QNB

Interim Condensed Consolidated Financial Statements

30 June 2018

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Independent auditor's report on review of interim condensed consolidated financial statements to the Board of Directors of Qatar National Bank (Q.P.S.C.)

Introduction

We have reviewed the accompanying 30 June 2018 interim condensed consolidated financial statements of Qatar National Bank (Q.P.S.C.) (the 'Bank') and its subsidiaries (together the 'Group'), which comprise:

- the interim consolidated statement of financial position as at 30 June 2018;
- the interim consolidated statement of income for the three and six months ended 30 June 2018;
- the interim consolidated statement of comprehensive income for the three and six months ended 30 June 2018;
- the interim consolidated statement of changes in equity for the six months ended 30 June 2018;
- the interim condensed consolidated statement of cash flows for the six months ended 30 June 2018; and
- notes to the interim condensed consolidated financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, *'Interim Financial Reporting'* ('IAS 34') and applicable provisions of the Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and applicable provisions of the Qatar Central Bank regulations.

Other matter

The interim condensed consolidated financial statements as at and for the three and six months ended 30 June 2017 were reviewed, and the consolidated financial statements as at and for the year ended 31 December 2017 were audited, by another auditor, whose review and audit reports dated 11 July 2017 and 16 January 2018 respectively, expressed an unmodified review conclusion and an unmodified audit opinion thereon.

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11 July 2018
Doha
State of Qatar

Gopal Balasubramaniam
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Qatar Auditor's Registry Number 251
Licensed by QFMA: External
Auditor's License No. 120153

Qatar National Bank (Q.P.S.C.)
Interim Consolidated Statement of Financial Position
As at 30 June 2018

	Notes	30 June 2018 (Reviewed) QR000	30 June 2017 (Reviewed) QR000	31 December 2017 (Audited) QR000
ASSETS				
Cash and Balances with Central Banks		54,942,498	51,377,990	52,768,616
Due from Banks		56,207,088	45,658,852	43,630,943
Loans and Advances to Customers	3	603,992,746	552,238,337	584,319,216
Investment Securities	4	93,524,914	86,037,432	97,234,282
Investment in Associates		7,490,357	7,078,254	7,411,867
Property and Equipment		4,527,339	4,244,696	4,538,364
Intangible Assets		3,917,138	3,845,272	3,833,339
Other Assets		21,067,378	17,570,885	17,341,363
Total Assets		**845,669,458**	**768,051,718**	**811,077,990**
LIABILITIES				
Due to Banks		71,518,817	53,409,996	67,741,685
Customer Deposits		613,790,681	562,055,473	585,523,114
Debt Securities		28,733,320	25,816,943	26,707,284
Other Borrowings		25,637,935	22,913,248	24,079,316
Other Liabilities		29,981,525	30,061,437	28,280,251
Total Liabilities		**769,662,278**	**694,257,097**	**732,331,650**
EQUITY				
Issued Capital		9,236,429	9,236,429	9,236,429
Legal Reserve		25,326,037	25,326,037	25,326,037
Risk Reserve		7,500,000	7,000,000	7,500,000
Fair Value Reserve	5	(218,488)	(908,614)	(1,169,875)
Foreign Currency Translation Reserve		(14,771,903)	(11,435,108)	(12,369,012)
Other Reserves		669,946	749,650	832,429
Retained Earnings		37,291,138	32,885,535	38,397,772
Total Equity Attributable to Equity Holders of the Bank		**65,033,159**	**62,853,929**	**67,753,780**
Non - Controlling Interests		974,021	940,692	992,560
Instrument Eligible for Additional Tier 1 Capital		10,000,000	10,000,000	10,000,000
Total Equity		**76,007,180**	**73,794,621**	**78,746,340**
Total Liabilities and Equity		**845,669,458**	**768,051,718**	**811,077,990**

These interim condensed consolidated financial statements were approved by the Board of Directors on 11 July 2018 and were signed on its behalf by:

Ali Shareef Al-Emadi
Chairman

Ali Ahmed Al Kuwari
Group Chief Executive Officer

The attached notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Interim Consolidated Statement of Income
For the Three and Six Months Period Ended 30 June 2018

	Three Months to 30 June 2018 (Reviewed) QR000	Three Months to 30 June 2017 (Reviewed) QR000	Six Months to 30 June 2018 (Reviewed) QR000	Six Months to 30 June 2017 (Reviewed) QR000
Interest Income	12,253,232	10,241,842	24,164,275	19,424,019
Interest Expense	(7,503,776)	(5,822,995)	(14,749,736)	(10,828,699)
Net Interest Income	**4,749,456**	**4,418,847**	**9,414,539**	**8,595,320**
Fees and Commission Income	1,143,114	1,046,498	2,345,006	2,039,945
Fees and Commission Expense	(232,751)	(127,121)	(461,309)	(256,423)
Net Fees and Commission Income	**910,363**	**919,377**	**1,883,697**	**1,783,522**
Foreign Exchange Gain	271,880	224,485	532,178	445,793
Income from Investment Securities	13,098	106,286	52,244	256,637
Other Operating Income	18,718	26,159	39,274	45,554
Operating Income	**5,963,515**	**5,695,154**	**11,921,932**	**11,126,826**
Staff Expenses	(855,765)	(851,425)	(1,738,547)	(1,672,509)
Depreciation	(113,799)	(123,250)	(235,707)	(240,517)
Other Expenses	(650,929)	(680,120)	(1,335,615)	(1,311,272)
Net Impairment Losses on Investment Securities	2,425	(12,807)	(2,400)	(14,172)
Net Impairment Losses on Loans and Advances to Customers	(376,550)	(221,681)	(975,658)	(620,615)
Net Impairment Losses on Other Financial Instruments	(39,485)	-	(60,360)	-
Amortisation of Intangible Assets	(17,422)	(17,959)	(34,606)	(35,740)
Other Provisions	(31,397)	(14,335)	(43,144)	(30,451)
	(2,082,922)	**(1,921,577)**	**(4,426,037)**	**(3,925,276)**
Share of Results of Associates	132,445	(119,885)	245,892	(115,106)
Profit Before Income Tax	**4,013,038**	**3,653,692**	**7,741,787**	**7,086,444**
Income Tax Expense	(317,224)	(207,420)	(598,541)	(423,947)
Profit for the Period	**3,695,814**	**3,446,272**	**7,143,246**	**6,662,497**
Attributable to:				
Equity Holders of the Bank	3,666,597	3,449,872	7,097,644	6,654,078
Non - Controlling Interests	29,217	(3,600)	45,602	8,419
Profit for the Period	**3,695,814**	**3,446,272**	**7,143,246**	**6,662,497**
Earnings Per Share (QR) (Basic and Diluted)	3.8	3.6	7.4	7.0
Weighted Average Number of Shares	923,642,857	923,642,857	923,642,857	923,642,857

The attached notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Interim Consolidated Statement of Comprehensive Income
For the Three and Six Months Period Ended 30 June 2018

	Three Months to 30 June 2018 (Reviewed) QR000	Three Months to 30 June 2017 (Reviewed) QR000	Six Months to 30 June 2018 (Reviewed) QR000	Six Months to 30 June 2017 (Reviewed) QR000
Profit for the Period	**3,695,814**	**3,446,272**	**7,143,246**	**6,662,497**
Other Comprehensive Income that are or may be Reclassified to Consolidated Statement of Income in Subsequent Periods:				
Foreign Currency Translation Differences for Foreign Operations	(1,593,580)	431,563	(2,543,612)	278,069
Share of Other Comprehensive Income of Associates	13,941	97,050	(162,145)	141,215
Effective Portion of Changes in Fair Value of Cash Flow Hedges	745,621	(146,083)	799,638	(32,780)
Effective Portion of Changes in Fair Value of Net Investment in Foreign Operation	643,544	(719,439)	275,687	(837,507)
Investments in Debt Instruments Measured at FVOCI (IFRS 9)				
Net Change in Fair Value	(251,377)	-	(360,279)	-
Net Amount Transferred to Income Statement	(3,802)	-	(8,929)	-
Available-for-Sale Investment Securities (IAS 39)				
Net Change in Fair Value	-	(58,710)	-	143,247
Net Amount Transferred to Income Statement	-	(86,683)	-	(204,938)
Items that will not be Reclassified to Consolidated Income Statement				
Net Change in Fair Value of Investments in Equity Instruments Designated at FVOCI (IFRS 9)	41,605	-	126,084	-
Total Other Comprehensive Income for the Period, net of Income Tax	**(404,048)**	**(482,302)**	**(1,873,556)**	**(512,694)**
Total Comprehensive Income for the Period	**3,291,766**	**2,963,970**	**5,269,690**	**6,149,803**
Attributable to:				
Equity Holders of the Bank	3,270,451	2,965,372	5,280,106	6,031,878
Non - Controlling Interests	21,315	(1,402)	(10,416)	117,925
Total Comprehensive Income for the Period	**3,291,766**	**2,963,970**	**5,269,690**	**6,149,803**

The attached notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Interim Consolidated Statement of Changes in Equity
For the Six Months Period Ended 30 June 2018

	Equity Attributable to Equity Holders of the Bank										
	Issued Capital	**Legal Reserve**	**Risk Reserve**	**Fair Value Reserve**	**Foreign Currency Translation Reserve**	**Other Reserves**	**Retained Earnings**	**Equity Attributable to Equity Holders of the Bank**	**Non Controlling Interests**	**Instrument Eligible for Additional Tier 1 Capital**	**Total Equity**
	QR000	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**	**QR000**
Balance at 1 January 2017	8,396,753	24,486,361	7,000,000	24,456	(11,604,928)	608,600	31,112,008	60,023,250	830,168	10,000,000	70,853,418
Total Comprehensive Income for the Period											
Profit for the Period	-	-	-	-	-	-	6,654,078	6,654,078	8,419	-	6,662,497
Other Comprehensive Income	-	-	-	(933,070)	169,820	141,050	-	(622,200)	109,506	-	(512,694)
Total Comprehensive Income for the Period	**-**	**-**	**-**	**(933,070)**	**169,820**	**141,050**	**6,654,078**	**6,031,878**	**117,925**	**-**	**6,149,803**
Transfer to Legal Reserve for the Year 2016	-	839,676	-	-	-	-	(839,676)	-	-	-	-
Transactions with Equity Holders, Recognised Directly in Equity											
Dividend for the Year 2016	-	-	-	-	-	-	(2,938,864)	(2,938,864)	-	-	(2,938,864)
Bonus Shares for the Year 2016	839,676	-	-	-	-	-	(839,676)	-	-		-
Dividend Appropriation for Instrument Eligible for Additional Tier 1 Capital	-	-	-	-	-	-	(197,500)	(197,500)	-	-	(197,500)
Net Movement in Non-controlling Interests	-	-	-	-	-	-	-	-	(7,401)	-	(7,401)
Other Movements	-	-	-	-	-	-	(64,835)	(64,835)	-	-	(64,835)
Total Transactions with Equity Holders, Recognised Directly in Equity	**839,676**	**-**	**-**	**-**	**-**	**-**	**(4,040,875)**	**(3,201,199)**	**(7,401)**	**-**	**(3,208,600)**
Balance at 30 June 2017	**9,236,429**	**25,326,037**	**7,000,000**	**(908,614)**	**(11,435,108)**	**749,650**	**32,885,535**	**62,853,929**	**940,692**	**10,000,000**	**73,794,621**
								-			
Balance at 1 January 2018	9,236,429	25,326,037	7,500,000	(1,169,875)	(12,369,012)	832,429	38,397,772	67,753,780	992,560	10,000,000	78,746,340
Impact of Adopting IFRS 9, net of tax	-	-	-	120,537	-	-	(2,534,747)	(2,414,210)	(23,396)	-	(2,437,606)
Restated Balance at 1 January 2018	**9,236,429**	**25,326,037**	**7,500,000**	**(1,049,338)**	**(12,369,012)**	**832,429**	**35,863,025**	**65,339,570**	**969,164**	**10,000,000**	**76,308,734**
Total Comprehensive Income for the Period											
Profit for the Period	-	-	-	-	-	-	7,097,644	7,097,644	45,602	-	7,143,246
Other Comprehensive Income	-	-	-	831,716	(2,486,852)	(162,402)	-	(1,817,538)	(56,018)	-	(1,873,556)
Total Comprehensive Income for the Period	**-**	**-**	**-**	**831,716**	**(2,486,852)**	**(162,402)**	**7,097,644**	**5,280,106**	**(10,416)**	**-**	**5,269,690**
Reclassification of Net Change in Fair Value of Equity Instruments upon Derecognition	-	-	-	-	-	-	234	234	-	-	234
Transactions with Equity Holders, Recognised Directly in Equity											
Dividend for the Year 2017	-	-	-	-	-	-	(5,541,857)	(5,541,857)	-	-	(5,541,857)
Net Movement in Non-controlling Interests	-	-	-	(866)	83,961	(81)	84,559	167,573	15,273	-	182,846
Other Movements	-	-	-	-	-	-	(212,467)	(212,467)	-	-	(212,467)
Total Transactions with Equity Holders, Recognised Directly in Equity	**-**	**-**	**-**	**(866)**	**83,961**	**(81)**	**(5,669,765)**	**(5,586,751)**	**15,273**	**-**	**(5,571,478)**
Balance at 30 June 2018	**9,236,429**	**25,326,037**	**7,500,000**	**(218,488)**	**(14,771,903)**	**669,946**	**37,291,138**	**65,033,159**	**974,021**	**10,000,000**	**76,007,180**

The attached notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Interim Condensed Consolidated Statement of Cash Flows
For the Six Months Period Ended 30 June 2018

	Note	Six Months to 30 June 2018 (Reviewed) QR000	Six Months to 30 June 2017 (Reviewed) QR000	Year to 31 December 2017 (Audited) QR000
Net Cash Flows from Operating Activities		**9,268,228**	**17,857,123**	**25,252,539**
Cash Flows from Investing Activities				
Acquisitions of Investment Securities		(38,497,701)	(34,202,210)	(79,576,452)
Proceeds from Sale / Redemption of Investment Securities		40,740,554	28,914,539	62,712,207
Investments in Associates		-	-	(8,124)
Additions to Property and Equipment		(357,155)	(284,908)	(867,040)
Proceeds from Sale of Property and Equipment		1,276	40	11,294
Net Cash Flows from / (used in) Investing Activities		**1,886,974**	**(5,572,539)**	**(17,728,115)**
Cash Flows from Financing Activities				
Payment of Coupon on Instrument Eligible for Additional Tier 1 Capital		-	(450,000)	(450,000)
Proceeds from Issuance of Debt Securities		10,913,786	2,834,144	5,534,904
Repayment of Debt Securities		(7,695,875)	(5,879,811)	(5,254,720)
Proceeds from Issuance of Other Borrowings		15,872,798	901,273	3,124,001
Repayment of Other Borrowings		(13,823,464)	(1,731,904)	(2,661,108)
Dividends Paid		(5,538,379)	(2,929,192)	(2,930,666)
Net Cash (used in) Financing Activities		**(271,134)**	**(7,255,490)**	**(2,637,589)**
Net Increase in Cash and Cash Equivalents		10,884,068	5,029,094	4,886,835
Effects of Exchange Rate Changes on Cash and Cash Equivalents		(1,401,392)	(53,742)	(261,007)
Cash and Cash Equivalents as at 1 January		57,489,875	52,864,047	52,864,047
Cash and Cash Equivalents at 30 June / 31 December	11	**66,972,551**	**57,839,399**	**57,489,875**

The attached notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements are prepared in accordance with IAS 34 - "Interim Financial Reporting" and the applicable provisions of Qatar Central Bank Regulations. These interim condensed consolidated financial statements should be read in conjunction with the 2017 annual consolidated financial statements of the Group, except for the effects of the adoption of IFRS 9 as described in Note 12 to these interim condensed financial statements. This is the first set of the Group's consolidated financial statements where IFRS 15 and IFRS 9 have been applied.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards and the applicable provisions of QCB regulations. In addition, results for the three and six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except for the effects of adoption of IFRS 9 as described in Note 12 to these interim condensed consolidated financial statements.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017, except for the effects of the adoption of IFRS 9 as described in Note 12 to these interim condensed consolidated financial statements, which may result in additional disclosures at year end.

The following standards and amendments to standards have been applied by the Group in preparation of these interim condensed consolidated financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net profit or equity of the Group, except for the changes mentioned in Note 12 on the adoption of IFRS 9, but they may result in additional disclosures at year end:

Standards
IFRS 9 - Financial Instruments (Effective 1 January 2018)
IFRS 15 - Revenue from Contracts with Customers (Effective 1 January 2018)

Amendments to Standards
Amendments to IAS 40 - Transfers of Investment Property (Effective 1 January 2018)

Standards Issued but not yet Effective
IFRS 16 Leases is not yet effective and the Group is currently evaluating the impact of this new standard. The Group will adopt this new standard on the effective date (1 January 2019).

2. SEGMENT INFORMATION

The Group is organised into four main operating segments. The results of each of the operating segments which are being monitored regularly by the Chief Operating Decision Maker, are stated below:

	Qatar Operations					
	Corporate Banking QR000	Consumer Banking QR000	Asset and Wealth Management QR000	International Banking QR000	Unallocated and Intra-group Transactions QR000	Total QR000
At 30 June 2018:						
External Revenue:						
Net Interest Income	3,955,775	270,321	325,429	4,819,037	43,977	9,414,539
Net Fees and Commission Income	326,623	109,488	172,065	1,280,371	(4,850)	1,883,697
Foreign Exchange Gain	260,529	60,955	54,425	153,462	2,807	532,178
Income from Investment Securities	30,590	-	-	21,654	-	52,244
Other Operating Income	212	1	408	38,653	-	39,274
Share of Results of Associates	225,965	-	-	19,927	-	245,892
Total Segment Revenue	**4,799,694**	**440,765**	**552,327**	**6,333,104**	**41,934**	**12,167,824**
Reportable Segment Profit	**4,143,038**	**99,133**	**377,056**	**2,605,329**	**(126,912)**	**7,097,644**
Reportable Segment Investments	**58,241,177**	**-**	**13,843**	**35,269,894**	**-**	**93,524,914**
Reportable Segment Loans and Advances	**384,298,547**	**10,207,821**	**23,678,640**	**185,807,738**	**-**	**603,992,746**
Reportable Segment Customer Deposits	**264,484,063**	**25,339,841**	**53,575,077**	**270,391,700**	**-**	**613,790,681**
Reportable Segment Assets	**551,085,912**	**26,088,375**	**55,156,652**	**413,292,656**	**(199,954,137)**	**845,669,458**
At 30 June 2017:						
External Revenue:						
Net Interest Income	3,802,219	250,174	253,596	4,259,394	29,937	8,595,320
Net Fees and Commission Income	325,268	106,519	169,389	1,186,312	(3,966)	1,783,522
Foreign Exchange Gain	176,846	52,436	50,295	162,671	3,545	445,793
Income from Investment Securities	225,194	-	-	31,443	-	256,637
Other Operating Income	63	2	28	45,461	-	45,554
Share of Results of Associates	(139,235)	-	-	24,129	-	(115,106)
Total Segment Revenue	**4,390,355**	**409,131**	**473,308**	**5,709,410**	**29,516**	**11,011,720**
Reportable Segment Profit	**4,026,692**	**75,554**	**212,458**	**2,459,180**	**(119,806)**	**6,654,078**
Reportable Segment Investments	**54,149,906**	**-**	**4,773**	**31,882,753**	**-**	**86,037,432**
Reportable Segment Loans and Advances	**334,353,669**	**9,778,476**	**19,596,750**	**188,509,442**	**-**	**552,238,337**
Reportable Segment Customer Deposits	**230,294,349**	**24,821,100**	**47,865,388**	**259,074,636**	**-**	**562,055,473**
Reportable Segment Assets	**490,658,709**	**24,823,325**	**47,299,312**	**420,615,271**	**(215,344,899)**	**768,051,718**

3. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2018 (Reviewed) QR000	30 June 2017 (Reviewed) QR000	31 December 2017 (Audited) QR000
Loans and Advances to Customers	618,588,749	563,564,500	596,069,532
Deferred Profit	(17,897)	(92,268)	(49,561)
Allowance for Impairment of Loans and Advances to Customers	(14,578,106)	(11,233,895)	(11,700,755)
Net Loans and Advances	**603,992,746**	**552,238,337**	**584,319,216**

The aggregate amount of non performing loans and advances to customers (Stage 3) amounted to QR10,857 million or 1.8% of total loans and advances (31 December 2017: QR10,453 million or 1.8% of total loans and advances to customers).

For stage wise allowance for impairment of loans and advances to customers refer to note 12(c).

4. INVESTMENT SECURITIES

	30 June 2018 (Reviewed) QR000	30 June 2017 (Reviewed) QR000	31 December 2017 (Audited) QR000
Investment Securities at Fair Value Through Profit or Loss (FVPL)	82,263	-	-
Investment Securities at Fair Value Through Other Comprehensive Income (FVOCI)	41,834,095	-	-
Investment Securities at Amortised Cost (AC), net	51,608,556	-	-
Held for Trading Investment Securities	-	110,817	95,070
Available-for-Sale Investment Securities	-	39,546,241	51,708,081
Held to Maturity Investment Securities	-	46,380,374	45,431,131
Total	**93,524,914**	**86,037,432**	**97,234,282**

FVPL and FVOCI securities include QR54.8 million and QR1,958 million in relation to equity securities, respectively.

For stage wise allowance for impairment of debt securities at amortised cost or FVOCI refer to note 12(c).

5. FAIR VALUE RESERVE

	30 June 2018 (Reviewed) QR000	30 June 2017 (Reviewed) QR000	31 December 2017 (Audited) QR000
Cash Flow Hedges	616,594	(553,995)	(182,529)
FVOCI* / Available-for-Sale Investment Securities	(328,756)	(99,042)	(205,333)
Hedges of a Net Investment in Foreign Operations	(506,326)	(255,577)	(782,013)
Total	**(218,488)**	**(908,614)**	**(1,169,875)**

* This include the loss allowance amounting to QR9.3 million (31 December 2017: Nil) in respect of Debt Instruments measured at FVOCI.

6. DIVIDEND

The cash dividend in respect of the year ended 31 December 2017 of QR6.0 per share, amounting to a total of QR5,542 million, was approved by the shareholders at the Annual General Assembly meeting on 11 February 2018.

7. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	30 June 2018 (Reviewed) QR000	30 June 2017 (Reviewed) QR000	31 December 2017 (Audited) QR000
Contingent Liabilities			
Unused Facilities	109,938,840	117,293,998	132,602,038
Guarantees	66,553,463	62,468,389	62,997,566
Letters of Credit	32,244,023	37,643,172	31,272,727
Others	25,182,005	28,166,286	25,933,278
Total	**233,918,331**	**245,571,845**	**252,805,609**

For stage wise allowance for impairment of contingent liabilities and other commitments refer to note 12(c).

	30 June 2018 (Reviewed) QR000	30 June 2017 (Reviewed) QR000	31 December 2017 (Audited) QR000
Other Commitments			
Derivative Financial Instruments	324,961,409	354,783,093	315,008,074
Others	12,830,259	11,948,876	12,007,005
Total	**337,791,668**	**366,731,969**	**327,015,079**

8. RELATED PARTY DISCLOSURES

The Group has transactions in the ordinary course of business with directors and officers of the Group and entities of which they have significant influence and control. As at the reporting date, such significant items included:

	30 June 2018 (Reviewed) QR000	30 June 2017 (Reviewed) QR000	31 December 2017 (Audited) QR000
Statement of Financial Position Items			
Loans and Advances to Customers	3,882,442	3,136,468	3,395,869
Customer Deposits	1,232,782	448,519	605,087
Contingent Liabilities and Other Commitments	86,498	93,054	79,177
Statement of Income Items			
Interest and Commission Income	62,512	46,995	101,057
Interest and Commission Expense	2,417	941	2,115
Associates			
Due from banks	735,965	469,884	1,118,482
Interest and Commission Income	1,705	5,128	18,581
Due to banks	150,866	283,494	294,711
Interest and Commission Expense	1,896	1,036	2,378
Compensation of key management personnel is as follows:			
Salaries and Other Benefits	36,476	34,292	43,732
End of Service Indemnity	565	571	1,131

The Group also has significant commercial transactions with the State of Qatar, which owns 50% of the Bank's outstanding shares through Qatar Investment Authority, amounting to QR133,979 million included in loans and advances (31 December 2017: QR133,828 million) and QR18,525 million included in customer deposits (31 December 2017: QR15,972 million).

9. CAPITAL ADEQUACY

	30 June 2018 (Reviewed) QR000	30 June 2017 (Reviewed) QR000	31 December 2017 (Audited) QR000
Common Equity Tier 1 (CET 1) Capital	52,269,536	52,346,726	57,563,811
Eligible Additional Tier 1 (AT 1) Capital Instruments	10,000,000	10,000,000	10,000,000
Additional Tier 1 Capital	92,374	83,321	87,561
Additional Tier 2 Capital	3,218,824	68,810	68,996
Total Eligible Capital	**65,580,734**	**62,498,857**	**67,720,368**
Risk Weighted Assets	**416,046,724**	**399,819,893**	**410,687,410**
Total Capital Ratio	15.8%	15.6%	16.5%

The Bank follows Basel III Capital Adequacy Ratio (CAR) calculation with effect from 1 January 2014 in accordance with Qatar Central Bank regulations. The minimum accepted total Capital Adequacy Ratio requirements under Basel III as per QCB Requirements is as follows:

- Minimum limit without Capital Conservation buffer is 10%.
- Minimum limit including Capital Conservation buffer, iCAAP buffer and the applicable Domestically Systemically Important Bank ("DSIB") buffer for 2018 is 15.4%.

Upon the adoption of IFRS 9 on 1 January 2018, the CET 1 ratio changed from 14.02% to 13.36%, while the total capital ratio changed from 16.49% to 16.45%.

10. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Level 1	Level 2	Level 3	Total
	QR000	QR000	QR000	QR000
At 30 June 2018:				
Derivative Assets Held for Risk Management	2,792	10,057,456	-	10,060,248
Investment Securities	37,961,788	3,954,570	-	41,916,358
	37,964,580	**14,012,026**	**-**	**51,976,606**
Derivative Liabilities Held for Risk Management	456	5,424,531	-	5,424,987
	456	**5,424,531**	**-**	**5,424,987**
At 31 December 2017:				
Derivative Assets Held for Risk Management	945	5,760,291	-	5,761,236
Loans and Advances to Customers designated at FVPL	-	9,509	-	9,509
Investment Securities	40,769,976	10,830,829	-	51,600,805
	40,770,921	**16,600,629**	**-**	**57,371,550**
Derivative Liabilities Held for Risk Management	361	3,342,645	-	3,343,006
	361	**3,342,645**	**-**	**3,343,006**

11. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances:

	30 June 2018 (Reviewed) QR000	30 June 2017 (Reviewed) QR000	31 December 2017 (Audited) QR000
Cash and Balances with Central Banks	21,522,159	18,138,702	18,321,271
Due from Banks Maturing in Three months	45,450,392	39,700,697	39,168,604
Total	**66,972,551**	**57,839,399**	**57,489,875**

Cash and Balances with Central Banks do not include mandatory reserve deposits.

12. IFRS 9 TRANSITION IMPACT DISCLOSURE

The Group has adopted IFRS 9, as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements as of and for the year ended 31 December 2017.

As permitted by the transitional provisions of IFRS 9 and related QCB regulations, 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 the opening balance of fair value reserve and non-controlling interest of the current period. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9 for existing hedges.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 ‘Financial Instruments: Disclosures’.

Set out below are the IFRS 9 transition impact disclosures for the Group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in note 12(d).

12. IFRS 9 TRANSITION IMPACT DISCLOSURE (CONTINUED)

(a) Impact of adopting IFRS 9
The impact of adopting IFRS 9 has been shown as below:

	Retained Earnings	Non-Controlling Interest	Fair value reserve
	QAR'000	QAR'000	QAR'000
Closing balance under IAS 39 (31 December 2017)	38,397,772	992,560	(1,169,875)
Impact of reclassification and remeasurements:			
Reclassification of AFS Debt Securities to Amortised Cost	-	5,656	264,057
Reclassfication of AFS Equity Securities to FVOCI	153,649	-	(153,649)
Reclassification of AFS Equity Securities to FVPL	4,912	-	(4,912)
	158,561	5,656	105,496
Impact of recognition of Expected Credit Losses (ECL), net of tax	(2,693,308)	(29,052)	15,041
	35,863,025	**969,164**	**(1,049,338)**

(b) Classification and Measurement of Financial Instruments
The Group performed a detailed analysis of its business models for managing financial assets as well as analysing their cash flow characteristics. The below table reconciles the original measurment categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 31 December 2017:

	IAS 39	IFRS 9	IAS 39	Impact of IFRS 9		IFRS 9
	Measurement Category	Measurement Category	Carrying Amount QR000	Reclassifications QR000	Remeasurements QR000	Carrying Amount QR000
Financial assets						
Cash and Balances with Central Banks	AC (L&R)(1)	AC(2)	52,768,616	-	-	52,768,616
Due from Banks	AC (L&R)(1)	AC(2)	43,630,943	-	(49,219)	43,581,724
Loans and Advances to Customers	AC (L&R)(1)	AC(2)	584,309,707	-	(2,748,928)	581,560,779
Loans and Advances to Customers	FVPL (HFT)(3)	FVPL (M)(4)	9,509	-	-	9,509
Investment Securities - Debt	AFS(6)	FVOCI (7)	49,735,508	(8,826,542)	-	40,908,966
Investment Securities - Debt	AFS(6)	AC(2)	-	9,117,773	-	9,117,773
Investment Securities - Debt	HTM(8)	AC(2)	45,431,131	-	(69,308)	45,361,823
Investment Securities - Debt	FVPL (HFT)(3)	FVPL (D) (5)	50,521	-	-	50,521
Investment Securities - Equity	AFS(6)	FVOCI (7)	1,972,573	(14,429)	-	1,958,144
Investment Securities - Equity	AFS(6)	FVPL (D) (5)	-	14,429	-	14,429
Investment Securities - Equity	FVPL (HFT)(3)	FVPL (D) (5)	44,549	-	-	44,549

(1) Amortised Cost (Loans and Receivables)
(2) Amortised Cost
(3) Fair Value Through Profit or Loss (Held for Trading)
(4) Fair Value Through Profit or Loss (Mandatory)
(5) Fair Value Through Profit or Loss (Designated)
(6) Available-for-Sale
(7) Fair Value Through Other Comprehensive Income
(8) Held to Maturity

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

12. IFRS 9 TRANSITION IMPACT DISCLOSURE (CONTINUED)

(c) Exposures and Related ECL Movements

	Stage 1 QR000	Stage 2 QR000	Stage 3 QR000	Total QR000
Exposure (Carrying Value) Subject to ECL				
- Due from Banks and Balances with Central Banks	101,729,208	1,570	-	101,730,778
- Loans and Advances to Customers	592,134,463	15,579,882	10,856,507	618,570,852
- Investment Securities (Debt)	91,454,074	123,777	70,270	91,648,121
- Loan Commitments and Financial Guarantees	207,222,068	1,411,302	102,956	208,736,326
Opening Balance of Provisions as at 1 January 2018 (under IAS 39)				
- Due from Banks and Balances with Central Banks	-	-	-	-
- Loans and Advances to Customers	26,124	13,032	11,661,599	11,700,755
- Investment Securities (Debt)	-	-	79,562	79,562
- Loan Commitments and Financial Guarantees	3,781	2,289	71,115	77,185
	29,905	**15,321**	**11,812,276**	**11,857,502**
ECL Impact of Initial Application of IFRS 9				
- Due from Banks and Balances with Central Banks	49,169	50	-	49,219
- Loans and Advances to Customers	1,336,350	1,412,578	-	2,748,928
- Investment Securities (Debt)	82,408	4,289	-	86,697
- Loan Commitments and Financial Guarantees	305,189	31,310	-	336,499
	1,773,116	**1,448,227**	**-**	**3,221,343**
Foreign Currency Translation for the Period				
- Due from Banks and Balances with Central Banks	(4,578)	1	-	(4,577)
- Loans and Advances to Customers	(167,912)	(99,370)	(685,199)	(952,481)
- Investment Securities (Debt)	(5,900)	887	(612)	(5,625)
- Loan Commitments and Financial Guarantees	(53,390)	(14,367)	32,034	(35,723)
	(231,780)	**(112,849)**	**(653,777)**	**(998,406)**
ECL Charge for the Period (Net) [1]				
- Due from Banks and Balances with Central Banks	13,606	312	-	13,918
- Loans and Advances to Customers	15,429	146,136	945,616	1,107,181
- Investment Securities (Debt)	2,276	78	46	2,400
- Loan Commitments and Financial Guarantees	20,760	17,190	8,492	46,442
	52,071	**163,716**	**954,154**	**1,169,941**
Write-offs during the Period				
- Due from Banks and Balances with Central Banks	-	-	-	-
- Loans and Advances to Customers	-	-	(26,277)	(26,277)
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
	-	**-**	**(26,277)**	**(26,277)**
Closing Balance as at 30 June 2018				
- Due from Banks and Balances with Central Banks	**58,197**	**363**	**-**	**58,560**
- Loans and Advances to Customers	**1,209,991**	**1,472,376**	**11,895,739**	**14,578,106**
- Investment Securities (Debt)	**78,784**	**5,254**	**78,996**	**163,034**
- Loan Commitments and Financial Guarantees	**276,340**	**36,422**	**111,641**	**424,403**
	1,623,312	**1,514,415**	**12,086,376**	**15,224,103**

1: Includes interest in suspense of QR131.5 million.

12. IFRS 9 TRANSITION IMPACT DISCLOSURE (CONTINUED)

(d) Changes to Accounting Policies, Significant Estimates and Judgements

Key changes to the Group's accounting policies - applicable from 1 January 2018
The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 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 IAS 39 and applicable QCB regulations as disclosed in the audited consolidated financial statements as of and for the year ended 31 December 2017.

Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities with the exception of the treatment of the gains and losses from the Bank's own credit, which arise where a bank has chosen to measure a liability at fair value through profit or loss, these gains and losses are recognised in other comprehensive income. There continue to be two measurement categories for financial liabilities: fair value and amortised cost.

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 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 IFRS 9, credit losses are recognised earlier than under IAS 39.

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 and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL - not credit impaired
Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk (including i. Local sovereign that carry credit rating of (Aaa) or (Aa) and carry (zero) credit weight in accordance with capital adequacy instructions of the QCB ii. Externally rated debt instruments of rating Aaa or Aa. iii. Other financial assets which the group may classify as such after obtaining QCB's no objection) at the reporting date. For these assets, 12-month ECL are recognised and interest is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are 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 interest 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: Lifetime ECL - 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 are recognised and treated, along with the interests calculated on them, according to QCB's instructions. 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.

Hedge accounting
The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9, for existing hedges.

Key changes to the Significant Estimates and Judgements - applicable from 1 January 2018
Financial asset and liability classification
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial instruments
Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

12. IFRS 9 TRANSITION IMPACT DISCLOSURE (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 forward-looking information.

In determining whether credit risk has increased significantly since initial recognition following criteria's are considered:
I Two notches downgrade for ratings from Aaa to Baa or one notch downgrade for ratings from Ba to Caa
II Facilities restructured during previous twelve months
III Facilities overdue by 30 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 on-going monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)
The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Bank has taken exposures.

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

i) Credit Risk Measurement
The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Losses (ECL) under IFRS 9 as detailed in note 12(d).

ii) 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 counterparties. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

iii) Credit quality assessments
The table below shows the internal rating categories of the various financial instruments as at the end of the reporting period. These internal ratings are tailored to the various categories and are derived in accordance with the Group's rating policy.

	Low risk* QR000	Standard risk* QR000	Impaired (Stage 3) QR000	Total QR000
- Due from Banks and Balances with Central Banks	93,611,618	8,119,160	-	101,730,778
- Loans and Advances to Customers	458,107,012	149,607,333	10,856,507	618,570,852
- Investment Securities (Debt)	81,521,966	10,055,885	70,270	91,648,121
- Loan Commitments and Financial Guarantees	175,583,421	33,049,949	102,956	208,736,326
	808,824,017	**200,832,327**	**11,029,733**	**1,020,686,077**

* Low risk includes exposures with Obligor Risk Rating (ORR) 1 to 4- and Standard risk include exposures with ORR 5+ to 6-.

13. COMPARATIVE FIGURES
Prior period figures have not been restated for the adoption of IFRS 9.