CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2018

DOHA BANK Q.P.S.C.

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Doha Bank (Q.P.S.C.) (the 'Bank') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS') and the applicable provisions of Qatar Central Bank regulations ('QCB regulations').

Basis for Opinion

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

Key Audit Matters

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

KPMG, Qatar Branch is registered with the Ministry of Economy and Commerce, State of Qatar as a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Key Audit Matters (continued)

Description of key audit matters	**How the matter was addressed in our audit**
Transition to IFRS 9 "Financial Instruments" - refer to notes 3(a), 3(g), 3(i), 3(j), 3(t), 4(b), 5(a), 5(b) in the consolidated financial statements	
We focused on this area because: • The Group adopted IFRS 9 "Financial Instruments" ('IFRS 9') on 1 January 2018, which: - resulted in an increase in complex accounting requirements, including new estimates and judgements underlying the determination of adjustments on transition; - resulted in new accounting policies, including transition option elections and practical expedients; and - resulted in significant changes in processes, data and controls that have not been subject to testing previously. • The adjustment made to equity upon transition to IFRS 9 was a QAR 1,767 million debit, which represents 13.9% of the total equity of the Group as at 31 December 2018, hence a material portion of the consolidated statement of financial position.	Our audit procedures in this area included the following, among others: • Evaluating the appropriateness of management's selection of accounting policies based on the requirements of IFRS 9, our business understanding and industry practice. • Considering the appropriateness of the transition approach and practical expedients applied. • Evaluating the reasonableness of management's key assumptions/ judgements over classification and measurement decisions. • Considering management's process and the controls implemented to ensure the completeness and accuracy of the transition adjustments. • Identifying and testing the relevant controls over the transition process. • Evaluating the reasonableness of management's key judgements and estimates made in preparing the transition adjustments, specifically related to classification and expected credit loss ('ECL') of financial assets. • Involving information risk management (IRM) specialists to test new IT systems and relevant controls. • Involving Financial Risk Management (FRM) specialists to challenge key assumptions/judgements relating to credit risk grading of customers, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates. • Involving valuation specialists to evaluate the inputs, assumptions and techniques used by the valuers engaged by the Group for the valuation of real estate collaterals, relating to the determination of ECL. • Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustments. • Assessing the adequacy of the Group's disclosures in relation to the first time application of IFRS 9 by reference to the requirements of the relevant accounting standards and QCB regulations.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

<table>
<tr><th>Description of key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2"><u>Impairment of financial assets</u> - refer to notes 3(a), 3(g), 4(b), 5(a), 5(b), 8, 9, 10, 11, 14 and 19 in the consolidated financial statements</td></tr>
<tr><td>We focused on this area because:

• Impairment of financial assets involves:
- complex accounting requirements, including assumptions, estimates and judgements underlying the determination of expected credit losses;
- ECL modelling risk over methodology and design decisions;
- susceptibility to management bias when making judgements to determine expected credit loss outcomes; and
- complex disclosure requirements.

• The carrying value of the Group's financial assets, both on and off balance sheet, subject to credit risk was QAR 121,578 million, as at 31 December 2018, hence a material portion of the consolidated statement of financial position. Furthermore the total impairment recognized by the Group on these financial assets amounted to QAR 864 million, in the year 31 December 2018, which represents 104.1% of the net profit of the Group, hence a material portion of the consolidated statement of income.</td><td>Our audit procedures in this area included, among others:

• Evaluating the appropriateness of the accounting policies based on the requirements of IFRS 9, our business understanding and industry practice.
• Confirming our understanding of management's new or revised processes, systems and controls implemented, including controls over ECL model development.
• Identifying and tested relevant controls.
• Involving information risk management (IRM) specialists to test new IT systems and relevant controls.
• Evaluating the reasonableness of management's key judgements and estimates made in provision calculations, including selection of methods, models, assumptions and data sources.
• Involving FRM specialists to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates.
• Involving valuation specialists to evaluate the inputs, assumptions and techniques used by the valuers engaged by the Group for the valuation of the real estate collaterals, relating to the determination of impairment.
• Assessing the completeness, accuracy and relevance of data for calculating impairment.
• Evaluating the appropriateness and tested the mathematical accuracy of ECL models applied.
• Evaluating the reasonableness of and tested the post-model adjustments.
• Performing detailed credit risk assessment of a sample of performing and non-performing loans and advances in line with QCB regulations.
• Assessing the adequacy of the Group's disclosures in relation to IFRS 9 by reference to the requirements of relevant accounting standards and QCB regulations.</td></tr>
</table>

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's 2018 annual report (the "Annual Report"), including the report of Board of Directors, but does not include the Bank's consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors, which forms part of the Annual Report, and the remaining sections of the Annual Report are expected to be made available to us after the date of this auditor's report.

Other Information (continued)

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

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

If, based on the work we have performed on the other information that we have obtained prior to the date of this 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.

When we read the annual report, if we conclude that there is a material misstatement therein we are required to communicate the matter with those charged with governance.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have read the report of the Board of Directors to be included in the Annual Report and the financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the applicable provisions of the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Bank's Articles of Association and the amendments thereto, having occurred during the year which might have had a material effect on the Bank's consolidated financial position or performance as at and for the year ended 31 December 2018.

18 February 2019
Doha
State of Qatar

Gopal Balasubramaniam
Qatar Auditor's Registry Number 251
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DOHA BANK Q.P.S.C.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018 QAR '000s

	Notes	2018	2017
ASSETS			
Cash and balances with central banks	8	**7,586,122**	6,669,609
Due from banks	9	**6,230,018**	7,821,983
Loans and advances to customers	10	**59,798,337**	59,804,174
Investment securities	11	**20,551,883**	17,512,610
Investment in an associate	12	**10,510**	11,126
Property, furniture and equipment	13	**621,469**	708,580
Other assets	14	**1,334,072**	967,199
TOTAL ASSETS		**96,132,411**	93,495,281
LIABILITIES			
Due to banks	15	**19,462,917**	11,005,061
Customer deposits	16	**55,459,891**	59,468,326
Debt securities	17	**745,997**	657,669
Other borrowings	18	**4,831,161**	5,432,936
Other liabilities	19	**2,899,216**	2,124,292
TOTAL LIABILITIES		**83,399,182**	78,688,284
EQUITY			
Share capital	20 (a)	**3,100,467**	3,100,467
Legal reserve	20 (b)	**5,092,948**	5,092,762
Risk reserve	20 (c)	**137,200**	1,372,000
Fair value reserve	20 (d)	**(227,271)**	(67,555)
Foreign currency translation reserve	20 (e)	**(56,180)**	(13,451)
Retained earnings		**686,065**	1,322,774
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**8,733,229**	10,806,997
Instruments eligible as additional capital	20 (g)	**4,000,000**	4,000,000
TOTAL EQUITY		**12,733,229**	14,806,997
TOTAL LIABILITIES AND EQUITY		**96,132,411**	93,495,281

The consolidated financial statements were approved by the Board of Directors on 27 January 2019 and were signed on its behalf by:

Fahad Bin Mohammad Bin Jabor Al Thani
Chairman

Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director

Dr. Raghavan Seetharaman
Group Chief Executive Officer

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

DOHA BANK Q.P.S.C.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018 QAR '000s

	Notes	**2018**	2017
Interest income	21	**3,920,755**	3,630,853
Interest expense	22	**(1,839,809)**	(1,375,382)
Net interest income		**2,080,946**	2,255,471
Fee and commission income	23	**489,682**	516,313
Fee and commission expense	24	**(102,050)**	(95,909)
Net fee and commission income		**387,632**	420,404
Gross written premium		**44,578**	62,315
Premium ceded		**(11,323)**	(21,925)
Net claims paid		**(39,978)**	(46,823)
Net loss from insurance activities		**(6,723)**	(6,433)
Net foreign exchange gain	25	**115,392**	106,544
Net (loss) / income from investment securities	26	**(9,843)**	49,822
Other operating income	27	**67,194**	62,276
		172,743	218,642
Operating income		**2,634,598**	2,888,084
Staff costs	28	**(496,325)**	(531,109)
Depreciation	13	**(90,059)**	(98,820)
Net impairment loss on investment securities		**(16,207)**	(142,067)
Net impairment loss on loans and advances to customers	10	**(951,683)**	(592,541)
Net impairment reversal on other financial assets		**103,699**	-
Other expenses	29	**(350,327)**	(414,908)
		(1,800,902)	(1,779,445)
Profit before share of results of associate and tax		**833,696**	1,108,639
Share of results of associate	12	**340**	158
Profit before tax		**834,036**	1,108,797
Income tax (expense) / reversal	30	**(3,814)**	1,277
Profit		**830,222**	1,110,074
Earnings per share:			
Basic and diluted earnings per share (QAR)	31	**1.97**	3.02

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018 QAR '000s

	Note	*2018*	*2017*
Profit		**830,222**	1,110,074
Other comprehensive income			
Items that are or may be subsequently reclassified to income statement:			
Foreign currency translation differences for foreign operations		**(18,724)**	11,540
Movement in fair value reserve (debt instruments – IFRS 9):			
Net change in fair value	20 (d)	**12,766**	-
Net amount transferred to consolidated statement of income	20 (d)	**(7,276)**	-
Movement in fair value reserve (available-for-sale financial assets – IAS 39):			
Net change in fair value		**-**	(100,156)
Net amount transferred to consolidated statement of income		**-**	136,013
		(13,234)	47,397
Items that will not be reclassified subsequently to statement of income			
Net change in fair value of equity investments designated at FVOCI (IFRS 9)	20 (d)	**47,367**	-
Total other comprehensive income		**34,133**	47,397
Total comprehensive income		**864,355**	1,157,471

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

DOHA BANK Q.P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 QAR '000s

	Total equity attributable to equity holders of the Bank								
	Share capital	*Legal reserve*	*Risk reserve*	*Fair value reserve*	*Foreign exchange translation reserve*	*Retained earnings*	*Total*	*Instrument eligible as additional Tier 1 capital*	*Total equity*
Balance at 1 January 2018 (Audited)	3,100,467	5,092,762	1,372,000	(67,555)	(13,451)	1,322,774	10,806,997	4,000,000	14,806,997
Effect of restatement (note 36)	-	-	-	-	(24,005)	24,005	-	-	-
Balance at 1 January 2018 (restated)	**3,100,467**	**5,092,762**	**1,372,000**	**(67,555)**	**(37,456)**	**1,346,779**	**10,806,997**	**4,000,000**	**14,806,997**
Impact of adoption of IFRS 9 (note 3(a)(i))	-	-	(1,372,000)	(212,573)	-	(182,654)	(1,767,227)	-	(1,767,227)
Restated balance at 1 January 2018	**3,100,467**	**5,092,762**	**-**	**(280,128)**	**(37,456)**	**1,164,125**	**9,039,770**	**4,000,000**	**13,039,770**
Total comprehensive income:									
Profit	-	-	-	-	-	830,222	830,222	-	830,222
Other comprehensive income	-	-	-	52,857	(18,724)	-	34,133	-	34,133
Total comprehensive income	-	-	-	52,857	(18,724)	830,222	864,355	-	864,355
Transfer to legal reserve	-	186	-	-	-	(186)	-	-	-
Transfer to risk reserve	-	-	137,200	-	-	(137,200)	-	-	-
Distribution for Tier 1 capital notes	-	-	-	-	-	(220,000)	(220,000)	-	(220,000)
Contribution to social and sports fund	-	-	-	-	-	(20,756)	(20,756)	-	(20,756)
Transactions with shareholders:									
Dividends paid	-	-	-	-	-	(930,140)	(930,140)	-	(930,140)
Balance at 31 December 2018	**3,100,467**	**5,092,948**	**137,200**	**(227,271)**	**(56,180)**	**686,065**	**8,733,229**	**4,000,000**	**12,733,229**

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2017 QAR '000s

	Total equity attributable to equity holders of the Bank								
	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	**Total**	Instruments eligible as additional Tier 1 capital	**Total equity**
Balance as at 1 January 2017	2,583,723	4,317,561	1,372,000	(103,412)	(24,991)	1,235,654	**9,380,535**	4,000,000	**13,380,535**
Total comprehensive income:									
Profit	-	-	-	-	-	1,110,074	**1,110,074**	-	**1,110,074**
Other comprehensive income	-	-	-	35,857	11,540	-	**47,397**	-	**47,397**
Total comprehensive income	-	-	-	35,857	11,540	1,110,074	**1,157,471**	-	**1,157,471**
Transfer to legal reserve	-	85	-	-	-	(85)	**-**	-	**-**
Transfer to risk reserve	-	-	-	-	-	-	**-**	-	**-**
Distribution for Tier 1 capital notes	-	-	-	-	-	(220,000)	**(220,000)**	-	**(220,000)**
Contribution to social and sports fund	-	-	-	-	-	(27,752)	**(27,752)**	-	**(27,752)**
Transactions with shareholders:									
Increase in share capital (note 20 a)	516,744	775,116	-	-	-	-	**1,291,860**	-	**1,291,860**
Dividends paid	-	-	-	-	-	(775,117)	**(775,117)**	-	**(775,117)**
Balance as at 31 December 2017	**3,100,467**	**5,092,762**	**1,372,000**	**(67,555)**	**(13,451)**	**1,322,774**	**10,806,997**	**4,000,000**	**14,806,997**

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 QAR '000s

	Notes	2018	2017
Cash flows from operating activities			
Profit before tax		**834,036**	1,108,797
Adjustments for:			
Net impairment loss on loans and advances to customers	10	**951,683**	592,541
Net impairment loss on investment securities		**16,207**	142,067
Net impairment losses on other financial assets		**(103,699)**	
Depreciation	13	**90,059**	98,820
Amortisation of financing cost		**13,141**	44,121
Net loss / (gain) on investment securities	26	**46,757**	(10,571)
(Loss) / gain on sale of property, plant and equipment		**(183)**	83
Share of results of an associate	12	**(340)**	(158)
Profit before changes in operating assets and liabilities		**1,847,661**	1,975,700
Change in due from banks		**137,221**	1,663,729
Change in loans and advances to customers		**(2,132,489)**	(1,294,604)
Change in other assets		**(366,873)**	(41,430)
Change in due to banks		**8,457,856**	(1,270,275)
Change in customer deposits		**(4,008,435)**	3,738,376
Change in other liabilities		**543,305**	(40,483)
Social and sports fund contribution		**(27,752)**	(26,345)
Income tax paid		**(29,606)**	1,277
Net cash from operating activities		**4,420,888**	4,705,945
Cash flows from investing activities			
Acquisition of investment securities		**(11,544,626)**	(7,634,121)
Proceeds from sale of investment securities		**8,264,137**	4,731,199
Acquisition of property, furniture and equipment	13	**(2,960)**	(36,684)
Proceeds from the sale of property, furniture and equipment		**195**	46
Net cash used in investing activities		**(3,283,254)**	(2,939,560)
Cash flows from financing activities			
Proceeds from other borrowings	18	**(601,775)**	438,462
Proceeds from right issues		**-**	1,291,860
Repayment of debt security		**-**	(1,823,000)
Proceeds from issue of debt securities		**88,328**	661,071
Distribution on Tier 1 capital notes		**(220,000)**	(170,000)
Dividends paid		**(930,140)**	(775,117)
Net cash used in financing activities		**(1,663,587)**	(376,724)
Net (decrease) / increase in cash and cash equivalents		**(525,953)**	1,389,661
Cash and cash equivalents as at 1 January		**10,305,675**	8,916,014
Cash and cash equivalents at 31 December	33	**9,779,722**	10,305,675
Operational cash flows from interest and dividend:			
Interest received		**3,878,639**	3,606,557
Interest paid		**1,731,955**	1,292,252
Dividends received		**36,914**	39,251

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

1 REPORTING ENTITY

Doha Bank Q. P. S. C. ("Doha Bank" or the "Bank") is an entity domiciled in the State of Qatar and was incorporated on 15 March 1979 as a Joint Stock Company under Emiri Decree No. 51 of 1978. The commercial registration of the Bank is 7115. The address of the Bank's registered office is Doha Bank Tower, Corniche Street, West Bay, P.O. Box 3818, Doha, Qatar.

Doha Bank is engaged in conventional banking activities and operates through its head office in Qatar (Doha) and has 27 local branches, six overseas branches in the United Arab Emirates (Dubai & Abu Dhabi), State of Kuwait, the Republic of India (one branch each in Mumbai, Kochi and Chennai) and representative offices in United Kingdom, Singapore, Turkey, China, Japan, South Korea, Germany, Australia, Hong Kong, Canada, Bangladesh, South Africa, Sri Lanka and Nepal. The consolidated financial statements for the year ended 31 December 2018 comprise the Bank and its subsidiaries (together referred to as "the Group").

The principal subsidiaries of the Group are as follows:

Company's name	Country of incorporation	Company's capital	Company's activities	Percentage of ownership **2018**	2017
Doha Bank Assurance Company L.L.C.	Qatar	100,000	General Insurance	**100%**	100%
Doha Finance Limited	Cayman Island	182	Debt Issuance	**100%**	100%
DB Securities Limited	Cayman Island	182	Derivatives Transactions	**100%**	100%

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Group ("consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the applicable provisions of the Qatar Central Bank ("QCB") regulations.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following financial assets that have been measured at fair value:

- Investment securities designated at fair value through income statement;
- Derivative financial instruments;
- Investments measured at fair value through profit or loss ('FVTPL') (2018) / Held for trading financial investments (2017);
- Other financial assets designated at fair value through profit or loss ('FVTPL');
- Financial investment measured at fair value through other comprehensive income ('FVOCI') (2018) / available-for-sale financial investments (2017); and
- Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships to the extent of risks being hedged.

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional and presentation currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousand.

2 BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the effects of adoption of IFRS 9 and IFRS 15 on 1 January 2018, as described in note 3(a). Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

3 SIGNIFICANT ACCOUNTING POLICIES

a) New and amended standards and interpretations adopted by the Group

The following standards, amendments and interpretations, which became effective as of 1 January 2018, are relevant to the Group:

IFRS 9 Financial Instruments	1-Jan-18
IFRS 15 Revenue from Contracts with Customers	1-Jan-18
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1-Jan-18

The adoption of the above did not result in any changes to previously reported net profit or equity of the Group except as mentioned below.

i) IFRS 9 Financial Instruments

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.

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’.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). 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 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in the consolidated income statement, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in the consolidated income statement.

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 loss are recognised earlier than under IAS 39.

The Group applies 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) New and amended standards and interpretations adopted by the Group (continued)

i) IFRS 9 Financial Instruments (continued)

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. For these assets, ECL are recognised on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date. Interest is computed on the gross carrying amount of the asset.

Stage 2: Lifetime ECL - not credit impaired
Stage 2 includes financial assets that have had a significant increase in credit risk (SICR) 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.

Stage 3: Lifetime ECL - credit impaired
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised as per QCB's instruction.

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.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

(a) As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

(b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial
application.

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) New standards, amendments and interpretations (continued)

i) IFRS 9 Financial Instruments (continued)

Impact of adopting IFRS 9

The impact of adoption of IFRS 9 as at 1 January 2018 has been shown below:

	Retained earnings	Fair value reserve
Closing balance under IAS 39 at 31 December 2017 (restated)	1,346,779	(67,555)
Impact on reclassification and remeasurements:		
Investment securities (equity) from available-for-sale to those measured at fair value through other comprehensive income (FVOCI)	196,332	(196,332)
Investment securities (debt) from held to maturity to those measured at fair value through other comprehensive income (FVOCI)	-	(1,216)
Investment securities (equity) from available-for-sale to those measured at fair value through profit or loss (FVTPL)	7,546	(7,546)
Investment securities (mutual funds) from available-for-sale to those measured at fair value through profit or loss (FVTPL)	7,441	(7,441)
Investment securities (debt) from available-for-sale to those measured at amortized cost	-	(38)
	211,319	(212,573)
Impact on recognition of Expected Credit Losses		
Due from banks	(16,989)	-
Investment securities (debt) at fair value through other comprehensive income	(10,164)	-
Investment securities (debt) at amortised cost	(1,418)	-
Loans and advances to customers	(1,484,635)	-
Loan commitments and financial guarantees	(252,767)	-
	(1,765,973)	-
Transfer from risk reserve	1,372,000	-
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**1,164,125**	**(280,128)**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) New standards, amendments and interpretations (continued)

i) IFRS 9 Financial Instruments (continued)

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 1 January 2018.

				Impact of IFRS 9		
	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount**	**Re-measure-ment**	**Re-classifica-tion**	**New carrying amount**
Financial assets						
Cash and balances with central banks	Loans and receivables	Amortised cost	6,669,609	-	-	**6,669,609**
Due from banks	Loans and receivables	Amortised cost	7,821,983	(16,989)	-	**7,804,994**
Loans and advances to customers	Loans and receivables	Amortised cost	59,804,174	(1,484,635)	-	**58,319,539**
Investment securities – debt	Held to maturity	Amortised cost	3,677,734	(356)	-	**3,677,378**
Investment securities – debt	Held to maturity	FVOCI	1,986,095	-	(1,216)	**1,984,879**
Investment securities – debt	Held to maturity	FVTPL	30,628	-	-	**30,628**
Investment securities – debt	Available-for-sale	Amortised cost	670,075	(1,062)	(38)	**668,975**
Investment securities – debt	Available-for-sale	FVOCI	10,268,545	-	-	**10,268,545**
Investment securities – equity	Available-for-sale	FVOCI	698,599	-	-	**698,599**
Investment securities – equity	Available-for-sale	FVTPL	180,934	-	-	**180,934**
			91,808,376	(1,503,042)	(1,254)	**90,304,080**

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

ii) IFRS 15 'Revenue from Contracts with Customers'

The Group implemented this new revenue recognition standard with effect from 1 January 2018. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The Group has assessed the impact of IFRS 15 and concluded that the standard has no material effect on the consolidated financial statements of the Group.

Standards issued but not yet effective
A number of standards and amendments to standards are issued but not yet effective and the Group has not adopted these in the preparation of these consolidated financial statements. The below standards may have a significant impact on the Group's consolidated financial statements, however, the Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) New and amended standards and interpretations adopted by the Group (continued)

Standards issued but not yet effective

iii) IFRS 16 Leases

In January 2016, the IASB published IFRS 16 'Leases', replacing the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determine whether an arrangement contains a lease', SIC 15 'Operating leases' and SIC 27 'Evaluating the substance of transactions in the legal form of a lease'. It will result in almost all leases being recognized on the balance sheet by the lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only recognition exemptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year, prior to date of adoption of the standard. As allowed under IFRS 16, right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Further the Group has used the following practical expedients on initial application:

- used the Group's previous assessment of which existing contracts are, or contain, lease;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- where the unexpired lease term on initial application date is less than 12 months or leases of low value items, then Group has elected to use short term lease exemption;
- exclude initial direct costs from the measurement of right of use asset at the date of initial application;
- use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease; and
- elected not to separate lease component from any associated non-lease components and taken this option to account for the lease component and the associated non-lease components as a single lease component.

As at the reporting date, the Group had non-cancellable operating lease commitments of QR 164.1 million. Of these lease commitments approximately QR 3.6 million relate to short-term leases and QR 2.3 million to low value leases which will both be recognized on a straight-line basis as an expense in the income statement.

For the remaining lease commitments, the Group expects to recognize right-of-use assets of approximately QR 145.5 million on 1 January 2019, lease liabilities of QR 145.5 million (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018). Overall net asset will not be impacted.

The Group expects that net profit after tax will decrease by approximately QR 1.3 million for 2019 as a result of adopting the new rules. Net interest income is expected to decrease by approximately QR 3.5 million, as the interest on the lease liability will be part of interest expense, other expenses will decrease by QR 40.9 million as operating lease payments were included in other expenses, however net profit will decrease by QR 38.7 million due to amortization of the right-of-use assets.

Operating cash flows will increase and financing cash flows decrease by approximately QR 37.4 million as repayment of the principle portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries ("the Group") 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
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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.

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 statement of income and consolidated statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") 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. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

c) Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with the changes in fair value recognised in the income statement.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Business combinations and goodwill (continued)

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

d) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost including transaction costs directly related to acquisition of investment in associate.

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

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's share of the results of associates is based on financial statements and adjusted to conform to the accounting policies of the Group. Intergroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intergroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The consolidated financial statements of the Group include the associate stated below:

Company name	*Country of incorporation and operation*	*Ownership interest %*		*Principal activity*
		2018	*2017*	
Doha Brokerage and Financial Services Limited	India	**44.02%**	44.02%	Brokerage and assets management

e) Foreign currency

Foreign currency transactions and balances

Foreign currency transactions that are transactions 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 dates of the transactions.

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 income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Foreign operations

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

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

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

g) Financial assets and financial liabilities

i) Recognition and initial measurement

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

ii) Classification

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and financial liabilities (continued)

ii) Classification (continued)

Business model assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice.
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest ("the SPPI test"), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets and features that modify consideration of the time value of money. Instruments failing SPPI will be measured at FVT PL.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The reclassification takes place from the start of the first reporting period following the change.

Financial assets- applicable up to 31 December 2017
At inception or on initial recognition a financial asset is classified in one of the following categories:

- loans and receivables;
- held to maturity (HTM);
- available-for-sale (AFS); or
- fair value through profit of loss (FVTPL)

Financial liabilities
The Group has classified and measured its financial liabilities at amortised cost.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and financial liabilities (continued)

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

From 1 January 2018, any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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

Policy applicable from 1 January 2018
If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Policy applicable up to 31 December 2017
If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the premodification interest rate.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and financial liabilities (continued)

v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a currently enforceable legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

vi) 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 principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For the financial instruments that are not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value provided by the fund manager.

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

The fair value of unquoted derivatives is determined by discounted cash flows. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in note 5.

vii) Identification and measurement of impairment

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments; and
- Loan commitments and financial guarantee contracts.

No impairment loss is recognised on equity investments.
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 financial instruments that are possible with the 12 months after the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and financial liabilities (continued)

vii) Identification and measurement of impairment (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 loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

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

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI 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.

Policy applicable up to 31 December 2017

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets including equity securities are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower 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 borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and financial liabilities (continued)

vii) Identification and measurement of impairment (continued)

Policy applicable upto 31 December 2017 (continued)

The Group considers evidence of impairment loss for loans and advances to customers and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances to customers and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances to customers and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances to customers.

In assessing collective impairment, the Group uses historical experience and credit rating in addition to the assessed inherent losses which are reflected by the economic and credit conditions for each identified portfolio.

For listed equity investments, generally a significant decline in the market value from cost or for a prolonged period, are considered to be indicators of impairment.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses recognised in the consolidated income statement on equity instruments are not recycled through the consolidated income statement. In case of debt instruments, if in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

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 three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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

i) Due from banks and loans and advances to customers

Due from banks and loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Due from banks and loans and advances to customers are initially measured at the transaction price which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except for the financial assets which are classified to be measured at FVTPL.

Write-off of loans and advances to customers

Loans and advances to customers (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. All write- offs of loans and advances to customers are recorded after obtaining approvals from the QCB for such write-offs.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Investment securities

Policy applicable from 1 January 2018

The 'investment securities' includes:

- Debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- Debt securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest income using the effective interest method;
- Expected credit losses and reversals; and
- Foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument by instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never subsequently reclassified to consolidated income statement, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in consolidated income statement, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Policy applicable upto 31 December 2017

Subsequent to initial recognition investment securities are accounted for depending on their classification as either held-to-maturity, fair value through profit or loss or available-for-sale.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Fair value through profit or loss

The Group has classified its investments as held for trading where such investments are managed for short-term profit taking or designated certain investments as fair value through profit or loss. Fair value changes on these investments are recognised immediately in profit or loss.

Available-for-sale financial assets

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Where the fair value is not reliably available, unquoted equity securities are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in the consolidated income statement.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, where upon the cumulative gains and losses previously recognised in consolidated statement of comprehensive income are reclassified to consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Derivatives

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

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.

Fair value hedges
When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in consolidated income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortised to consolidated income statement as part of the recalculated effective interest rate of the item over its remaining life.
Other non-trading derivatives
When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in consolidated income statement.

Derivatives held for trading purposes
The Group’s derivative trading instruments includes forward foreign exchange contracts. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of reporting date and the corresponding fair value changes is taken to the consolidated income statement.

l) Property and equipment
Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Property and equipment (continued)

Subsequent costs
The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation
Depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most 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 and capital work-in-progress are not depreciated.

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

Buildings	20 - 30 years
Leasehold improvements, furniture and equipment	3 - 10 years
Vehicles	5 - 8 years

Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted prospectively, if appropriate.

m) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax 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.

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

n) Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

o) Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

p) Financial guarantees
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, being the premium received. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of income any fee income earned over the period, and the best estimate of the expenditure required settling any financial obligation arising as a result of the guarantees at the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Employee benefits

The Group provides for end of service benefits in accordance with the employment policies of the Group. The provision is calculated on the basis of the individual's final salary and period of service at the reporting date. This provision is included in other provisions within other liabilities.

With respect to Qatari and other GCC employees, the Group makes a contribution to the Qatari Pension Fund calculated on a percentage of the employees' salaries, in accordance with the Retirement and Pension Law No. 24 of 2002. The Group's obligations are limited to these contributions.

r) 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 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) Share capital and reserves

i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in the subsequent events note.

t) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available -for-sale and fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liabilities.

From 1 January 2018, for the financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Interest income on investment (debt) securities measured at FVOCI (2018) / available-for-sale financial investments (2017) and measured at amortised cost (2018) / held to maturity (2017) is calculated using effective interest rate method and is also included in interest income.

Premium on insurance

Premium on insurance contracts are recognized as revenue (earned premiums) proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium liability on a 1/365 days basis.

Fees and commission income and expense

Fees and commission income and expense that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised over time as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised over time on a straight-line basis over the commitment period. In case of these services, the control is considered to be transferred over time as the customer is benefited from these services over the tenure of the service period. Other fee and commission expense relate mainly to transaction the services are received.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Revenue recognition (continued)

Income from investment securities
Gains or losses on the sale of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

From 1 January 2018, any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities.

Income from held to maturity investment securities is recognised based on the effective interest rate method.

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

u) Tax expense
Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxes are calculated based on applicable tax laws or regulations in the countries in which the Group operates. The provision for deferred taxation is made based on the evaluation of the expected tax liability. Currently there is no corporate tax applicable to the Bank in the State of Qatar. However, corporate tax is applicable on foreign branches operating outside the State of Qatar and to one subsidiary in the Qatar Financial Center.

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) 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 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.

x) Fiduciary activities

Assets held in a fiduciary capacity are not treated as assets of the Group and accordingly are not part of the consolidated statement of financial position.

y) Repossessed collateral

Repossessed collaterals against settlement of customers' debts are stated within the consolidated statement of financial position under "Other assets" at their carrying value net of allowance for impairment, if any.

According to QCB instructions, the Group should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended after obtaining approval from QCB.

z) Comparatives

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

4 FINANCIAL RISK MANAGEMENT

a) Introduction and overview

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The key risks Group is exposed are to credit risk, liquidity risk, operational risk and market risk, which includes trading and non-trading risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies such as the risk management department, internal audit committee, the credit committee, assets and liabilities committee responsible for managing and monitoring those risks.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept.

As part of its overall risk management, the Group also uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of authority within the Group.

The Group applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group has a set of limits of risks that may be accepted, which are monitored on a daily basis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

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.

4 FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations in accordance with the agreed terms. Credit risk makes up the largest part of the Group's risk exposure; therefore, the Group carefully manages its exposure to credit risk. Credit risk is attributed to financial instruments such as balance with central banks, due from banks, loans and advances to customers, debt securities and other bills, certain other assets and credit equivalent amounts related to off-balance sheet financial instruments.

Note 10 to the consolidated financial statements disclose the distribution of the loans and advances to customers by economic sectors. Note 4 to the consolidated financial statements disclose the geographical distribution of the Group's credit exposure.

i) Credit risk measurement

All credit policies are reviewed and approved by the Risk Management Department and the Board of Directors. The Risk Management team centrally approves all significant credit facilities and limits for all corporate, treasury and capital markets, financial institutions and SME clients of the Group. Such approvals are carried out in pursuance to a set of delegated Credit authority limits and in accordance with the Group's approved credit policy.

Furthermore, all credit facilities are independently administered and monitored by the Credit Control Department.

The Group further limits risk through diversification of its assets by geography and industry sectors. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. The Group also follows the guidelines issued by Qatar Central Bank with regard to the granting of loans which limits exposure to counterparties.

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash, mortgages, local and international equities, financial guarantees and other tangible securities. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values.

The Group has a credit administration process that ensures compliance with terms of approval, documentation and continuous review to ensure quality of credit and collaterals. While securities such as listed equities are valued regularly, credit policy mandates securities obtained by way of legal mortgage over real estate to be valued at least once in 3 years or more frequently if situation warrants.

4 FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

ii) Analysis of maximum exposure to credit risk before taking account of collateral held or other credit enhancements, net of impairment

The table below represents credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the statement of financial position, the exposures set out below are based on the net carrying amounts as reported in the consolidated statement of financial position.

	2018	2017
Credit risk exposures relating to assets recorded on the statement of financial position are as follows:		
Balances with central banks	**7,156,046**	6,161,687
Due from banks	**6,230,018**	7,821,983
Loans and advances to customers	**59,798,337**	59,804,174
Investment securities – debt	**19,936,182**	16,509,641
Other assets	**905,698**	669,821
Total as at 31 December	**94,026,281**	90,967,306
Other credit risk exposures are as follows:		
Guarantees	**16,046,400**	18,380,848
Letters of credit	**5,273,014**	5,958,391
Unutilised credit facilities	**1,868,006**	3,737,358
Total as at 31 December	**23,187,420**	28,076,597
	117,213,701	119,043,903

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Analysis of concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group's credit exposure based on carrying amounts without taking into account any collateral held or other credit support, as categorized by geographical region. The Group has allocated exposures to regions based on the country of domicile of its counterparties.

	Qatar	**Other GCC**	**Other Middle East**	**Rest of the World**	**2018 Total**
Balances with central banks	**4,888,437**	**2,241,194**	**-**	**26,415**	**7,156,046**
Due from banks	**2,838,219**	**349,354**	**191,929**	**2,850,516**	**6,230,018**
Loans and advances to customers	**47,175,851**	**7,507,114**	**1,066,775**	**4,048,597**	**59,798,337**
Investment securities - debt	**17,616,020**	**1,682,996**	**232,999**	**404,167**	**19,936,182**
Other assets	**848,632**	**7,873**	**-**	**49,193**	**905,698**
	73,367,159	**11,788,531**	**1,491,703**	**7,378,888**	**94,026,281**

	Qatar	Other GCC	Other Middle East	Rest of the World	2017 Total
Balances with central banks	4,279,678	1,866,134	-	15,875	6,161,687
Due from banks	4,326,023	445,895	1,403,904	1,646,161	7,821,983
Loans and advances to customers	46,421,475	7,234,902	1,169,942	4,977,855	59,804,174
Investment securities - debt	13,898,740	1,487,632	-	1,123,269	16,509,641
Other assets	635,667	8,472	-	25,682	669,821
	69,561,583	11,043,035	2,573,846	7,788,842	90,967,306

	Qatar	**Other GCC**	**Other Middle East**	**Rest of the World**	**2018 Total**
Guarantees	**8,844,056**	**2,709,350**	**344,894**	**4,148,100**	**16,046,400**
Letters of credit	**4,405,331**	**30,137**	**267,539**	**570,007**	**5,273,014**
Unutilised credit facilities	**1,375,987**	**316,246**	**-**	**175,773**	**1,868,006**
	14,625,374	**3,055,733**	**612,433**	**4,893,880**	**23,187,420**

	Qatar	Other GCC	Other Middle East	Rest of the World	2017 Total
Guarantees	10,112,460	3,467,079	311,331	4,489,978	18,380,848
Letters of credit	5,009,036	129,235	358,342	461,778	5,958,391
Unutilised credit facilities	2,998,508	622,215	-	116,635	3,737,358
	18,120,004	4,218,529	669,673	5,068,391	28,076,597

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Analysis of concentration of risks of financial assets with credit risk exposure (continued)

Industry sectors

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

	Gross exposure 2018	Gross exposure 2017
Funded and unfunded		
Government and related agencies	**28,404,621**	23,966,226
Industry	**639,569**	842,863
Commercial	**11,589,237**	11,091,291
Services	**17,327,366**	17,503,016
Contracting	**9,637,882**	10,455,938
Real estate	**16,865,644**	17,457,955
Personal	**8,286,571**	8,430,725
Others	**1,275,391**	1,219,292
Guarantees	**16,046,400**	18,380,848
Letters of credit	**5,273,014**	5,958,391
Unutilised credit facilities	**1,868,006**	3,737,358
	117,213,701	119,043,903

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iv) Credit quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal risk rating mechanism linked to credit ratings published by international rating agencies. 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.

	2018				2017
Cash and Balances with Central Banks (Excluding Cash on Hand) and Due from Banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade – Aaa to Baa3	12,792,265	177,584	-	12,969,849	12,813,849
Sub-investment grade – Ba1 to Ca3	293,797	134,696	-	428,493	1,169,821
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Loss allowance	(11,886)	(392)	-	(12,278)	-
Carrying amount	**13,074,176**	**311,888**	**-**	**13,386,064**	**13,983,670**

	2018				2017
Loans and Advances to Customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade – Aaa to Baa3	24,153,079	3,600,282	-	27,753,361	35,283,037
Sub-investment grade – Ba1 to Ca3	16,877,419	16,598,884	-	33,476,303	25,080,420
Substandard	-	-	1,128,116	1,128,116	296,944
Doubtful	-	-	980,260	980,260	350,832
Loss	-	-	1,693,721	1,693,721	1,610,914
Loss allowance	(223,709)	(1,301,896)	(3,707,819)	(5,233,424)	(2,817,973)
Carrying amount	**40,806,789**	**18,897,270**	**94,278**	**59,798,337**	**59,804,174**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iv) Credit quality (continued)

	2018				2017
Investment Securities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade – Aaa to Baa3	19,384,241	-	-	19,384,241	16,278,155
Sub-investment grade – Ba1 to Ca3	511,715	25,836	-	537,551	204,410
Substandard	-	-	38,972	38,972	42,857
Doubtful	-	-	-	-	
Loss	-	-	-	-	
Loss allowance	(957)	(793)	(22,832)	(24,582)	(15,781)
Carrying amount	**19,894,999**	**25,043**	**16,140**	**19,936,182**	**16,509,641**

	2018				2017
Loan commitments and financial guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade – Aaa to Baa3	13,009,727	1,128,568	-	14,138,295	13,978,736
Sub-investment grade – Ba1 to Ca3	4,488,050	4,343,650	-	8,831,700	14,106,019
Substandard	-	-	217,425	217,425	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Loss allowance	(27,575)	(126,204)	(8,158)	(161,937)	(8,158)
Carrying amount	**17,470,202**	**5,346,014**	**209,267**	**23,025,483**	**28,076,597**

Collateral

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

The fair value of the collateral held against credit-impaired loans and advances as at 31 December 2018 is QR 456 million (2017: QR 460 million).

The aggregate collateral in respect to the loans and advances to customers are QAR 73,749 million as of 31 December 2018 (2017: QAR 57,205 million).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

Repossessed collateral
The group has acquired properties held as collateral in settlement of debt of carrying value of QAR 134 million as at 31 December 2018 (2017: QAR 134 million).

Write-off policy
The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible and after QCB approval.

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 standardized loans, write-off decisions are generally based on a product-specific past due status. The amount written off during the year was QAR 389 million (2017: QAR 394 million).

vi) Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis including internal credit risk grading system, external risk ratings, where available, delinquency status of accounts, credit judgement and, where possible, relevant historical experience. The Group may also determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

In determining whether credit risk has increased significantly since initial recognition following criteria'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 60 and 30 days as at the reporting date for corporate and retail loans respectively

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 Group has exposures.

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 loans 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 loans to ensure that all criteria are met and that future payments are likely to occur.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

Definition of default

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

- the 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 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

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

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on credit risk vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are updated from the World economic outlook: IMF country data and other reliable sources which provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the level of expected credit loss has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates.

In addition to the base economic scenario, the Bank's Credit risk team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure plausible events are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2018 and 31 December 2018, for all portfolios the Bank concluded that three scenarios representing the Base, Upside and Downside cases has been determined appropriate for capturing forward looking component in ECL. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The weightings assigned to each macro-economic scenario as at 31 December 2018, were 70% to Base Case and 15% each to Downside and Upside Case. The assessment of SICR is performed based on credit risk assessment following QCB rule and management assessment under each of the base, and the other scenarios, multiplied by the associated scenario weightings. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a 12 month ECL (Stage 1), or lifetime ECL (Stage 2). These ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

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

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2018 were GDP and Oil prices (Oil price 2019: $60.30/Barrel, 2020: $61.31/ Barrel) and (GDP 2019:2.31%, 2020: 2.04%).

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.

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 IAS 39.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)
vi) Inputs, assumptions and techniques used for estimating impairment (continued)

	Stage 1	Stage 2	Stage 3	Total
Exposures subject to ECL – as at 31 December 2018				
- Loans and advances to customers	41,030,498	20,199,166	3,802,097	65,031,761
- Investment securities (debt)	19,895,956	25,836	38,972	19,960,764
- Loan commitments and financial guarantees	17,497,777	5,472,218	217,425	23,187,420
- Due from banks and balances with central Banks	13,086,062	312,280	-	13,398,342
	91,510,293	26,009,500	4,058,494	121,578,287
Opening balance of impairment - as at 1 January 2018 (under IAS 39)				
- Loans and advances to customers	-	111,563	2,706,410	**2,817,973**
- Investment securities (debt)	-	-	14,195	**14,195**
- Loan commitments and financial guarantees	-	-	8,158	**8,158**
- Due from banks and balances with central Banks	**-**	**-**	**-**	**-**
	-	**111,563**	**2,728,763**	**2,840,326**
ECL impact of initial application of IFRS 9 at 1 January 2018 *				
- Loans and advances to customers	344,929	1,139,706	-	1,484,635
- Investment securities (debt)	10,470	1,112	-	11,582
- Loan commitments and financial guarantees	106,568	146,199	-	252,767
- Due from banks and balances with central Banks	14,957	2,032	-	16,989
	476,924	**1,289,049**	**-**	**1,765,973**
Charge and net transfer between stages for the year (net of foreign exchange translation)				
- Loans and advances to customers	(121,220)	50,627	1,390,844	1,320,251
- Investment securities (debt)	7,889	(319)	8,637	16,207
- Loan commitments and financial guarantees	(78,993)	(19,995)	-	(98,988)
- Due from banks and balances with central Banks	(3,071)	(1,640)	**-**	(4,711)
	(195,395)	**28,673**	**1,399,481**	**1,232,759**
Write offs during the year				
- Loans and advances to customers	**-**	**-**	(389,435)	**(389,435)**
- Investment securities (debt)	**-**	**-**	**-**	**-**
- Loan commitments and financial guarantees	**-**	**-**	**-**	**-**
- Due from banks and balances with central Banks	-	-	**-**	**-**
	-	**-**	**(389,435)**	**(389,435)**
Closing balance of impairment - as at 31 December 2018				
- Loans and advances to customers	223,709	1,301,896	3,707,819	5,233,424
- Investment securities (debt)	18,359	793	22,832	41,984
- Loan commitments and financial guarantees	27,575	126,204	8,158	161,937
- Due from banks and balances with central Banks	11,886	392	-	12,278
	281,529	**1,429,285**	**3,738,809**	**5,449,623**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind, in order to maintain a healthy balance of cash, cash equivalents and readily marketable securities.

The Group monitors its liquidity risk through two key ratios, the Liquidity Coverage Ratio (LCR) as per Basel III guidelines adopted by QCB to monitor the short term (30 days) resilience of the bank's liquidity and the Liquidity Ratio as per QCB's guidelines.

The Liquidity Coverage Ratio (LCR) computed as per Basel III guidelines adopted by QCB was 102.9% as at 31 December 2018 (31 December 2017: 205.5%).

The Liquidity Ratio (LR) computed as per QCB guidelines was 120.5% as at 31 December 2018 (31 December 2017: 123.3%).

i) 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, debt securities, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator, QCB.

Details of the reported Group ratio of net liquid assets to deposits from customers during the year were as follows:

	2018	2017
Average for the year	**108.96%**	102.50%
Maximum for the year	**117.82%**	122.67%
Minimum for the year	**102.60%**	86.12%

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on contractual maturity dates. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date, and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. The Group routinely monitors assets and liabilities maturity profiles to ensure adequate liquidity is maintained.

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	Above 1 year	Undated
31 December 2018							
Cash and balances with central banks	7,586,122	5,584,683	-	-	5,584,683	-	2,001,439
Due from banks	6,230,018	2,792,126	1,368,063	1,964,184	6,124,373	105,645	-
Loans and advances to customers	59,798,337	3,582,934	2,953,624	8,071,625	14,608,183	45,190,154	-
Investment securities	20,551,883	402,400	128,556	1,568,604	2,099,560	17,836,625	615,698
Investment in an associate	10,510	-	-	-	-	-	10,510
Property, furniture and equipment	621,469	-	-	-	-	-	621,469
Other assets	1,334,072	1,334,072	-	-	1,334,072	-	-
Total	96,132,411	13,696,215	4,450,243	11,604,413	29,750,871	63,132,424	3,249,116
Due to banks	19,462,917	10,556,753	4,984,529	2,731,689	18,272,971	1,189,946	-
Customer deposits	55,459,891	24,657,690	12,167,304	14,546,384	51,371,378	4,088,513	-
Debt securities	745,997	-	72,830	377,185	450,015	295,982	-
Other borrowings	4,831,161	278,694	145,660	2,487,978	2,912,332	1,918,829	-
Other liabilities	2,899,216	2,899,216	-	-	2,899,216	-	-
Total equity	12,733,229	-	-	-	-	-	12,733,229
Total	96,132,411	38,392,353	17,370,323	20,143,236	75,905,912	7,493,270	12,733,229
Maturity gap	-	(24,696,138)	(12,920,080)	(8,538,823)	(46,155,041)	55,639,154	(9,484,113)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	Above 1 year	Undated
31 December 2017							
Cash and balances with central banks	6,669,609	4,380,783	-	-	4,380,783	-	2,288,826
Due from banks	7,821,983	4,241,565	1,752,628	1,028,494	7,022,687	799,296	-
Loans and advances to customers	59,804,174	7,500,295	2,897,038	6,062,788	16,460,121	43,344,053	-
Investment securities	17,512,610	131,765	620,939	2,959,754	3,712,458	12,809,223	990,929
Investment in an associate	11,126	-	-	-	-	-	11,126
Property, furniture and equipment	708,580	-	-	-	-	-	708,580
Other assets	967,199	967,199	-	-	967,199	-	-
Total	93,495,281	17,221,607	5,270,605	10,051,036	32,543,248	56,952,572	3,999,461
Due to banks	11,005,061	5,575,610	2,330,768	2,162,168	10,068,546	936,515	-
Customer deposits	59,468,326	23,041,228	18,790,178	13,451,078	55,282,484	4,185,842	-
Debt securities	657,669	-	-	96,947	96,947	560,722	-
Other borrowings	5,432,936	-	145,252	2,582,369	2,727,621	2,705,315	-
Other liabilities	2,124,292	2,124,292	-	-	2,124,292	-	-
Total equity	14,806,997	-	-	-	-	-	14,806,997
Total	93,495,281	30,741,130	21,266,198	18,292,562	70,299,890	8,388,394	14,806,997
Maturity gap	-	(13,519,523)	(15,995,593)	(8,241,526)	(37,756,642)	48,564,178	(10,807,536)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

The table below summarises contractual expiry dates of the Group's contingent liabilities:

	Carrying amount	Up to 3 months	3 months – 1 year	Above 1 year
31 December 2018				
Guarantees	**16,046,400**	5,361,933	6,344,019	4,340,448
Letters of credit	**5,273,014**	994,178	401,153	3,877,683
Unutilised credit facilities	**1,868,006**	147,040	1,487,981	232,985
Total	**23,187,420**	**6,503,151**	**8,233,153**	**8,451,116**
31 December 2017				
Guarantees	18,380,848	5,374,261	6,397,523	6,609,064
Letters of credit	5,958,391	1,326,526	4,622,253	9,612
Unutilised credit facilities	3,737,358	429,823	1,677,178	1,630,357
Total	28,076,597	7,130,610	12,696,954	8,249,033

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

The table below summarises the maturity profile of the Group's financial liabilities and derivatives at 31 December based on contractual undiscounted repayment obligations:

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months - 1 year	Above 1 year
31 December 2018						
Non-derivative financial liabilities						
Due to banks	**19,462,917**	**19,512,641**	**10,566,864**	**4,995,468**	**2,748,118**	**1,202,191**
Customer deposits	**55,459,891**	**55,844,981**	**24,689,340**	**12,207,216**	**14,799,920**	**4,148,505**
Debt securities	**745,997**	**759,076**	**-**	**73,324**	**378,747**	**307,005**
Other borrowings	**4,831,161**	**4,749,490**	**-**	**146,860**	**2,560,579**	**2,042,051**
Other liabilities	**2,760,328**	**2,760,328**	**2,760,328**	**-**	**-**	**-**
Total liabilities	**83,260,294**	**83,626,516**	**38,016,532**	**17,422,868**	**20,487,364**	**7,699,752**

Derivative financial instruments:
Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

	Total	Up to 1 year	Above 1 year
Derivative financial instruments:			
Outflow	**(8,151,612)**	**(8,151,612)**	**-**
Inflow	**8,146,299**	**8,146,299**	**-**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months - 1 year	Above 1 year
31 December 2017						
Non-derivative financial liabilities						
Due to banks	11,005,061	11,022,022	5,578,969	2,333,779	2,162,380	946,894
Customer deposits	59,468,326	59,751,373	23,057,949	18,848,642	13,590,750	4,254,032
Debt securities	657,669	678,341	-	-	97,428	580,913
Other borrowings	5,432,936	5,585,480	-	150,615	2,634,227	2,800,638
Other liabilities	2,076,793	2,076,793	2,076,793	-	-	-
Total liabilities	78,640,785	79,114,009	30,713,711	21,333,036	18,484,785	8,582,477

Derivative financial instruments:
Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

	Total	Up to 1 year	Above 1 year
Derivative financial instruments:			
Outflow	(7,111,781)	(7,111,781)	-
Inflow	7,194,020	7,194,020	-

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 interest 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 interest 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 Market Risk team. Regular reports are submitted to the Board of Directors and ALCO.

i) Management of market risks

Overall authority for market risk is vested in ALCO. Financial Risk Management department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day-to-day review and monitoring.

The Group has adopted a detailed policy framework drafted in accordance with the Qatar Central Bank guidelines for governing investments portfolio including proprietary book. The governance structure includes policies including Treasury and Investment manual, Financial Risk policy and Hedging policy, etc. These policies define the limit structure along with the risk appetite under which the investment activities are undertaken. The limits structure focuses on total investment limits which in accordance with QCB guidelines are 70% of Group's capital and reserves along with various sub limits such as position and stop loss limits for trading activities. The policies also define various structured sensitivity limits such as VaR and duration for different asset classes within the investment portfolio. The performance of the portfolio against these limits is updated regularly to senior management including ALCO and investment committee.

Investment Committee approve all the investment decision for the Group. Financial Risk Management department is vested with the responsibility of measuring, monitoring risk and reporting risk in the portfolio.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

ii) Exposure to interest rate risk

The principal risk to which the banking and 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 interest rates. Interest rate risk is managed principally through monitoring interest 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 Treasury in its day-to-day monitoring activities.

A summary of the Group's interest rate gap position on banking and trading portfolios is as follows:

		Repricing in:			
	Carrying amount	Less than 3 months	3-12 months	Above 1 year	Non-interest sensitive
31 December 2018					
Cash and cash equivalents	7,586,122	2,825,350	-	-	4,760,772
Due from banks	6,230,018	5,074,181	1,019,678	34,688	101,471
Loans and advances to customers	59,798,337	54,970,008	500,029	74,804	4,253,496
Investment securities	20,551,883	333,401	1,862,958	17,739,826	615,698
Investment in an associate	10,510	-	-	-	10,510
Property, furniture and equipment	621,469	-	-	-	621,469
Other assets	1,334,072	-	-	-	1,334,072
Total	96,132,411	63,202,940	3,382,665	17,849,318	11,697,488
Due to banks	19,462,917	16,643,673	2,364,856	214,226	240,162
Customer deposits	55,459,891	39,687,386	14,661,982	1,110,523	-
Debt securities	745,997	382,045	363,952	-	-
Other borrowings	4,831,161	4,831,161	-	-	-
Other liabilities	2,899,216	-	-	-	2,899,216
Total equity	12,733,229	-	-	-	12,733,229
Total	96,132,411	61,544,265	17,390,790	1,324,749	15,872,607
Interest rate sensitivity gap	-	1,658,675	(14,008,125)	16,524,569	(4,175,119)
Cumulative interest rate sensitivity gap	-	1,658,675	(12,349,450)	4,175,119	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

ii) Exposure to interest rate risk (continued)

		Repricing in:			
	Carrying amount	Less than 3 months	3-12 months	Above 1 year	Non-interest sensitive
31 December 2017					
Cash and cash equivalents	6,669,609	1,811,200	-	-	4,858,409
Due from banks	7,821,983	6,859,593	331,611	-	630,779
Loans and advances to customers	59,804,174	57,018,060	224,905	78,643	2,482,566
Investment securities	17,512,610	752,759	2,960,240	12,808,682	990,929
Investment in an associate	11,126	-	-	-	11,126
Property, furniture and equipment	708,580	-	-	-	708,580
Other assets	967,199	-	-	-	967,199
Total	93,495,281	66,441,612	3,516,756	12,887,325	10,649,588
Due to banks	11,005,061	6,704,202	3,971,888	187,852	141,119
Customer deposits	59,468,326	44,630,023	13,249,203	1,589,100	-
Debt securities	657,669	-	96,947	560,722	-
Other borrowings	5,432,936	5,432,936	-	-	-
Other liabilities	2,124,292	-	-	-	2,124,292
Total equity	14,806,997	-	-	-	14,806,997
Total	93,495,281	56,767,161	17,318,038	2,337,674	17,072,408
Interest rate sensitivity gap	-	9,674,451	(13,801,282)	10,549,651	(6,422,820)
Cumulative interest rate sensitivity gap	-	9,674,451	(4,126,831)	6,422,820	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risk (continued)

ii) Exposure to interest rate risk (continued)

Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bp) parallel fall or rise in all yield curves worldwide and a 10 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

	10 bp parallel increase	**10 bp parallel decrease**
Sensitivity of net interest income		
2018		
At 31 December	**(2,125)**	**2,125**
2017		
At 31 December	(6,154)	6,154

	10 bp parallel increase	**10 bp parallel decrease**
Sensitivity of reported equity to interest rate movements		
2018		
At 31 December	**(37,453)**	**37,453**
2017		
At 31 December	(31,720)	31,720

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

iii) Exposure to other market risks

Currency risk

The Group is exposed to fluctuations in foreign currency exchange rates. The Board of Directors sets limits on the level of exposure by currency, and in total for both overnight and intra-day positions, which are monitored daily. The Group had the following significant net exposures:

	2018	2017
Net foreign currency exposure:		
Pound Sterling	**2,035**	156,510
Euro	**147,197**	49,022
Kuwaiti Dinar	**10,524**	3,073
Japanese Yen	**624**	1,257
Other currencies	**2,917,677**	3,551,605

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a percentage increase or decrease in the Qatari Riyals against the relevant foreign currencies except for US Dollars which is pegged to the Qatari Riyal. The sensitivity analysis includes only outstanding foreign currency denominated items and the impact of a change in the exchange rates are as follows:

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risk (continued)

iii) Exposure to other market risks (continued)

	Increase / (decrease) in profit or loss	
	2018	2017
5% increase / (decrease) in currency exchange rate		
Pound Sterling	**102**	7,826
Euro	**7,360**	2,451
Kuwaiti Dinar	**526**	154
Japanese Yen	**31**	63
Other currencies	**145,884**	177,580

Equity price risk
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The equity price risk exposure arises from equity securities classified as available-for-sale and fair value through profit or loss.

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

	2018		2017	
	Effect on OCI	**Effect on income statement**	Effect on OCI	Effect on income statement
5% increase / (decrease) in Qatar Exchange	**± 6,906**	**-**	± 24,442	-
5% increase / (decrease) in Other than Qatar Exchange	**± 1,803**	**-**	± 4,641	-
	± 8,709	**-**	± 29,083	-

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

e) Operational risks
Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The Group has detailed policies and procedures that are regularly updated to ensure a robust internal control mechanism. The Group closely reviews the various recommendations issued by the Basel Committee on 'Sound Practices for the Management and Supervision of Operational Risk' for implementation. The Group continues to invest in risk management and mitigation strategies, such as a robust control infrastructure, business continuity management or through risk transfer mechanisms such as insurance and outsourcing.

The Group has a well-defined Operational Risk Management Framework and an independent operational risk function. The Operational Risk Management Committee oversees the implementation of an effective risk management framework that encompasses appropriate systems, practices, policies and procedures to ensure the effectiveness of risk identification, measurement, assessment, reporting and monitoring within the group.

In addition, the Internal Audit department carries out an independent assessment and provides assurance of the actual functioning of the overall Operational Risk Management Framework.

The Group manages operational risk based on a framework that enables the determination of operational risk profile of business units and how it relates to risk measurement, risk mitigation and priorities.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Operational risks (continued)

A number of techniques are applied to effectively manage the operational risk across the Group. These include:

- Effective staff training, documented processes/procedures with appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, introduction process of new products, reviews of outsourcing activities, information system security, segregation of duties, financial management and reporting are some of the measures adopted by the Group to manage Group-wide operational risk;

- Reporting of any operational risk event, which is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are analyzed, reported, mitigated, recorded on a central database and reported quarterly to the Board of Directors; and

- Introduction of a bottom-up 'Control Risk Self-Assessment' across business and support units including subsidiaries and overseas branches. This approach results in detailed understanding of inherent and residual risks with evaluation of controls across the Group. Therefore, it enhances the determination of specific operational risk profile for the business and support units while corrective action points are captured and the changes of the operational risk profile are monitored on an ongoing basis.

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 shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines as adopted by the QCB.

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

	2018 **Basel III**	2017 Basel III
Common Equity Tier 1 Capital	**8,224,942**	9,700,840
Additional Tier 1 Capital	**4,000,000**	4,000,000
Additional Tier 2 Capital	**899,329**	111,564
Total Eligible Capital	**13,124,271**	13,812,404

Risk weighted assets

	2018 **Basel III** **Risk** **weighted** **amount**	2017 Basel III Risk weighted amount
Total risk weighted assets for credit risk	**71,134,820**	72,260,750
Risk weighted assets for market risk	**526,394**	1,350,948
Risk weighted assets for operational risk	**5,511,995**	5,274,077
Total risk weighted assets	**77,173,209**	78,885,775

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Capital management (continued)

	2018	2017
Regulatory capital	**13,124,271**	13,812,404
Common equity tier 1 (CET1) ratio	**10.66%**	17.37%
Total capital adequacy ratio	**17.01%**	17.51%

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 buffer	Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge
Actual	10.66%	10.66%	15.84%	17.01%	17.01%	17.01%
Minimum limit as per QCB	6.00%	8.50%	10.50%	12.50%	12.88%	14.30%

Upon the adoption of IFRS 9 on 1 January 2018, the CET1 ratio declined from 12.30% to 10.44%, while the total capital ratio declined from 17.51% to 16.73%.

The Group is currently in the process of analyzing new capital requirements for Interest Rate Risk on the Banking Book (IRRBB) and will start setting aside capital based on the new standard under Pillar II from 2019 onwards, when the date of implementation and the final guidelines are issued by QCB.

5 USE OF ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

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

i) Impairment allowances for credit losses

Policy applicable from 1 January 2018

Assessment of whether credit risk on the financial assets has increased significantly since initial recognition and incorporation of forward looking information in the measurement of ECL, refer to note 4(b)(vi).

Policy applicable upto 31 December 2017

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

i) Impairment allowances for credit losses (continued)

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 judgements about 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 is determined based on the QCB regulations.

The Bank reviews its loan portfolio to consolidate impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances to customers 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 loss 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) 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 accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

b) Critical accounting judgement 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.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)
b) Critical accounting judgement in applying the Group's accounting policies (continued)
i) Valuation of financial instruments (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium 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.

ii) Fair value measurement
The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities measured at fair value.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2018:

	Date of valuation	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Investment securities measured at FVOCI	31 Dec 2018	14,863,146	352,781	-	15,215,927
Investment securities measured at FVTPL	31 Dec 2018	43,716	58,640	-	102,356
Derivative instruments:					
Interest rate swaps	31 Dec 2018	-	77,417	-	77,417
Forward foreign exchange contracts	31 Dec 2018	-	10,388	-	10,388
		14,906,862	499,226	-	15,406,088
Financial liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	31 Dec 2018	-	123,187	-	123,187
Forward foreign exchange contracts	31 Dec 2018	-	15,701	-	15,701
		-	138,888	-	138,888

There have been no transfers between Level 1, level 2 and Level 3 fair value measurement during the year.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)
b) Critical accounting judgement in applying the Group's accounting policies (continued)
ii) Fair value measurement (continued)

Fair value hierarchy for financial instruments measured at fair value as at 31 December 2017

	Date of valuation	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Available-for-sale investment securities	31 Dec 2017	11,216,316	549,509	-	11,765,825
Investment securities classified as held for trading					
Derivative instruments:	31 Dec 2017	-	-	-	-
Interest rate swaps	31 Dec 2017	-	59,610	-	59,610
Forward foreign exchange contracts	31 Dec 2017	-	102,253	-	102,253
		11,216,316	711,372	-	11,927,688
Liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	31 Dec 2017	-	27,485	-	27,485
Forward foreign exchange contracts	31 Dec 2017	-	20,014	-	20,014
		-	47,499	-	47,499

During the reporting period 31 December 2017, there were no transfers between Level 1, Level2 and Level 3 fair value measurements.

Available for sale equity investments amounting to QAR 52.3 million are recorded at cost since the fair value cannot be reliably measured.

iii) Financial asset and liability classification

Policy applicable from 1 January 2018

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. Refer to note 3 (g) for further information.

Policy applicable up to 31 December 2017

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 at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.
- in classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policies.

Details of the Group's classification of financial assets and liabilities are given in Note 7.

iv) Qualifying hedge relationships
In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as fair value hedges, the Group has determined that the hedged interest rate exposure relates to highly probable future cash flows.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)
b) Critical accounting judgement in applying the Group's accounting policies (continued)
iv) Qualifying hedge relationships (continued)

v) Impairment of investments debt securities
Policy applicable from 1 January 2018
Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward –looking information in the measurement of ECL. Refer to note 4b(vi) Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

Policy applicable up to 31 December 2017
Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies section.

vi) Going concern
The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, 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 financial statements continue to be prepared on the going concern basis.

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

6 OPERATING SEGMENTS

The Group organizes and manages its operations by two business segments, which comprise conventional banking and insurance activities.

Conventional Banking

- Corporate Banking provides a range of product and service offerings to business and corporate customers including funded and non-funded credit facilitates deposits to corporate customers. It also undertakes funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- Retail Banking provides a diversified range of products and services to individuals. The range includes loans, credit cards, deposits and other transactions with retail customers.

Insurance Activities
Insurance activities to customers include effecting contracts of insurance, carrying out contracts of insurance, arranging deals in investments and advising on investments.

6 OPERATING SEGMENTS (CONTINUED)

a) By operating segment

Details of each segment as of and for the year ended 31 December 2018 are stated below:

	2018					
	Corporate Banking	Retail Banking	Unallocated	Total	Insurance	Total
Interest income	3,569,110	351,645	-	3,920,755	-	3,920,755
Net income from insurance activities	-	-	-	-	(6,723)	(6,723)
Other income	344,069	148,389	64,085	556,543	3,832	560,375
Segmental revenue	3,913,179	500,034	64,085	4,477,298	(2,891)	4,474,407
Net impairment loss on loans and advances to customers				(951,683)	-	(951,683)
Impairment loss on investment securities				(16,207)	-	(16,207)
Segmental profit				828,952	930	829,882
Share of results of the associate						340
Net profit						830,222
Other information						
Assets	80,409,802	6,186,523	9,104,814	95,701,139	420,762	96,121,901
Investments in an associate						10,510
Total						96,132,411
Liabilities	72,288,428	9,899,986	951,809	83,140,223	258,959	83,399,182
Contingent items	23,133,637	53,783	-	23,187,420	-	23,187,420

6 OPERATING SEGMENTS (CONTINUED)

a) By operating segment

	2017					
	Corporate Banking	Retail Banking	Unallocated	Total	Insurance	Total
Interest income	3,263,907	366,946	-	3,630,853	-	3,630,853
Net income from insurance activities	-	-	-	-	(6,433)	(6,433)
Other income	437,483	138,989	59,405	635,877	3,169	639,046
Segmental revenue	3,701,390	505,935	59,405	4,266,730	(3,264)	4,263,466
Net impairment loss on loans and advances to customers				(592,541)	-	(592,541)
Impairment loss on investment securities				(142,067)	-	(142,067)
Segmental profit				1,109,493	423	1,109,916
Share of results of the associate						158
Net profit						1,110,074
Other information						
Assets	78,699,654	6,452,639	8,082,441	93,234,734	249,421	93,484,155
Investments in an associate						11,126
Total						93,495,281
Liabilities	68,614,334	9,065,643	913,438	78,593,415	94,869	78,688,284
Contingent items	28,028,028	48,569	-	28,076,597	-	28,076,597

6 OPERATING SEGMENTS (CONTINUED)

b) Geographical areas

The following table shows the geographic distribution of the Group's operating income based on the geographical location of where the business is booked by the Group.

	Qatar	Other GCC	India	Total
2018				
Net operating income	**2,417,021**	**185,922**	**31,655**	**2,634,598**
Net profit	**1,019,847**	**(197,310)**	**7,685**	**830,222**
Total assets	**88,314,914**	**7,091,234**	**726,263**	**96,132,411**
Total liabilities	**76,878,176**	**5,957,648**	**563,358**	**83,399,182**
2017				
Net operating income	2,575,411	295,275	17,398	2,888,084
Net profit	1,134,303	(15,286)	(8,943)	1,110,074
Total assets	84,640,595	8,329,454	525,232	93,495,281
Total liabilities	71,203,556	7,129,544	355,184	78,688,284

7 FINANCIAL ASSETS AND LIABILITIES

a) Accounting classifications and fair values

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

	Fair value through profit or loss			Fair Value though other comprehensive income		Amortised cost	Total carrying amount	Fair value
31 December 2018	**Debt**	**Equity**	**Derivatives**	**Debt**	**Equity**			
Cash and balances with central banks	-	-	-	-	-	**7,586,122**	**7,586,122**	**7,586,122**
Due from banks	-	-	-	-	-	**6,230,018**	**6,230,018**	**6,230,018**
Positive fair value of derivatives	-	-	**87,805**	-	-	-	**87,805**	**87,805**
Loans and advances to customers	-	-	-	-	-	**59,798,337**	**59,798,337**	**59,798,337**
Investment securities:								
Measured at fair FVOCI	-	-	-	**14,702,583**	**513,344**	-	**15,215,927**	**15,215,927**
Measured at fair FVTPL	-	**102,357**	-	-	-	-	**102,357**	**102,357**
Measured at amortised cost	-	-	-	-	-	**5,233,599**	**5,233,599**	**5,241,874**
Other assets	-	-	-	-	-	**817,893**	**817,893**	**817,893**
		102,357	**87,805**	**14,702,583**	**513,344**	**79,665,969**	**95,072,058**	**95,080,333**
Negative fair value of derivatives	-	-	**138,888**	-	-	-	**138,888**	**138,888**
Due to banks	-	-	-	-	-	**19,462,917**	**19,462,917**	**19,462,917**
Customer deposits	-	-	-	-	-	**55,459,891**	**55,459,891**	**55,459,891**
Debt securities	-	-	-	-	-	**745,997**	**745,997**	**745,997**
Other borrowings	-	-	-	-	-	**4,831,161**	**4,831,161**	**4,831,161**
Other liabilities	-	-	-	-	-	**1,712,072**	**1,712,072**	**1,712,072**
	-	-	**138,888**	-	-	**82,212,038**	**82,350,926**	**82,350,926**

7 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

a) Accounting classifications and fair values (continued)

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

31 December 2017	Fair value through profit or loss	Held to maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and balances with central banks	-	-	6,669,609	-	-	6,669,609	6,669,609
Due from banks	-	-	7,821,983	-	-	7,821,983	7,821,983
Positive fair value of derivatives	161,863					161,863	161,863
Loans and advances to customers	-	-	59,804,174	-	-	59,804,174	59,804,174
Investment securities:							
Measured at fair value	-	-	-	11,818,154	-	11,818,154	11,818,154
Measured at amortised cost	-	5,694,456	-	-	-	5,694,456	5,707,833
Other assets	-	-	-	-	507,958	507,958	507,958
	161,863	5,694,456	74,295,766	11,818,154	507,958	92,478,197	92,491,574
Negative fair value of derivatives	47,499					47,499	47,499
Due to banks	-	-	-	-	11,005,061	11,005,061	11,005,061
Customer deposits	-	-	-	-	59,468,326	59,468,326	59,468,326
Debt securities	-	-	-	-	657,669	657,669	657,669
Other borrowings	-	-	-	-	5,432,936	5,432,936	5,432,936
Other liabilities	-	-	-	-	1,364,771	1,364,771	1,364,771
	47,499	-	-	-	77,928,763	77,976,262	77,976,262

Investment securities – unquoted equity securities at cost

The above table includes to QAR 52.3 million at 31 December 2017 of unquoted equity investments in both the carrying amount and fair value columns that were measured at cost and for which disclosure of fair value was not provided because their fair value was not considered to be reliably measureable.

8 CASH AND BALANCES WITH CENTRAL BANKS

	2018	2017
Cash	**430,076**	507,922
Cash reserve with QCB*	**1,882,593**	2,227,944
Cash reserve with other central banks*	**92,431**	60,882
Other balances with central banks	**5,184,863**	3,872,861
Allowance for Impairment	**(3,841)**	-
	7,586,122	6,669,609

*Cash reserve with QCB and other central banks are mandatory reserves that are not available for use in the Group's day to day operations.

9 DUE FROM BANKS

	2018	2017
Current accounts	**371,088**	610,761
Placements	**4,373,350**	3,941,114
Loans to banks	**1,494,017**	3,270,108
Allowance for impairment	**(8,437)**	-
	6,230,018	7,821,983

10 LOANS AND ADVANCES TO CUSTOMERS

a) By type

	2018	2017
Loans	**57,559,469**	56,027,009
Overdrafts	**6,240,831**	5,588,715
Bills discounted	**367,679**	443,389
Other loans*	**878,280**	584,501
(Note-i)	**65,046,259**	62,643,614
Less :		
Deferred profit	**(14,498)**	(21,467)
Expected credit losses of loans and advances to customers - Performing (Stage 1 and 2)	**(1,525,605)**	-
Allowance for impairment of loans and advances to customers - Non performing (Stage 3)	**(3,041,187)**	(2,255,706)
Interest in suspense	**(666,632)**	(450,704)
Collective impairment allowance	**-**	(111,563)
Net loans and advances to customers	**59,798,337**	59,804,174

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

a) By type

The aggregate amount of non-performing loans and advances to customers amounted QAR 3,802.1 million, which represents 5.85 % of total loans and advances to customers (2017: QAR 2,258.7 million, 3.61% of total loans and advances to customers).

During the year, the Group has written-off fully provided non-performing loans amounting to QAR 389 million (2017: QAR 194 million) as per Qatar Central Bank circular no. 68/2011.

Specific impairment of loans and advances to customers includes QAR 667 million of interest in suspense (2017: QAR 451 million).

*This includes acceptances pertaining to trade finance amounting to QAR 451 million (2017: QAR 224 million).

Note-i:

	2018	2017
Government and related agencies	**4,164,155**	3,535,924
Corporate	**52,525,817**	50,232,365
Retail	**8,356,287**	8,875,325
	65,046,259	62,643,614

b) By industry

At 31 December 2018	**Loans**	**Overdrafts**	**Bills discounted**	**Other loans**	**Total**
Government and related agencies	**1,240,116**	**2,924,039**	**-**	**-**	**4,164,155**
Non-banking financial institutions	**1,726,029**	**-**	**-**	**10,329**	**1,736,358**
Industry	**468,659**	**17,595**	**25,510**	**187,953**	**699,717**
Commercial	**12,188,678**	**1,006,096**	**108,985**	**100,824**	**13,404,583**
Services	**6,766,261**	**314,882**	**203,532**	**-**	**7,284,675**
Contracting	**9,181,416**	**980,872**	**18,667**	**363,312**	**10,544,267**
Real estate	**18,037,217**	**390,270**	**200**	**24,070**	**18,451,757**
Personal	**7,890,941**	**464,176**	**1,170**	**-**	**8,356,287**
Others	**60,152**	**142,901**	**9,615**	**191,792**	**404,460**
	57,559,469	**6,240,831**	**367,679**	**878,280**	**65,046,259**
Less: Deferred profit					**(14,498)**
Net impairment of loans and advances to customers					**(5,233,424)**
					59,798,337

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

b) By industry (continued)

At 31 December 2017	Loans	Overdrafts	Bills discounted	Other loans	Total
Government and related agencies	1,357,833	2,178,091	-	-	3,535,924
Non-banking financial institutions	1,589,511	-	-	5,123	1,594,634
Industry	603,026	20,990	31,141	93,217	748,374
Commercial	10,480,480	906,795	147,383	111,885	11,646,543
Services	5,885,439	313,004	170,074	-	6,368,517
Contracting	9,527,115	1,095,701	31,992	324,575	10,979,383
Real estate	17,871,715	416,432	17,851	11,938	18,317,936
Personal	8,361,916	504,333	9,076	-	8,875,325
Others	349,974	153,369	35,872	37,763	576,978
	56,027,009	5,588,715	443,389	584,501	62,643,614
Less: Deferred profit					(21,467)
Specific impairment of loans and advances to customers					(2,706,410)
Collective impairment allowance					(111,563)
					59,804,174

c) Movement in impairment loss on loans and advances to customers

	2018	2017
Balance at 1 January	**2,817,973**	2,409,239
Foreign currency translation	**(2,694)**	3,680
ECL impact of initial application of IFRS 9	**1,484,635**	-
Net charge for the year	**1,404,303**	903,964
Recoveries on credit impaired loans during the year	**(81,358)**	(104,578)
Net impairment losses recorded during the year *	**1,322,945**	799,386
Written off/transfers during the year	**(389,435)**	(394,332)
Balance at 31 December	**5,233,424**	2,817,973

*The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations amounting to QAR 371.3 million during the year (2017: QAR 206.9 million).

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c) Movement in impairment loss on loans and advances to customers – sector wise (continued)

Reconciliations of the allowance for impairment losses for loans and advances to customers, by class, is as follows:

	Corporate lending			**SME lending**			**Retail lending**			**Real estate mortgage lending**			**Total**		
	Stage 1 Performing	Stage 2 Performing	Stage 3 Credit impaired	Stage 1 Performing	Stage 2 Performing	Stage 3 Credit impaired	Stage 1 Performing	Stage 2 Performing	Stage 3 Credit impaired	Stage 1 Performing	Stage 2 Performing	Stage 3 Credit impaired	Stage 1 Performing	Stage 2 Performing	Stage 3 Credit impaired
Balance at 1 January 2018	-	111,563	2,215,454	-	-	88,190	-	-	376,135	-	-	26,631	-	111,563	2,706,410
Adjustments as a result of adopting IFRS 9	216,076	1,027,354	-	10,254	31,281	-	24,719	49,320	-	93,880	31,751	-	344,929	1,139,706	-
Adjusted balance at beginning of the year	**216,076**	**1,138,917**	**2,215,454**	**10,254**	**31,281**	**88,190**	**24,719**	**49,320**	**376,135**	**93,880**	**31,751**	**26,631**	**344,929**	**1,251,269**	**2,706,410**
Transfer between Stages	(57,096)	(392,027)	449,123	(1,203)	(1,427)	2,630	-	(20,668)	20,668	(3,856)	3,856	-	(62,155)	(410,265)	472,421
Net charge for the year	28,307	372,307	917,901	(6,743)	13,423	18,110	(360)	8,880	44,221	(80,269)	66,283	19,549	(59,065)	460,893	999,781
Recoveries on credit impaired loans during the year	-	-	(45,720)	-	-	(971)	-	-	(33,041)	-	-	(1,626)	-	-	(81,358)
Net impairment losses recorded during the year	**28,307**	**372,307**	**872,181**	**(6,743)**	**13,423**	**17,139**	**(360)**	**8,880**	**11,180**	**(80,269)**	**66,283**	**17,923**	**(59,065)**	**460,893**	**918,423**
Written off during the year	-	-	(371,982)	-	-	(166)	-	-	(3,184)	-	-	(14,103)	-	-	(389,435)
Balance at 31 December 2018	**187,287**	**1,119,197**	**3,164,776**	**2,308**	**43,277**	**107,793**	**24,359**	**37,532**	**404,799**	**9,755**	**101,890**	**30,451**	**223,709**	**1,301,896**	**3,707,819**

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c) Movement in impairment loss on loans and advances to customers- sector wise (continued)

	Corporate lending	SME lending	Retail lending	Real estate mortgage lending	Total
Balance at 1 January 2017	1,982,262	60,389	338,683	27,905	2,409,239
Foreign currency translation	2,527	4	(72)	1,221	3,680
Provisions made during the year	726,420	31,023	146,457	64	903,964
Recoveries during the year	(55,884)	(2,035)	(44,212)	(2,447)	(104,578)
Written off during the year	(328,308)	(1,191)	(64,721)	(112)	(394,332)
Balance at 31 December 2017	2,327,017	88,190	376,135	26,631	2,817,973

11 INVESTMENT SECURITIES

The analysis of investment securities is detailed below:

	2018	2017
Investment Securities measured at FVOCI*	**15,215,927**	-
Investment Securities measured at FVTPL	**102,357**	-
Investment Securities measured at amortized cost	**5,258,181**	-
Available-for-sale	**-**	12,065,115
Held-to-maturity**	**-**	5,708,651
	20,576,465	17,773,766
Net Impairment losses on investment securities measured at amortized cost	**(24,582)**	(261,156)
Total	**20,551,883**	17,512,610

*Includes QAR 17.4 million ECL on debt securities
**The Group has pledged State of Qatar Bonds amounting to QAR 7,401 million (2017: QAR 4,606 million) against repurchase agreements.

a) Fair Value Through Other Comprehensive Income

	2018		
	Quoted	**Unquoted**	**Total**
Equities	**460,563**	**52,781**	**513,344**
State of Qatar Debt Securities	**10,186,516**	**300,000**	**10,486,516**
Other Debt Securities	**4,216,067**	**-**	**4,216,067**
	14,863,146	**352,781**	**15,215,927**

b) Fair Value Through Profit or Loss

	Quoted	**Unquoted**	**Total**
Mutual Funds and Equities	**100,536**	**1,821**	**102,357**
	100,536	**1,821**	**102,357**

11 INVESTMENT SECURITIES (CONTINUED)

c) Amortised Cost

	Quoted	Unquoted	Total
By Issuer			
State of Qatar Debt Securities	**3,892,429**	**426,470**	**4,318,899**
Other Debt Securities	**148,475**	**790,807**	**939,282**
Net impairment loss	**(23,255)**	**(1,327)**	**(24,582)**
	4,017,649	**1,215,950**	**5,233,599**
By Interest Rate			
Fixed Rate Securities	**4,017,649**	**1,215,950**	**5,233,599**
Floating Rate Securities	**-**	**-**	**-**
	4,017,649	**1,215,950**	**5,233,599**

d) Available-for-sale

	2017		
	Quoted	Unquoted	Total
Equities	1,077,288	63,518	1,140,806
State of Qatar debt securities	6,549,715	524,275	7,073,990
Other debt securities	3,717,547	25,234	3,742,781
Mutual funds	107,538	-	107,538
Less: Impairment losses	(235,772)	(11,189)	(246,961)
Total	11,216,316	601,838	11,818,154

Fixed rate securities and floating rate securities amounted to QAR 10,246.7 million and QAR 570.1 million respectively as of 31 December 2017.

Investment securities classified as held for trading
The investment securities classified as held for trading comprise quoted bonds amounted to QAR Nil million.

e) Held-to-maturity

	2017		
	Quoted	Unquoted	Total
-By issuer			
State of Qatar debt securities	2,886,237	1,639,649	4,525,886
Other debt securities	347,083	835,682	1,182,765
Less: Impairment losses	(14,194)	-	(14,194)
Total	3,219,126	2,475,331	5,694,457
-By interest rate			
Fixed rate securities	3,233,319	2,475,332	5,708,651
Floating rate securities	-	-	-
Less: Impairment losses	(14,194)	-	(14,194)
Total	3,219,125	2,475,332	5,694,457

The fair value of held-to-maturity investments amounted to QAR 5,707.8 million at 31 December.

11 INVESTMENT SECURITIES (CONTINUED)

f) Movement in impairment losses on investment securities

	2018	2017
Balance at 1 January	**261,156**	229,788
Provision for impairment loss created during the year	**10,387**	142,067
Impact of adoption of IFRS 9 (reclassification and remeasurement)	**(246,961)**	-
Recoveries during the year	**-**	(110,699)
Balance at 31 December	**24,582**	261,156

12 INVESTMENT IN AN ASSOCIATE

	2018	2017
Balance at 1 January	**11,126**	10,343
Foreign currency translation	**(956)**	693
Share of results	**340**	158
Cash dividend	**-**	(68)
Balance at 31 December	**10,510**	11,126

The financial position and results of the associates based on audited financial statements, as at and for the year ended 31 December are as follows:

31 December	2018	2017
Total assets	**45,567**	45,955
Total liabilities	**31,237**	30,861
Total revenue	**10,262**	11,226
Profit	**773**	359
Share of profit	**340**	158

13 PROPERTY, FURNITURE AND EQUIPMENT

	Land and buildings	**Leasehold improvements**	**Furniture and equipment**	**Vehicles**	**Total**
At 31 December 2018					
Cost:					
Balance at 1 January	**811,579**	**195,651**	**509,719**	**8,078**	**1,525,027**
Additions/ transfers	**176**	**2,710**	**18,996**	**32**	**21,914**
Disposals/Write-off	**(19,539)**	**(2,551)**	**(3,089)**	**(2,368)**	**(27,547)**
	792,216	**195,810**	**525,626**	**5,742**	**1,519,394**
Depreciation:					
Balance at 1 January	**252,522**	**143,968**	**413,249**	**6,708**	**816,447**
Depreciation	**32,512**	**13,877**	**43,181**	**489**	**90,059**
Disposals/Write-off	**(2,423)**	**(1,363)**	**(2,439)**	**(2,356)**	**(8,581)**
	282,611	**156,482**	**453,991**	**4,841**	**897,925**
Net Book Value	**509,605**	**39,328**	**71,635**	**901**	**621,469**

	Land and buildings	Leasehold improvements	Furniture and equipment	Vehicles	Total
At 31 December 2017					
Cost:					
Balance at 1 January	811,510	179,691	493,211	9,734	1,494,146
Additions/ transfers	69	19,270	16,777	568	36,684
Disposals	-	(3,310)	(269)	(2,224)	(5,803)
	811,579	195,651	509,719	8,078	1,525,027
Depreciation:					
Balance at 1 January	219,911	131,863	363,223	8,304	723,301
Depreciation	32,611	15,349	50,232	628	98,820
Disposals	-	(3,244)	(206)	(2,224)	(5,674)
	252,522	143,968	413,249	6,708	816,447
Net Book Value	559,057	51,683	96,470	1,370	708,580

14 OTHER ASSETS

	2018	2017
Interest receivable	**232,354**	190,238
Prepaid expenses	**41,469**	39,538
Repossessed collaterals*	**134,000**	134,000
Positive fair value of derivatives (Note 34)	**87,805**	161,863
Deferred tax asset	**139,310**	132,205
Sundry debtors	**65,103**	12,130
Others	**634,031**	297,225
	1,334,072	967,199

*This represents the value of the properties acquired in settlement of debts which are stated at their carrying value. The fair values of these properties as at 31 December 2018 are not materially different from the carrying values

15 DUE TO BANKS

	2018	2017
Balances due to central banks	**1,638,675**	1,638,675
Current accounts	**207,875**	148,216
Short-term loan from banks	**8,556,599**	3,270,792
Repo borrowings	**9,059,768**	5,947,378
	19,462,917	11,005,061

16 CUSTOMER DEPOSITS

a) By type

	2018	2017
Current and call deposits	**8,701,561**	7,972,033
Saving deposits	**2,131,203**	2,056,231
Time deposits	**44,627,127**	49,440,062
	55,459,891	59,468,326

b) By sector

	2018	2017
Government and semi government agencies	**28,682,303**	29,911,274
Individuals	**9,807,764**	8,981,229
Corporates	**15,592,725**	17,318,389
Non-banking financial institutions	**1,377,099**	3,257,434
	55,459,891	59,468,326

17 DEBT SECURITIES

The Group has issued subordinated debt notes and senior guaranteed notes as follows:

	2018	2017
Senior guaranteed notes	**745,997**	657,669
	745,997	657,669

Note
During current year, the Group issued USD Nil (2017: USD 75 million) and JPY 5.4 billion (2017: JPY 11.9 billion) senior unsecured debt under its updated EMTN programme.

18 OTHER BORROWINGS

	2018	2017
Term loan facilities	**4,831,161**	5,432,936

The table below shows the maturity profile of other borrowings.

	2018	2017
Up to 1 year	**2,905,607**	2,727,621
Between 1 and 3 years	**1,925,554**	2,705,315
	4,831,161	5,432,936

19 OTHER LIABILITIES

	2018	2017
Interest payable	**405,617**	297,763
Accrued expense payable	**64,521**	72,124
Provision for end of service benefits (note-i)	**133,524**	131,020
Staff provident fund	**47,306**	50,904
Tax payable	**8,885**	34,678
Negative fair value of derivatives (note 34)	**138,888**	47,499
Unearned income	**116,851**	98,108
Cash margins	**480,006**	437,537
Dividend payable	**64,059**	54,092
Unclaimed balances	**12,219**	11,831
Proposed transfer to social and sport fund	**20,756**	27,752
Others*	**1,244,647**	860,984
Allowance for Impairment for Loan Commitments and Financial Guarantees	**161,937**	-
Total	**2,899,216**	2,124,292

*This includes acceptances pertaining to trade finance amounting to QAR 451 million (2017: QAR 224 million).

Note-i
Provision for end of service benefits

	2018	2017
Balance at 1 January	**131,020**	125,207
Provision for the year	**17,670**	19,222
Provisions used during the year	**(15,166)**	(13,409)
Balance at 31 December	**133,524**	131,020

20 EQUITY

a. Share capital

	Ordinary shares	
	2018	2017
In thousands of shares		
On issue at the beginning of the reporting year	**310,047**	310,047
On issue at 31 December	**310,047**	310,047

At 31 December 2018, the authorised share capital comprised 310,047 thousands ordinary shares (2017: 310,047 thousands). These instruments have a par value of QAR 10. All issued shares are fully paid.

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

b. Legal reserve

In accordance with Qatar Central Bank's Law No. 13 of 2012, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for the Bank for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 11 of 2015 and is subject to the approval of QCB. Only transfer made during the year was pertaining to the subsidiary as the legal reserve is in excess of 100% of the paid up capital.

The legal reserve includes share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law 11 of 2015.

c. Risk reserve

In accordance with the Qatar Central Bank regulations, a minimum requirement of 2.5% of the net loans and advances to customers except for facilities granted to Government, is required as risk reserve to cover any contingencies.

The Group has transferred QAR 137 million to its risk reserve during the year ended 31 December 2018 in order to build up the balance of QAR 1.37 billion that the bank had utilized for recognizing the ECL impact of initial application of IFRS 9 on 1 January 2018 as agreed with the QCB.

20 EQUITY (CONTINUED)

d. Fair value reserve

This reserve comprises the fair value changes recognised on available-for-sale/ fair value through other comprehensive income (FVOCI) financial assets.

d) Fair Value Reserve	FVOCI (2018) / Available-for sale (2017) Investments	Total 2018	Total 2017
Balance as at 1 January	**(67,555)**	**(67,555)**	(103,412)
Changes due to adoption of IFRS 9	**(212,573)**	**(212,573)**	-
Restated balance at beginning of the year	**(280,128)**	**(280,128)**	(103,412)
Impact of revaluation	**60,133**	**60,133**	(100,156)
Reclassified to Income Statement	**(7,276)**	**(7,276)**	136,013
Net Movement during the Year	**52,857**	**52,857**	35,857
Balance as at 31 December *	**(227,271)**	**(227,271)**	(67,555)

*Includes net realised loss on equity investments classified as FVOCI.

e. Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

f. Proposed dividend

The Board of Directors of the Group has proposed a cash dividend of 10% of paid up share capital amounting to QAR 310 million - QAR 1.0 per share (2017: 30% of paid up share capital amounting to QAR 930.1 million - QAR 3.00 per share) which is subject to approval at the Annual General Meeting of the shareholders.

g. Instrument eligible as additional capital

	2018	2017
Issued on 31 December 2013	**2,000,000**	2,000,000
Issued on 30 June 2016	**2,000,000**	2,000,000
	4,000,000	4,000,000

The Group has issued regulatory Tier I capital notes totaling to QAR 4 billion. These notes are perpetual, subordinated, unsecured and each has been priced at a fixed rate for the first six years and shall be re-priced thereafter. The coupon is discretionary and the event on non-payment is not considered as an event of default. The notes carry no maturity date and have been classified under Tier 1 capital.

21 INTEREST INCOME

	2018	2017
Balance with central banks	**9,950**	3,429
Due from banks and non-banking financial institutions	**106,612**	147,690
Debt securities	**721,813**	566,699
Loans and advances to customers	**3,082,380**	2,913,035
	3,920,755	3,630,853

The amounts reported above include interest income , calculated using the effective interest method, that relate to the following items:

Financial assets measured at amortised cost	**3,378,482**	3,293,887
Financial assets measured at fair value	**542,273**	336,966
Total	**3,920,755**	3,630,853

22 INTEREST EXPENSE

	2018	2017
Due to banks	**614,435**	361,654
Customer deposits	**1,214,761**	996,384
Debt securities	**10,613**	17,344
	1,839,809	1,375,382

23 NET FEE AND COMMISSION INCOME

	2018	2017
Credit related fees	**88,996**	88,002
Brokerage fees	**505**	667
Bank services fee	**265,332**	258,167
Commission on unfunded facilities	**119,179**	136,667
Others	**15,670**	32,810
	489,682	516,313

24 FEE AND COMMISSION EXPENSE

	2018	2017
Bank fees	**204**	1,051
Others	**101,846**	94,858
	102,050	95,909

25 NET FOREIGN EXCHANGE GAIN

	2018	2017
Dealing in foreign currencies	**12,192**	25,643
Revaluation of assets and liabilities	**103,200**	80,901
	115,392	106,544

26 NET (LOSS) / INCOME FROM INVESTMENT SECURITIES

	2018	2017
Net (loss) / gain from sale of investments measured at FVOCI	**(45,555)**	12,815
Dividend income	**36,914**	39,251
Changes in fair value of financial assets measured at FVTPL	**(1,202)**	(2,244)
	(9,843)	49,822

27 OTHER OPERATING INCOME

	2018	2017
Recoveries from loans and advances to customers previously written-off	**29,677**	31,199
Rental income	**14,500**	12,797
Others	**23,017**	18,280
	67,194	62,276

28 STAFF COSTS

	2018	2017
Staff cost	**472,738**	505,151
Staff pension fund costs	**4,681**	5,168
End of service benefits	**17,670**	19,222
Training	**1,236**	1,568
	496,325	531,109

29 OTHER EXPENSES

	2018	2017
Advertising	**24,857**	33,329
Professional fees	**27,223**	27,534
Communication and insurance	**41,666**	44,727
Board of Directors' remuneration	**14,887**	19,736
Occupancy and maintenance	**86,725**	123,441
Computer and IT costs	**31,389**	37,468
Printing and stationery	**9,158**	10,494
Travel and entertainment costs	**6,744**	6,909
Others	**107,678**	111,270
	350,327	414,908

30 TAX EXPENSE

	2018	2017
Current tax expense		
Current year	**9,022**	35,508
Adjustments for prior years	**1,786**	158
	10,808	35,666
Deferred tax expense		
Temporary differences	**(6,994)**	(36,943)
Income tax expense/ (reversal)	**3,814**	(1,277)

31 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing profit for the year attributable to the equity holders (further adjusted for interest expense on tier 1capital notes) of the Bank by the weighted average number of ordinary shares in outstanding during the year:

	2018	2017
Profit for the year attributable to the equity holders of the Group	**830,222**	1,110,074
Deduct : Interest on Tier 1 capital notes	**(220,000)**	(220,000)
Net profit attributable to equity holders of the Group	**610,220**	890,074
Weighted average number of outstanding shares (in thousands)	**310,047**	295,152
Earnings per share (QAR)	**1.97**	3.02

The weighted average number of shares are as follows:

	2018	2017
In thousands of shares		
Weighted average number of shares at 31 December	**310,047**	295,152

32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2018	2017
Contingent liabilities		
Unused facilities	**1,868,006**	3,737,358
Guarantees	**16,046,400**	18,380,848
Letters of credit	**5,273,014**	5,958,391
Others	**190,294**	207,200
Total	**23,377,714**	28,283,797
Other commitments		
Forward foreign exchange contracts	**8,135,927**	7,091,767
Interest rate swaps	**6,737,362**	3,256,877
Total	**14,873,289**	10,348,644

Unused facilities
Commitments to extend credit represent contractual commitments to make loans and revolving credits. The majority of these expire within a 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 loans.

Lease commitments
The Group has entered into commercial leases on certain buildings. These leases have an average duration between three and five years. There are no restrictions placed upon the Group by entering into these leases.

32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS (CONTINUED)

Future minimum lease payments under non-cancellable leases as at December 31 are as follow:

	2018	2017
Less than one year	**14,264**	12,304
Between one and five years	**18,593**	20,957
More than five years	**1,993**	3,918
	34,850	37,179

33 CASH AND CASH EQUIVALENTS

	2018	2017
Cash and balances with central banks*	**5,611,097**	4,380,783
Due from banks and other financial institutions maturing within 3 months	**4,168,625**	5,924,892
	9,779,722	10,305,675

*Cash and balances with central banks do not include the mandatory cash reserve.

34 DERIVATIVES

	Positive fair value	Negative fair value	Notional Amount	Notional / expected amount by term to maturity			
				within 3 months	3 - 12 months	1-5 years	More than 5 years
At 31 December 2018:							
Derivatives held for trading:							
Forward foreign exchange contracts	**10,388**	**15,701**	**8,135,911**	**6,577,048**	**1,558,863**	**-**	**-**
Derivatives held for fair value hedges:							
Interest rate swaps	**77,417**	**123,187**	**6,737,362**	**-**	**-**	**2,887,710**	**3,849,652**
Total	**87,805**	**138,888**	**14,873,273**	**6,577,048**	**1,558,863**	**2,887,710**	**3,849,652**

	Positive fair value	Negative fair value	Notional Amount	Notional / expected amount by term to maturity			
				within 3 months	3 - 12 months	1-5 years	More than 5 years
At 31 December 2017:							
Derivatives held for trading:							
Forward foreign exchange contracts	102,253	20,014	7,091,767	4,555,558	2,536,209	-	-
Derivatives held for fair value hedges:							
Interest rate swaps	59,610	27,485	3,256,877	7,283	20,028	993,765	2,235,801
Total	161,863	47,499	10,348,644	4,562,841	2,556,237	993,765	2,235,801

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 entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group. The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

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

	2018		2017	
	Board of directors	**Others**	Board of directors	Others
Assets:				
Loans and advances to customers	**2,444,110**	**-**	2,599,973	-
Liabilities:				
Customer deposits	**449,486**	**2,220**	371,327	13,055
Unfunded items:				
Contingent liabilities and other commitments	**827,653**	**-**	998,210	-
Other assets	**8,305**	**-**	8,305	-
Income statement items:				
Interest, commission and other income	**73,314**	**-**	50,882	
Interest, commission and other expense	**10,611**	**248**	10,035	430

No impairment losses have been recorded against balances outstanding during the year with key management personnel.

Key management personnel (including Board of Directors) compensation for the year comprised:

	2018	2017
Salaries and other benefits	**66,717**	63,763
End of service indemnity benefits and provident fund	**3,010**	3,167
	69,727	66,930

36 RESTATEMENT OF COMPARATIVES RECLASSIFICATION

(a) Reclassifications

The comparative figures have been reclassified where necessary to preserve consistency with the current year. However, such reclassifications did not have any effect on the consolidated net profit or equity for the comparative year. Further, there have been reclassifications within the ECL impact of initial application of IFRS 9, however such reclassifications did not have any effect on the total ECL as described in note 4 (c).

(b) Restatement of comparatives

Prior year figures have not been restated for the adoption of IFRS 9 as permitted by the transitional provisions of IFRS 9 and QCB regulations. An amount of QAR 24 million relating to the translation of foreign operations for prior periods, has been corrected in the opening retained earnings.

SUPPLEMENTARY INFORMATION
As at 31 December 2018

FINANCIAL STATEMENTS OF THE PARENT

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Financial Position – Parent Bank

As at 31 December	**2018**	2017
ASSETS		
Cash and balances with central banks	**7,586,122**	6,669,495
Due from banks	**6,174,111**	7,756,325
Loans and advances to customers	**59,798,337**	59,804,174
Investment securities	**20,561,268**	17,511,786
Investment in an associate	**10,510**	11,126
Property, furniture and equipment	**621,030**	707,951
Other assets	**1,110,154**	903,385
TOTAL ASSETS	**95,861,532**	93,364,242
LIABILITIES		
Due to banks	**19,462,917**	11,005,061
Customer deposits	**55,506,918**	59,483,483
Debt securities	**745,997**	657,669
Other borrowings	**4,831,161**	5,432,936
Other liabilities	**2,640,240**	2,032,648
TOTAL LIABILITIES	**83,187,233**	78,611,797
EQUITY		
Share capital	**3,100,467**	3,100,467
Legal reserve	**5,080,853**	5,080,853
Risk reserve	**137,200**	1,372,000
Fair value reserves	**(225,746)**	(62,581)
Foreign currency translation reserve	**(56,180)**	(13,451)
Retained earnings	**637,705**	1,275,157
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**8,674,299**	10,752,445
Instrument eligible as additional capital	**4,000,000**	4,000,000
TOTAL EQUITY	**12,674,299**	14,752,445
TOTAL LIABILITIES AND EQUITY	**95,861,532**	93,364,242

SUPPLEMENTARY INFORMATION

For the year ended 31 December 2018

FINANCIAL STATEMENTS OF THE PARENT BANK (CONTINUED)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

Income Statement – Parent Bank

	2018	2017
Interest income	**3,920,755**	3,630,853
Interest expense	**(1,840,377)**	(1,375,497)
Net interest income	**2,080,378**	2,255,356
Fee and commission income	**489,682**	516,313
Fee and commission expense	**(102,050)**	(95,909)
Net fee and commission income	**387,632**	420,404
Foreign exchange gain	**115,392**	106,544
Income from investment securities	**(10,566)**	49,524
Other operating income	**64,085**	59,405
	168,911	215,473
Net operating income	**2,636,921**	2,891,233
Staff costs	**(485,627)**	(521,984)
Depreciation	**(89,837)**	(98,563)
Impairment loss on investment securities	**(16,207)**	(142,067)
Net impairment loss on loans and advances to customers	**(951,683)**	(592,541)
Net impairment reversal on other financial assets	**103,699**	-
Other expenses	**(364,579)**	(427,876)
	(1,804,234)	(1,783,031)
Profit for the year before tax	**832,687**	1,108,202
Tax (expense) / reversal	**(3,735)**	1,291
Profit for the year	**828,952**	1,109,493