,391)**	**14,020,139**	**15,705,528**

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
2017						
Balances with Qatar Central Bank	1,211,956	62,575	-	-	-	1,149,381
Due from banks	2,946,480	2,687,880	-	-	258,600	-
Financing assets	31,676,882	2,002,230	1,177,850	5,842,026	10,362,325	12,292,451
Investment securities – debt type	9,868,263	1,945,022	56,079	500,000	2,217,789	5,149,373
Other assets	391,984	113,469	107,227	28,920	142,368	-
Total financial assets	46,095,565	6,811,176	1,341,156	6,370,946	12,981,082	18,591,205
Due to banks	11,445,073	10,594,226	113,126	7,283	730,438	-
Sukuk financing	2,201,270	-	908,537	455,188	837,545	-
Customer current accounts	1,673,772	1,673,772	-	-	-	-
Other liabilities	566,484	180,949	287,586	90,537	7,412	-
Total financial liabilities	15,886,599	12,448,947	1,309,249	553,008	1,575,395	-
Equiy of investment account holders	24,796,114	12,260,011	5,999,287	5,881,851	654,094	871
Total	40,682,713	24,708,958	7,308,536	6,434,859	2,229,489	871
Difference	5,412,852	(17,897,782)	(5,967,380)	(63,913)	10,751,593	18,590,334

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)
(iv) Maturity analysis (Financial liabilities and risk management instruments)

2018	**Carrying amount**	**Gross undisc-ounted cash flows**	**Less than 1 month**	**1-3 months**	**3 months – 1 year**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Due to banks	**9,720,211**	**9,720,211**	**8,554,620**	**29,213**	**404,495**	**731,883**	**-**
Sukuk financing	**836,984**	**836,984**	**-**	**-**	**836,984**	**-**	**-**
Customer current accounts	**2,814,243**	**2,814,243**	**2,814,243**	**-**	**-**	**-**	**-**
Other liabilities	**490,502**	**490,502**	**167,468**	**144,901**	**176,939**	**1,194**	**-**
Total liabilities	**13,861,940**	**13,861,940**	**11,536,331**	**174,114**	**1,418,418**	**733,077**	**-**
Equity of 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		**(3,244,909)**	**(492,511)**	**(1,046,442)**	**(1,679,077)**	**(26,879)**	**-**
Inflow		**3,092,840**	**492,568**	**958,459**	**1,614,934**	**26,879**	**-**
	36,952,696	**36,929,127**	**22,218,237**	**4,415,452**	**8,237,841**	**2,057,597**	**-**

2017	Carrying amount	Gross undisc-ounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Due to banks	11,445,073	11,445,073	10,594,226	113,126	7,283	730,438	-
Sukuk financing	2,201,270	2,201,270	-	908,537	455,188	837,545	-
Customer current accounts	1,673,772	1,673,772	1,673,772	-	-	-	-
Other liabilities	566,484	566,484	180,949	287,586	90,537	7,412	-
Total liabilities	15,886,599	15,886,599	12,448,947	1,309,249	553,008	1,575,395	-
Equity of investment account holders	24,796,114	24,796,114	12,260,011	5,999,287	5,881,851	654,094	871
Risk management instruments							
Risk Management:	(10,069)						
Outflow		(3,424,575)	(709,812)	(1,198,225)	(1,481,618)	(28,369)	(6,551)
Inflow		3,530,570	707,456	1,191,551	1,596,643	28,369	6,551
	40,672,644	40,576,718	24,711,314	7,315,210	6,319,834	2,229,489	871

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

(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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group 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	Less than 3 months	3-12 months	1-5 years	Non-profit rate sensitive	Effective profit rate
2018						
Balances with Qatar Central Bank	1,422,596	-	-	-	1,422,596	0.00%
Due from banks	2,627,929	259,448	-	-	2,368,481	1.80%
Financing assets	27,756,699	13,917,678	4,904,856	2,567,685	6,366,480	5.58%
Investment securities-debt type	9,678,217	-	-	-	9,678,217	3.70%
	41,485,441	14,177,126	4,904,856	2,567,685	19,835,774	
Due to banks	9,720,211	731,883	-	-	8,988,328	2.82%
Sukuk financing	836,984	836,984	-	-	-	4.19%
Equity of investment account holders	23,219,256	11,351,706	6,883,566	1,324,521	3,659,463	3.20%
Consolidated statement of financial position items - Profit rate sensitivity gap	8,545,974	2,093,537	(1,978,710)	1,243,164	7,187,983	5.30%
Off-consolidated statement of financial position items	8,214,465	1,472,275	5,592,212	1,149,978	-	
Cumulative profit rate sensitivity gap	16,760,439	3,565,812	3,613,502	2,393,142	7,187,983	

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Carrying amount	Less than 3 months	3-12 months	1-5 years	Non-profit rate sensitive	Effective profit rate
2017						
Balances with Qatar Central Bank	1,211,956	-	-	-	1,211,956	0.00%
Due from banks	2,946,480	312,004	-	-	2,634,476	2.48%
Financing assets	31,676,882	18,003,708	5,352,227	1,446,190	6,874,757	5.15%
Investment securities-debt type	9,868,263	-	-	-	9,868,263	3.75%
	45,703,581	18,315,712	5,352,227	1,446,190	20,589,452	
Due to banks	11,445,073	951,378	-	-	10,493,695	2.22%
Sukuk financing	2,201,270	2,201,270	-	-	-	3.38%
Equity of investment account holders	24,796,114	15,430,009	5,881,851	654,965	2,829,289	2.62%
Consolidated statement of financial position items - Profit rate sensitivity gap	9,462,394	1,934,325	(529,624)	791,225	7,266,468	
Off-consolidated statement of financial position items	7,336,554	2,726,193	2,992,788	1,617,573	-	4.89%
Cumulative profit rate sensitivity gap	16,798,948	4,660,518	2,463,164	2,408,798	7,266,468	

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	10 bp parallel decrease
2018		
At 31 December	**7,650**	**(7,650)**
Average for the year	**7,832**	**(7,832)**
2017		
At 31 December	**7,543**	**(7,543)**
Average for the year	**7,537**	**(7,537)**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

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:

Functional currency of the Group entities

	2018	2017
Net foreign currency exposure:		
Pounds Sterling	**2,560**	13,862
Euro	**2,100**	5,051
Other currencies*	**76,131**	108,856

	Increase / decrease in profit		**Increase / decrease in equity**	
5% increase / decrease in currency exchange rate	**2018**	2017	**2018**	2017
Pound Sterling	**128**	693	**128**	693
Euro	**105**	253	**105**	253
Other currencies	**3,807**	5,443	**3,807**	5,443

*Other currencies include net exposure to Other GCC currencies amounting to QAR 74.2 million (2017: QAR 106.7 million).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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:

	2018	2017
5% increase / decrease in QE and other index		
Increase / decrease in profit and loss	**-**	2,586
Increase / decrease in equity	**43,238**	54,524

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.

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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks (continued)

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 at 31 December was as follows:

	2018	2017
Tier 1 capital	**5,528,490**	6,420,808
Tier 2 capital	**407,096**	-
Total regulatory capital	**5,935,586**	6,420,808

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 bank 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 Bank'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 Bank appointed external auditors.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (Continued)

Regulatory capital (continued)

In Addition to Capital standards suggested by Basel 3, the Bank is also calculating leverage ratio at consolidated level which is well above the 3% requirement suggested by BCBS (Basel Committee for Banking Supervision) and QCB. The two liquidity standards (Liquidity Coverage Ratio and Net Stability Funding Ratio) suggested under Basel 3 accord are also fully implemented by the Bank. Furthermore, these liquidity ratios are regularly being monitored by the Bank Group ALCO.

Risk weighted assets and carrying amounts

	2018 Risk weighted amount	2017 Risk weighted amount	**2018 Carrying amount**	2017 Carrying amount
Balances with Qatar Central Bank	**-**	-	**1,422,596**	1,211,956
Due from banks	**881,880**	1,111,810	**2,627,929**	2,946,480
Financing assets	**24,416,133**	25,141,367	**27,756,699**	31,676,882
Investment securities	**769,268**	766,272	**9,982,623**	10,199,819
Investment in associates and joint ventures	**221,893**	325,062	**152,603**	217,730
Other assets	**792,659**	680,326	**1,081,498**	848,138
Off balance sheet assets	**4,814,837**	4,592,545	**17,516,834**	17,406,834
Total risk weighted assets for credit risk	**31,896,670**	32,617,382	**60,540,782**	64,507,839
Risk weighted assets for market risk	**1,125,384**	1,645,607	**560,362**	758,919
Risk weighted assets for operational risk	**2,454,811**	2,456,696	**-**	-
	3,580,195	4,102,303	**560,362**	758,919
Total Risk weighted assets			**35,476,865**	36,719,685
Regulatory capital			**5,935,586**	6,420,808
CET1/Tier 1 Ratio			**15.6%**	17.5%
Total Capital Ratio			**16.7%**	17.5%

The minimum requirements for Capital Adequacy Ratio under Basel III as per QCB regulations for the year ended 31 December 2018 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	15.6%	15.6%	15.6%	16.7%	16.7%	16.7%
Minimum limit (QCB)	6.0%	8.5%	10.5%	12.5%	12.5%	14.2%

Had the Group not adopted FAS 30, the total capital adequacy ratio and common equity Tier 1 (CET 1) Ratio would have been 18.3%.

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.

(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.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(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:

In thousands	Level 1	Level 2	Level 3	Total
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**
2017				
Risk management instruments – assets	-	-	7,319	7,319
Investment securities carried at fair value	758,919	-	331,556	1,090,475
	758,919	-	338,875	1,097,794
Risk management instruments – liabilities	-	-	32,026	32,026
	-	-	32,026	32,026

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.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(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.

As at and for the year ended 31 December 2018 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

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.

Information about operating segments

2018	Wholesale banking	Personal and Private banking	Treasury and Investments division	Investment banking and Asset management	Unallocated	Total
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	36,874	8,970	16,446	-	154,709
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**	**772,332**	**514,362**	**10,549**	**-**	**2,311,961**
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**

As at and for the year ended 31 December 2018 QAR ‘000s

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

2017	Wholesale banking	Personal and Private banking	Treasury and Investments division	Investment banking and Asset management	Unallocated	Total
Total income from financing and investing activities	894,144	680,300	416,255	9,944	-	2,000,643
Net fee and commission income	74,870	33,831	4,540	56,492	-	169,733
Foreign exchange gain	8,239	6,688	41,849	-	-	56,776
Other income	15,386	9,786	67	2,484	-	27,723
Share of results of associates and joint ventures	-	-	(11,000)	4,714	-	(6,286)
Total segment revenue	992,639	730,605	451,711	73,634	-	2,248,589
Other material non-cash items:						
Net impairment loss on investment securities	-	-	(5,963)	(20,235)	-	(26,198)
Net impairment loss on financing assets	(31,314)	(17,282)	-	-	-	(48,596)
Reportable segment net profit	226,723	336,430	159,535	31,636	-	754,324
Reportable segment assets	20,647,348	12,718,931	14,041,585	452,060	777,230	48,637,154
Reportable segment liabilities	21,758,064	5,315,214	13,926,853	15,414	-	41,015,545

As at and for the year ended 31 December 2018 QAR '000s

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:

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2018					
Cash and balances with Qatar Central Bank	-	-	1,714,903	1,714,903	1,714,903
Due from banks	-	-	2,627,929	2,627,929	2,627,929
Financing assets	-	-	27,756,699	27,756,699	27,756,699
Investment securities:					
- Carried at fair value	-	864,768	-	864,768	864,768
- Carried at amortised cost	-	-	9,678,217	9,678,217	9,653,031
Risk management instruments	138,807	-	-	138,807	138,807
	138,807	864,768	41,777,748	42,781,323	42,756,137
Due to banks	-	-	9,720,211	9,720,211	9,720,211
Sukuk financing	-	-	836,984	836,984	836,984
Customer current accounts	-	-	2,814,243	2,814,243	2,814,243
Risk management instruments	10,307	-	-	10,307	10,307
	10,307	-	13,371,438	13,381,745	13,381,745
Equity of investment account holders	-	-	23,219,256	23,219,256	23,219,256
	10,307	-	36,590,694	36,601,001	36,601,001

As at and for the year ended 31 December 2018 QAR '000s

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:

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2017					
Cash and balances with Qatar Central Bank	-	-	1,383,847	1,383,847	1,383,847
Due from banks	-	-	2,946,480	2,946,480	2,946,480
Financing assets	-	-	31,676,882	31,676,882	31,676,882
Investment securities:					
- Carried at fair value	51,711	1,038,764	-	1,090,475	1,090,475
- Carried at amortised cost	-	-	9,868,263	9,868,263	9,832,382
Risk management instruments	7,319	-	-	7,319	7,319
	59,030	1,038,764	45,875,472	46,973,266	46,937,385
Due to banks	-	-	11,445,073	11,445,073	11,445,073
Sukuk financing	-	-	2,201,270	2,201,270	2,201,270
Customer current accounts	-	-	1,673,772	1,673,772	1,673,772
Risk management instruments	32,026	-	-	32,026	32,026
	32,026	-	15,320,115	15,352,141	15,352,141
Equity of investment account holders	-	-	24,796,114	24,796,114	24,796,114
	32,026	-	40,116,229	40,148,255	40,148,255

As at and for the year ended 31 December 2018 QAR '000s

8. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2018	2017
Cash	**292,307**	171,891
Cash reserve with QCB*	**1,188,269**	1,149,381
Other balances with QCB	**234,327**	62,575
	1,714,903	1,383,847

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

9. DUE FROM BANKS

	2018	2017
Current accounts	**127,049**	157,141
Wakala placements with banks	**2,089,297**	2,459,400
Mudaraba placements	**153,475**	71,339
Commodity Murabaha receivable	**260,248**	258,600
Allowance for impairment*	**(2,140)**	-
	2,627,929	2,946,480

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

10. FINANCING ASSETS
(a) By type

	2018	2017
Murabaha	**2,101,463**	2,891,501
Murabaha commodity	**19,633,557**	21,196,232
Musawama	**1,492,702**	1,711,346
Istisna'a	**534**	336,434
Ijarah Muntahia Bittamleek	**7,115,012**	6,738,062
Cards	**59,576**	65,060
Acceptances	**303,592**	405,085
Others	**9,953**	10,646
Total financing assets	**30,716,389**	33,354,366
Less: Deferred profit	**1,312,142**	1,128,835
Allowance for impairment on financing assets – Specific	**569,017**	507,096
Allowance for impairment on financing assets – Expected Credit Loss	**1,014,412**	-
Suspended profit on non performing financing assets	**64,119**	41,553
Allowance for impairment*	**1,647,548**	548,649
Net financing assets	**27,756,699**	31,676,882

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

The total non-performing financing assets at 31 December 2018 amounted to QAR 973.4 million, representing 3.3% of the financing assets (2017: QAR 1,025.3 million, representing 3.2%).

As at and for the year ended 31 December 2018 QAR '000s

10. FINANCING ASSETS (CONTINUED)

(a) By type (continued)

	2018	2017
Government	**1,551,581**	3,457,596
Corporate	**15,377,759**	17,135,777
Retail and Private	**13,787,049**	12,760,993
	30,716,389	33,354,366
Less: Deferred profit	**1,312,142**	1,128,835
Allowance for impairment on financing assets – Specific	**569,017**	507,096
Allowance for impairment on financing assets – Expected Credit	**1,014,412**	-
Suspended profit on non performing financing assets	**64,119**	41,553
Allowance for impairment	**1,647,548**	548,649
	27,756,699	31,676,882

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

	2018	2017
Balance at 1 January	**507,096**	459,565
Expected credit loss allowance – opening adjustment	**1,066,439**	-
Provisions made during the year	**83,444**	84,735
Recoveries during the year	**(72,689)**	(36,139)
	10,755	48,596
Written off during the year	**(861)**	(1,065)
Balance at 31 December	**1,583,429**	507,096
Break down as below:		
Allowance for impairment on financing assets – Specific	**569,017**	507,096
Allowance for impairment on financing assets – Expected Credit Loss	**1,014,412**	-

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

	2018	2017
Balance at 1 January	**41,553**	33,647
Additions during the year	**29,187**	12,933
Recoveries during the year	**(6,621)**	(5,027)
	22,566	7,906
Balance at 31 December	**64,119**	41,553

As at and for the year ended 31 December 2018 QAR '000s

10. FINANCING ASSETS (CONTINUED)

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

	Corporates	**SMEs**	**Retail and Private**	**Total**
Balance at 1 January	**293,964**	**130,560**	**124,125**	**548,649**
Provision made 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**

	Corporates	SMEs	Retail and Private	Total
Balance at 1 January	285,521	103,839	103,852	493,212
Provision made during the year	24,515	36,999	36,154	97,668
Recoveries during the year	(16,072)	(10,028)	(15,066)	(41,166)
Written off during the year	-	(250)	(815)	(1,065)
Balance at 31 December 2017	293,964	130,560	124,125	548,649

(e) By sector

	2018	2017
Government	**1,551,581**	3,457,596
Industry and Manufacturing	**639,723**	663,906
Commercial	**5,822,671**	6,266,736
Contracting	**3,498,264**	3,808,150
Real estate	**8,560,524**	8,323,366
Personal	**3,819,999**	2,895,873
Services	**6,497,649**	7,488,150
Others	**325,978**	450,589
Total financing assets	**30,716,389**	33,354,366
Less: Deferred profit	**1,312,142**	1,128,835
Allowance for impairment	**1,647,548**	548,649
Net financing assets	**27,756,699**	31,676,882

The sector wise breakup include financing to Government sector entities amounting to QAR 754 million (31 December 2017: QAR 607 million).

As at and for the year ended 31 December 2018 QAR '000s

11. INVESTMENT SECURITIES

	2018 Quoted	2018 Unquoted	2018 Total	2017 Quoted	2017 Unquoted	2017 Total
Investments classified as fair value through income statement						
- Investments classified as held for trading:						
• equity-type investments		**-**	**-**	51,711	-	51,711
		-	**-**	51,711	-	51,711
Debt-type investments classified at amortised cost						
- Fixed rate*	**1,403,671**	**8,285,000**	**9,688,671**	1,485,278	8,382,985	9,868,263
- Allowance for impairment**	**(10,454)**	**-**	**(10,454)**	-	-	-
	1,393,217	**8,285,000**	**9,678,217**	1,485,278	8,382,985	9,868,263
Equity-type investments classified as fair value through equity	**560,362**	**304,406**	**864,768**	707,208	331,556	1,038,764
	1,953,579	**8,589,406**	**10,542,985**	2,244,197	8,714,541	10,958,738

* Investments in unquoted debt-type instruments classified at amortised cost represent investments in Sovereign securities.
** 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 3,007 million (2017: QAR 2,503 million).

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

	2018	2017
Balance at 1 January	**3,208**	(11,320)
Net change in fair value	**(57,009)**	(9,663)
Share of associates and joint venture fair value changes (note 12)	**953**	(1,136)
Transferred to consolidated income statement on impairment	**54,514**	26,198
	(1,542)	15,399
Appropriated to equity of investment account holders (note 21)	**-**	(871)
Net change in fair value reserve during the year	**(1,542)**	14,528
Balance at 31 December	**1,666**	3,208

As at 31 December 2018, the cumulative positive and negative balances in the fair value reserve are QAR 23.0 million (31 December 2017: QAR 18.3 million) and QAR 21.4 million (31 December 2017: QAR 15.1 million). During the year, QAR 54.5 million (31 December 2017: QAR 26.2 million) was transferred to income statement from negative fair value reserve.

As at and for the year ended 31 December 2018 QAR '000s

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2018	2017
Balance at 1 January	**217,730**	298,308
Disposal during the year	**(27,716)**	(25,490)
Share of results	**(29,446)**	(6,286)
Cash dividend	**(669)**	(49,936)
Share of associates and joint venture fair value changes	**953**	(1,136)
Share of associates currency translation reserve (12a)	**2,894**	2,317
Impairment	**(11,143)**	-
Other movements	**-**	(47)
Balance at 31 December	**152,603**	217,730

Name of the Associates and Joint Ventures	Activities	Country	Ownership %		Amount in QAR'000	
			2018	2017	**2018**	2017
Emdad Equipment Leasing Company Qatar W.L.L. (Emdad)	Machinery and equipment leasing	Qatar	39.2%	39.2%	**10,179**	20,216
TFI-Investra UK Property Income Fund (TFI-Investra)	Real estate	UK	-	19.7%	**-**	23,286
TFI-Tanween Investment Company (Tanween Inv.)	Real estate	Qatar	50.0%	50.0%	**8,350**	7,868
Juman Village	Real estate	Saudi Arabia	27.4%	27.4%	**12,935**	24,080
Tanween W.L.L. (Tanween)	Real Estate development management	Qatar	48.0%	48.0%	**85,073**	105,494
Shatter Abbas	Restaurant	Qatar	49.0%	49.0%	**36,066**	36,786
Total					**152,603**	217,730

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 2018 are as follows:

31 December 2018	**TFI-Investra**	**Shatter Abbas**	**Emdad**	**Tanween**	**Juman Village**	**Tanween Inv.**
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**

31 December 2017	TFI-Investra	Shatter Abbas	Emdad	Tanween	Juman Village	Tanween Inv.
Total assets	158,734	22,878	89,148	272,716	164,612	15,884
Total liabilities	5,457	21,535	52,374	64,632	89,696	-
Total revenue	14,871	49,039	27,156	112,141	11	1,074
Net profit	7,713	1,822	(30,677)	3,837	(138)	1,016
Share of profit	1,493	893	(11,000)	1,842	(23)	509

As at and for the year ended 31 December 2018 QAR '000s

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Foreign currency translation reserve

	2018	2017
Balance at 1 January	**141**	107
Share of associate foreign currency translation reserve changes	**2,894**	2,317
Gain on foreign currency revaluation of liability designated as net investment hedge	**(3,116)**	(2,283)
Net movement	**(222)**	34
Balance at 31 December	**(81)**	141

13. INVESTMENT PROPERTIES

The carrying amount of investment property as of 31 December 2018 is QAR 3,963 million (2017: QAR 4,662 million). The fair value of the investment properties is not materially different from the carrying amount as of the reporting date.

As at and for the year ended 31 December 2018 QAR '000s

14. FIXED ASSETS

	Land and Buildings	IT Equipment	Fixtures, Fittings and office equipment	Motor Vehicles	Total
Cost					
Balance at 1 January 2017	197,381	141,566	172,109	21,294	532,350
Acquisitions	-	22,331	2,851	4,445	29,627
Disposals	-	(116)	(249)	(8,338)	(8,703)
Balance at 31 December 2017	197,381	163,781	174,711	17,401	553,274
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**
Accumulated depreciation and impairment losses					
Balance at 1 January 2017	7,349	114,972	153,856	9,331	285,508
Depreciation charged during the year	757	20,124	4,925	3,179	28,985
Disposals	-	(116)	(178)	(4,686)	(4,980)
Balance at 31 December 2017	8,106	134,980	158,603	7,824	309,513
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**
Carrying amounts					
Balance at 31 December 2018	**188,519**	**18,653**	**15,496**	**7,231**	**229,899**
Balance at 31 December 2017	189,275	28,801	16,108	9,577	243,761

As at and for the year ended 31 December 2018 QAR '000s

15. INTANGIBLE ASSETS

	2018	2017
Goodwill		
Balance at 1 January	**777,230**	777,230
Impairment allowance*	**-**	-
Balance at 31 December	**777,230**	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 carried out at the year-end did not result in any impairment.

16. OTHER ASSETS

	2018	2017
Accrued profit	**322,378**	284,603
Prepayments and advances	**20,743**	21,127
Operating lease receivables	**1,235**	1,201
Positive fair value of risk management instruments	**138,807**	7,319
Sundry debtors	**5,835**	71,799
Projects under process	**23,750**	12,718
Others	**42,940**	29,482
	555,688	428,249
Allowance for impairment	**(359)**	(425)
	555,329	427,824

17. DUE TO BANKS

	2018	2017
Current accounts	**-**	3
Commodity Murabaha payable*	**2,831,883**	2,502,521
Wakala payable	**6,888,328**	8,942,549
	9,720,211	11,445,073

*This includes amount held under repurchase agreements amounting to QAR 3,007 million (2017: QAR 2,503 million).

18. SUKUK FINANCING

Through Sharia'a compliant USD sukuk program and after getting Sharia'a Board approval, the Bank raised medium term funding in 2016. Current outstanding balance is QAR 837 million (2017: QAR 2,201 million) maturing during 2019. It bears average profit rate of three months LIBOR + 1.74%. The sukuk program is listed on the Irish Stock Exchange.

As at and for the year ended 31 December 2018 QAR '000s

19. CUSTOMER CURRENT ACCOUNTS

	2018	2017
Current accounts by sector:		
- Government & GREs	**944,177**	332,385
- Non-Banking Financial Institutions	**35,512**	66,482
- Corporate	**1,122,325**	912,296
- Individuals	**712,229**	362,609
	2,814,243	1,673,772

20. OTHER LIABILITIES

	2018	2017
Unearned commission income	**48,549**	60,330
Sundry creditors	**19,025**	47,920
Negative fair value of risk management instruments	**10,307**	32,026
Cash margins	**87,440**	53,137
Accrued expenses	**134,720**	136,841
Acceptances	**303,592**	405,085
Employees' end of service benefits (note 20.1)	**92,140**	79,308
Allowance for impaiment on off balance sheet exposures subject to credit risk *	**51,141**	-
Others	**273,873**	84,669
	1,020,787	899,316

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

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

	2018	2017
Balance at 1 January	**79,308**	65,308
Charge for the year	**19,247**	20,266
Payments made during the year	**(6,415)**	(6,266)
Balance at 31 December	**92,140**	79,308

As at and for the year ended 31 December 2018 QAR '000s

21. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	2018	2017
Investment account holders balance before share of profit (a)	**23,047,454**	24,688,087
Distributable profits to investment account holders for the year (b)	**720,151**	681,504
Profit already distributed during the year	**(547,596)**	(572,724)
Profit payable to investment account holders	**172,555**	108,780
Share in fair value reserve	**(753)**	(753)
Total investment account holders balance	**23,219,256**	24,796,114
By type:		
Saving accounts	**3,249,867**	2,514,105
Call accounts	**325,884**	727,241
Term accounts	**19,471,703**	21,446,741
Total (a)	**23,047,454**	24,688,087
By sector:		
Government & GREs	**7,863,985**	11,064,649
Non-banking financial institution	**2,294,111**	3,761,186
Retail	**3,011,615**	3,691,191
Corporate	**9,877,743**	6,171,061
Total (a)	**23,047,454**	24,688,087

	2018	2017
Investment account holders' share of profit for the year	**892,944**	698,824
Bank shares as Mudarib	**(848,297)**	(663,882)
Owners' contribution	**675,504**	646,562
	(172,793)	(17,320)
Distributable profits to investment account holders for the year-net return(b)	**720,151**	681,504
Net return breakup:		
Saving accounts	**57,478**	41,029
Call accounts	**1,410**	1,786
Term accounts - 1 month	**134,584**	128,624
Term accounts - 3 month	**144,515**	199,872
Term accounts - 6 month	**56,404**	71,678
Term accounts - 9 month	**-**	41
Term accounts - 1 year and above	**325,760**	238,474
Total(b)	**720,151**	681,504

Movement in share of fair value reserve:

	2018	2017
Balance at 1 January	**(753)**	(1,624)
Share in fair value reserve movement (note 11)	**-**	871
Balance at 31 December	**(753)**	(753)

22. OWNERS' EQUITY

(a) Share capital

In thousands of shares	Ordinary shares **2018**	2017
In issue at 1 January	**300,000**	300,000
New shares issued	**-**	-
In issue at 31 December	**300,000**	300,000

At 31 December 2018 the authorised share capital comprised 400,000 thousand ordinary shares (2017: 400,000 thousand), having a par value of QAR 10 each share. Out of these 300,000 thousand ordinary shares (2017: 300,000 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with QCB Law No. 13 of 2012 as amended and the Memorandum and Articles of Association of the Bank, 20% of net profit attributable to the owners (equity holders) 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 No. 11 of 2015 and after QCB approval. During the year ended 31 December 2018 the appropriation made to legal reserve amounts to QAR 153.0 million (2017: QAR 150.6 million).The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law No.11 of 2015.

(c) Risk reserve

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. The Bank used QAR 645.6mn of risk reserve for taking initial impact of expected credit loss after getting QCB approval, the same level of reserve will be recreated over the five years starting from 2018. The total amount of the transfer made to the risk reserve during the year was QAR 63.6 million (2017: Nil).

(d) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates and joint ventures 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 Bank has set aside QAR 100 million (2016: QAR 100 million) 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.

	2018	2017
Opening balance	**574,002**	530,224
Share of associates and joint ventures profit	**-**	(6,286)
Dividend received from associates and joint ventures	**(669)**	(49,936)
Contingency reserve	**100,000**	100,000
	99,331	43,778
	673,333	574,002
The balance consists of:		
- Undistributed profit from investments in associates and joint ventures	**73,333**	74,002
- Contingency reserve	**600,000**	500,000

(e) Treasury shares

Treasury shares represent ordinary shares of Barwa Bank with nominal value of QAR 10 each. These shares are carried at cost of QAR 16.8 each. Treasury shares are presented as a deduction from equity.

As at and for the year ended 31 December 2018 QAR '000s

22. OWNERS' EQUITY (CONTINUED)

(f) Proposed dividend

The Board of Directors in their meeting held on 20 February 2019 proposed a cash dividend of 15.0% (2017: 14.0%) of the paid up share capital amounting to QAR 444.2 million – QAR 1.50 per share (2017: QAR 414.6 million – QAR 1.40 per share), which is subject to approval at the Annual General Meeting of the shareholders of the Bank.

23. NON-CONTROLLING INTERESTS

This represents non-controlling interests in a Group's subsidiary. During the year, non-controlling interests decreased by QAR 13.6 million (2017: QAR 10.7 million) due to disposal of Group's stake in one of a subsidiary namely TFI GCC Equity Opportunities Fund.

24. NET INCOME FROM FINANCING ACTIVITIES

	2018	2017
Murabaha	**100,410**	126,773
Musawama	**131,993**	148,750
Commodity Murabaha	**989,562**	868,664
Ijarah	**383,001**	361,334
Istisna'a	**1,639**	9,535
Others	**27,328**	24,978
	1,633,933	1,540,034

25. NET INCOME FROM INVESTING ACTIVITIES

	2018	2017
Coupon income from investment in debt-type instruments, net of amortisation	**358,038**	364,665
Dividend income	**41,506**	65,388
Net gain on sale of debt-type investments	**4**	397
Net loss on sale of equity-type investments	**(5,763)**	(6,943)
Income from inter-bank and murabaha placements with Islamic banks	**64,164**	36,383
Net fair value and capital gain on investment securities carried as fair value through income statement	**33**	628
Other investments / derivatives related net income	**-**	91
	457,982	460,609

26. NET FEE AND COMMISSION INCOME

	2018	2017
Management and other fee income	**95,442**	72,163
Commission income	**61,040**	66,327
Advisory fee income	**4,263**	4,345
Performance fee income	**3,042**	29,278
Placement fee income	**2**	467
Structuring fee	**2,276**	1,887
	166,065	174,467
Commission expense	**(11,356)**	(8,570)
Net fee and commission income	**154,709**	165,897

As at and for the year ended 31 December 2018 QAR '000s

27. STAFF COSTS

	2018	2017
Basic salaries	**120,859**	122,867
Housing allowance	**40,980**	41,209
Transport allowance	**23,703**	23,547
Staff indemnity costs	**19,247**	20,266
Medical expenses	**8,850**	7,745
Social Allowance	**6,512**	6,658
Education fee	**11,032**	10,238
Others	**75,744**	70,896
	306,927	303,426

28. OTHER EXPENSES

	2018	2017
Rent	**32,899**	34,264
Advertising and marketing expenses	**8,665**	12,038
Utility and services	**21,701**	17,018
IT expenses	**24,600**	20,845
Legal and professional fees	**17,118**	30,007
Government fee and charges	**397**	962
Travel expenses	**1,141**	1,304
Repair and maintenance	**5,788**	6,575
Board of Directors' remuneration	**16,350**	16,200
Other expenses	**35,567**	33,062
	164,226	172,275

29. CONTINGENT LIABILITIES AND COMMITMENTS

	2018	2017
a) Contingent liabilities		
Unused credit facilities	**8,214,465**	7,336,554
Guarantees	**8,250,634**	8,461,848
Letters of credit	**1,051,735**	1,608,432
	17,516,834	17,406,834
b) Commitments		
Profit rate swaps	**256,318**	135,146
Options	**496,872**	-
Other risk management instruments - WAAD	**3,209,974**	3,486,097
	3,963,164	3,621,243

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.

Lease commitments

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

	2018	2017
Within one year	**24,493**	27,445
After one year but not more than five years	**72,600**	88,483

As at and for the year ended 31 December 2018 QAR '000s

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

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

2018	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances with central bank	1,714,903	-	-	-	-	1,714,903
Due from banks	2,419,694	4,282	52,490	149,899	1,564	2,627,929
Financing assets	23,668,686	524,065	3,367,403	-	196,545	27,756,699
Investment securities	9,511,079	816,073	-	6,176	209,657	10,542,985
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	546,126	8,589	-	-	614	555,329
Total assets	39,011,248	1,365,944	3,419,893	156,075	408,380	44,361,540
Liabilities and equity of investment account holders						
Liabilities						
Due to banks	8,349,450	638,878	548,863	183,020	-	9,720,211
Sukuk financing	-	-	836,984	-	-	836,984
Customer current accounts	2,808,292	4,888	433	-	630	2,814,243
Other liabilities	932,307	76,783	9,707	-	1,990	1,020,787
Total liabilities	12,090,049	720,549	1,395,987	183,020	2,620	14,392,225
Equity of investment account holders	22,392,681	6,231	698,818	19,635	101,891	23,219,256
Total liabilities and equity of investment account holders	34,482,730	726,780	2,094,805	202,655	104,511	37,611,481

As at and for the year ended 31 December 2018 QAR '000s

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

Geographical sector (continued)

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

2017	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances with central bank	1,383,847	-	-	-	-	1,383,847
Due from banks	2,783,069	29,711	28,291	103,987	1,422	2,946,480
Financing assets	25,697,307	2,036,989	3,579,652	-	362,934	31,676,882
Investment securities	9,792,371	1,018,513	3,616	2,231	142,007	10,958,738
Investment in associates and joint ventures	162,496	24,080	31,154	-	-	217,730
Investment property	4,662	-	-	-	-	4,662
Fixed assets	243,761	-	-	-	-	243,761
Intangible assets	777,230	-	-	-	-	777,230
Other assets	407,239	13,266	7,319	-	-	427,824
Total assets	41,251,982	3,122,559	3,650,032	106,218	506,363	48,637,154
Liabilities and equity of investment account holders						
Liabilities						
Due to banks	10,340,488	138,640	403,328	-	562,617	11,445,073
Sukuk financing	-	-	2,201,270	-	-	2,201,270
Customer current accounts	1,656,199	17,102	320	-	151	1,673,772
Other liabilities	720,022	129,472	45,323	-	4,499	899,316
Total liabilities	12,716,709	285,214	2,650,241	-	567,267	16,219,431
Equity of investment account holders	24,470,934	61,382	101,648	88,190	73,960	24,796,114
Total liabilities and equity of investment account holders	37,187,643	346,596	2,751,889	88,190	641,227	41,015,545

As at and for the year ended 31 December 2018 QAR '000s

31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Industrial sector

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

2018	Real estate	Construction, engeering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
Cash and balances with Qatar Central Bank	-	-	-	1,714,903	-	-	1,714,903
Due from banks	-	-	-	2,627,929	-	-	2,627,929
Financing assets	8,188,177	2,533,878	305,934	-	3,139,396	13,589,314	27,756,699
Investment securities	152,101	73,433	6,782	840,409	-	9,470,260	10,542,985
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	106,433	98,421	-	144,630	998	204,847	555,329
Total assets	8,544,097	2,718,667	312,716	6,105,101	3,140,394	23,540,565	44,361,540
Liabilities and equity of investment account holders							
Liabilities							
Due to banks	-	-	-	9,720,211	-	-	9,720,211
Sukuk financing	-	-	-	836,984	-	-	836,984
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	818,402	1,020,787
Total liabilities	80,053	613,576	2,595	10,595,155	438,676	2,662,170	14,392,225
Equity of 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 investment account holders	263,351	2,889,514	174,219	12,888,513	5,216,806	16,179,078	37,611,481

As at and for the year ended 31 December 2018 QAR '000s

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

Industrial sector (continued)

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

2017	Real estate	Construction, engeering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
Cash and balances with Qatar Central Bank	-	-	-	1,383,847	-	-	1,383,847
Due from banks	-	-	-	2,946,480	-	-	2,946,480
Financing assets	8,700,985	3,339,623	335,200	-	2,496,171	16,804,903	31,676,882
Investment securities	191,066	90,194	6,782	1,092,980	-	9,577,716	10,958,738
Investment in associates and joint ventures	47,366	113,362	-	-	-	57,002	217,730
Investment property	4,662	-	-	-	-	-	4,662
Fixed assets	-	-	-	-	-	243,761	243,761
Intangible assets	-	-	-	777,230	-	-	777,230
Other assets	84,200	24	3,128	13,171	42,565	284,736	427,824
Total assets	9,028,279	3,543,203	345,110	6,213,708	2,538,736	26,968,118	48,637,154
Liabilities and equity of investment account holders							
Liabilities							
Due to banks	-	-	-	7,746,588	-	3,698,485	11,445,073
Sukuk financing	-	-	-	2,201,270	-	-	2,201,270
Customer current accounts	72,279	399,849	2,295	66,482	362,609	770,258	1,673,772
Other liabilities	16,198	130,239	4,970	37,985	54	709,870	899,316
Total liabilities	88,477	530,088	7,265	10,052,325	362,663	5,178,613	16,219,431
Equity of investment account holders	206,986	427,572	70,571	3,761,186	3,691,191	16,638,608	24,796,114
Total liabilities and equity of investment account holders	295,463	957,660	77,836	13,813,511	4,053,854	21,817,221	41,015,545

As at and for the year ended 31 December 2018 QAR '000s

32. MATURITY PROFILE

2018	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with Qatar Central Bank	526,634	-	-	-	1,188,269	1,714,903
Due from banks	2,368,481	-	-	259,448	-	2,627,929
Financing assets	1,831,488	1,420,248	2,102,544	2,878,571	19,523,848	27,756,699
Investment securities	859,951	107,203	167,805	1,272,687	8,135,339	10,542,985
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	210,795	88,598	46,309	209,627	-	555,329
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 investment account holders						
Liabilities						
Due to banks	8,583,833	404,495	-	-	731,883	9,720,211
Sukuk financing	-	-	836,984	-	-	836,984
Customer current accounts	2,814,243	-	-	-	-	2,814,243
Other liabilities	354,475	485,162	21,204	32,348	127,598	1,020,787
Total liabilities	11,752,551	889,657	858,188	32,348	859,481	14,392,225
Equity of 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 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

As at and for the year ended 31 December 2018 QAR '000s

32. MATURITY PROFILE (CONTINUED)

2017	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with Qatar Central Bank	234,466	-	-	-	1,149,381	1,383,847
Due from banks	2,687,880	-	-	258,600	-	2,946,480
Financing assets	3,180,080	1,995,916	3,846,110	3,605,763	19,049,013	31,676,882
Investment securities	2,070,711	-	500,000	1,229,788	7,158,239	10,958,738
Investment in associates and joint ventures	-	-	-	-	217,730	217,730
Investment property	-	-	-	-	4,662	4,662
Fixed assets	-	-	-	-	243,761	243,761
Intangible assets	-	-	-	-	777,230	777,230
Other assets	222,936	19,868	29,864	15,321	139,835	427,824
Total financial assets	8,396,073	2,015,784	4,375,974	5,109,472	28,739,851	48,637,154
Liabilities and equity of investment account holders						
Liabilities						
Due to banks	10,707,352	7,283	-	-	730,438	11,445,073
Sukuk financing	908,537	455,188	-	837,545	-	2,201,270
Customer current accounts	1,673,772	-	-	-	-	1,673,772
Other liabilities	514,895	125,236	120,072	19,507	119,606	899,316
Total liabilities	13,804,556	587,707	120,072	857,052	850,044	16,219,431
Equity of investment account holders	18,259,298	1,499,148	4,382,703	367,844	287,121	24,796,114
Total liabilities and equity of investment account holders	32,063,854	2,086,855	4,502,775	1,224,896	1,137,165	41,015,545
Maturity gap	(23,667,781)	(71,071)	(126,801)	3,884,576	27,602,686	7,621,609

As at and for the year ended 31 December 2018 QAR '000s

33. 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.

	2018	2017
Net profit for the year attributable to the owners of the Group	**764,966**	753,228
Weighted average number of outstanding shares	**296,165**	296,165
Basic and diluted earning per share (QAR)	**2.58**	2.54

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

	2018	2017
Weighted average number of shares at 1 January	**296,165**	296,165
Issued during the year	**-**	-
Weighted average number of shares at 31 December	**296,165**	296,165

34. 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:

	2018	2017
Cash and balances with Qatar Central Bank (excluding QCB restricted reserve account)	**526,634**	234,466
Due from banks	**2,368,481**	2,687,880
	2,895,115	2,922,346

As at and for the year ended 31 December 2018 QAR '000s

35. 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:

	2018			2017		
	Subsidiaries	**Board of directors**	**Others**	Subsidiaries	Board of directors	Others
Assets:						
Customer financing	**-**	**1,555,752**	**-**	24,644	1,684,221	-
Liabilities:						
Customer deposits	**655,228**	**89,910**	**3,578,073**	519,995	60	4,327,746
Off balance sheet items:						
Unfunded credit facilities	**-**	**251,991**	**-**	198,163	149,317	-
Consolidated income statement items:						
Profit income	**93**	**62,322**	**-**	813	100,363	-
Profit expense	**16,624**	**2,283**	**117,232**	9,597	22,031	110,427

Transactions with key management personnel

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

	2018	2017
Credit card	**184**	321
Other financings	**3,925**	6,221
	4,109	6,542

Key management personnel compensation for the year comprised:

	2018	2017
Short-term employee benefits	**40,413**	36,195
Post-employment benefits	**2,780**	3,014
	43,193	39,209

As at and for the year ended 31 December 2018 QAR '000s

36. RISK MANAGEMENT INSTRUMENTS

				Notional / expected amount by term to maturity			
	Positive fair value	Negative fair value	Notional amount	within 3 months	3 - 12 months	1-5 years	More than 5 years
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**
At 31 December 2017:							
Risk management instruments:							
Profit rate swaps	7,319	7,319	135,146	1,508	4,049	22,199	107,390
Options	-	-	-	-	-	-	-
Forward foreign exchange contracts	2,915	(27,622)	3,486,097	1,895,300	1,590,797	-	-
Total	10,234	(20,303)	3,621,243	1,896,808	1,594,846	22,199	107,390

37. 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.

38. SHARI'A SUPERVISORY BOARD

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

39. 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 2018, such assets total was QAR 2.1 billion (31 December 2017: QAR 2.0 billion). However of such assets, QAR 755.2 million (31 December 2017: QAR 970.6 million) was held in a fiduciary capacity.

40. COMPARATIVE FIGURES

The comparative figures presented for 2017 have been reclassified where necessary to preserve consistency with the 2018 figures. However, such reclassifications did not have any effect on the consolidated net profit, or the total consolidated equity for the comparative year.

As at and for the year ended 31 December 2018 QAR '000s

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	2018	2017
ASSETS		
Cash and balances with Qatar Central Bank	**1,712,973**	1,382,814
Due from banks	**2,555,756**	2,881,473
Financing assets	**26,402,834**	30,208,031
Investment securities	**10,408,788**	10,782,706
Investment in subsidiaries, associate and joint venture	**2,391,220**	2,426,576
Fixed assets	**179,866**	185,427
Other assets	**533,045**	356,105
TOTAL ASSETS	**44,184,482**	48,223,132
LIABILITIES		
Due to banks	**9,720,211**	11,445,073
Sukuk financing	**836,984**	2,201,270
Customer current accounts	**2,814,511**	1,674,323
Other liabilities	**954,872**	824,616
TOTAL LIABILITIES	**14,326,578**	16,145,282
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**23,874,969**	25,316,311
OWNERS' EQUITY		
Share capital	**3,000,000**	3,000,000
Legal reserve	**2,469,985**	2,327,157
Treasury shares	**(26,550)**	(26,550)
Risk reserve	**113,650**	650,000
Fair value reserve	**(18,398)**	(15,070)
Retained earnings	**444,248**	826,002
TOTAL OWNERS' EQUITY	**5,982,935**	6,761,539
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**44,184,482**	48,223,132

As at and for the year ended 31 December 2018 QAR '000s

ii. INCOME STATEMENT OF THE PARENT

For the year ended 31 December	2018	2017
Net income from financing activities	1,482,475	1,382,932
Net income from investing activities	453,672	449,706
Total net income from financing and investing activities	**1,936,147**	1,832,638
Fee and commission income	146,674	114,622
Fee and commission expense	(10,993)	(8,570)
Net fee and commission income	**135,681**	106,052
Net foreign exchange gain	84,870	56,666
Dividend from subsidiaries	43,957	43,957
Other income	8,868	-
Total income	**2,209,523**	2,039,313
Staff costs	(250,920)	(244,565)
Depreciation and amortization	(14,519)	(21,013)
Other expenses	(146,555)	(153,317)
Finance cost	(330,969)	(229,445)
Total expenses	**(742,963)**	(648,340)
Net impairment loss on due from banks	(843)	-
Net impairment loss on financing assets	(7,818)	(19,938)
Net impairment loss on investments	(27,036)	(5,963)
Net impairment loss on an associate	(4,356)	-
Net impairment reversal on off balance sheet exposures subject to credit risk	77,234	-
Profit for the year before return to investment account holders	**1,503,741**	1,365,072
Net return to investment account holders	**(736,775)**	(691,101)
Net profit for the year	**766,966**	673,971