Doha Bank Q.P.S.C.

Consolidated Financial Statements

31 December 2019

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Consolidated Financial Statements
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Contents

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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 2019, 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 2019, 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 in this audit 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 for 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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

<table>
<tr><th>Description of key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment of financial assets subject to credit risk - refer to notes 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 determined this to be a key audit matter because:

• Impairment of financial assets involves:
- complex accounting requirements, including assumptions, estimates and judgements underlying the determination of impairment;
- Expected Credit Loss ("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 Group's financial assets, both on and off-balance sheet, subject to credit risk were QAR 130,507 million, as at 31 December 2019 (2018: QAR 122,484 million), hence a material portion of the consolidated statement of financial position. Furthermore, the net impairment recognized by the Group on these financial assets amounted to QAR 1,123 million, in the year ended 31 December 2019 (2018: QAR 864 million), which represents 148.9% (2018: 104.09%) 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 the following, among others:

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 remaining sections of 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.

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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 2019.

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24 February 2020
Doha
State of Qatar

Gopal Balasubramaniam
Qatar Auditor's Registry Number 251
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Auditor's License No. 120153

Doha Bank Q.P.S.C.

Consolidated statement of financial position
As at 31 December 2019 QAR '000s

	Notes	2019	2018
ASSETS			
Cash and balances with central banks	8	**5,803,844**	7,586,122
Due from banks	9	**7,756,944**	6,238,998
Loans and advances to customers	10	**65,784,258**	59,844,059
Investment securities	11	**26,560,585**	20,727,215
Investment in an associate	12	**10,478**	10,510
Property, furniture and equipment	13	**723,597**	621,469
Other assets	14	**1,568,719**	1,104,038
TOTAL ASSETS		**108,208,425**	96,132,411
LIABILITIES			
Due to banks	15	**24,036,948**	19,528,535
Customer deposits	16	**58,463,833**	55,785,338
Debt securities	17	**473,059**	747,573
Other borrowings	18	**6,859,049**	4,844,137
Other liabilities	19	**5,057,622**	2,493,599
TOTAL LIABILITIES		**94,890,511**	83,399,182
EQUITY			
Share capital	20 (a)	**3,100,467**	3,100,467
Legal reserve	20 (b)	**5,092,948**	5,092,948
Risk reserve	20 (c)	**849,600**	137,200
Fair value reserve	20 (d)	**155,043**	(227,271)
Foreign currency translation reserve	20 (e)	**(58,846)**	(56,180)
Retained earnings		**178,702**	686,065
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**9,317,914**	8,733,229
Instruments eligible as additional capital	20 (g)	**4,000,000**	4,000,000
TOTAL EQUITY		**13,317,914**	12,733,229
TOTAL LIABILITIES AND EQUITY		**108,208,425**	96,132,411

The consolidated financial statements were approved by the Board of Directors on 17 February 2020 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.

Consolidated income statement
For the year ended 31 December 2019 QAR '000s

	Notes	2019	2018
Interest income	21	**4,216,670**	3,920,755
Interest expense	22	**(2,236,448)**	(1,839,809)
Net interest income		**1,980,222**	2,080,946
Fee and commission income	23	**520,703**	489,682
Fee and commission expense	24	**(126,607)**	(102,050)
Net fee and commission income		**394,096**	387,632
Gross written premium		**37,855**	44,578
Premium ceded		**(16,638)**	(11,323)
Net claims paid		**(98,463)**	(39,978)
Net loss from insurance activities		**(77,246)**	(6,723)
Net foreign exchange gain	25	**111,524**	115,392
Net income / (loss) from investment securities	26	**305,724**	(9,843)
Other operating income	27	**68,469**	67,194
		485,717	172,743
Operating income		**2,782,789**	2,634,598
Staff costs	28	**(493,291)**	(496,325)
Depreciation	13	**(121,840)**	(90,059)
Net impairment reversal / (loss) on investment securities		**260**	(16,207)
Net impairment loss on loans and advances to customers	10	**(1,161,537)**	(951,683)
Net impairment reversal on other financial assets		**38,113**	103,699
Other expenses	29	**(319,893)**	(350,327)
		(2,058,188)	(1,800,902)
Profit before share of results of associate and tax		**724,601**	833,696
Share of results of associate	12	**187**	340
Profit before tax		**724,788**	834,036
Income tax reversal / (expense)	30	**29,144**	(3,814)
Profit		**753,932**	830,222
Earnings per share:			
Basic and diluted earnings per share (QAR)	31	**0.17**	0.20

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

Doha Bank Q.P.S.C.

Consolidated statement of comprehensive income
For the year ended 31 December 2019 QAR '000s

	Note	2019	2018
Profit		**753,932**	830,222
Other comprehensive income			
Items that are or may be subsequently reclassified to income statement:			
Foreign currency translation differences for foreign operations		**(2,666)**	(18,724)
Movement in fair value reserve (debt instruments – IFRS 9):			
Net change in fair value	20 (d)	**714,850**	12,766
Net amount transferred to consolidated statement of income	20 (d)	**(341,475)**	(7,276)
		370,709	(13,234)
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)	**8,939**	47,367
Total other comprehensive income		**379,648**	34,133
Total comprehensive income		**1,133,580**	864,355

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 2019 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 2019 (Audited)	3,100,467	5,092,948	137,200	(227,271)	(56,180)	686,065	**8,733,229**	4,000,000	**12,733,229**
Total comprehensive income:									
Profit	-	-	-	-	-	753,932	**753,932**	-	**753,932**
Other comprehensive income	-	-	-	382,314	(2,666)	-	**379,648**	-	**379,648**
Total comprehensive income	-	-	-	382,314	(2,666)	753,932	**1,133,580**	-	**1,133,580**
Transfer to legal reserve	-	-	-	-	-	-	**-**	-	**-**
Transfer to risk reserve	-	-	712,400	-	-	(712,400)	**-**	-	**-**
Distribution for Tier 1 capital notes	-	-	-	-	-	(220,000)	**(220,000)**	-	**(220,000)**
Contribution to social and sports fund	-	-	-	-	-	(18,848)	**(18,848)**	-	**(18,848)**
Transactions with shareholders:									
Dividends paid	-	-	-	-	-	(310,047)	**(310,047)**	-	**(310,047)**
Balance at 31 December 2019	**3,100,467**	**5,092,948**	**849,600**	**155,043**	**(58,846)**	**178,702**	**9,317,914**	**4,000,000**	**13,317,914**

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							Instrument eligible as additional Tier 1 capital	Total equity
	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign exchange translation reserve	Retained earnings	Total		
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	-	-	(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 cash flows
For the year ended 31 December 2019 QAR '000s

	Notes	2019	2018
Cash flows from operating activities			
Profit before tax		**724,788**	834,036
Adjustments for:			
Net impairment loss on loans and advances to customers	10	**1,161,537**	951,683
Net impairment loss on investment securities		**(260)**	16,207
Net impairment losses on other financial assets		**(38,113)**	(103,699)
Depreciation	13	**121,840**	90,059
Amortisation of financing cost		**14,630**	13,141
Net Income / (loss) from investment securities	26	**(270,097)**	46,757
(Loss) / gain on sale of property, plant and equipment		**40**	(183)
Share of results of an associate	12	**(187)**	(340)
Profit before changes in operating assets and liabilities		**1,714,178**	1,847,661
Change in due from banks		**(2,316,713)**	132,999
Change in loans and advances to customers		**(5,146,264)**	(2,132,784)
Change in other assets		**(464,681)**	(325,619)
Change in due to banks		**4,508,413**	8,499,610
Change in customer deposits		**2,678,495**	(3,948,471)
Change in other liabilities		**446,434**	435,451
Social and sports fund contribution		**(20,756)**	(27,752)
Income tax paid		**21,696**	(29,606)
Net cash from operating activities		**1,420,802**	4,451,489
Cash flows from investing activities			
Acquisition of investment securities		**(13,453,006)**	(11,581,363)
Proceeds from sale of investment securities		**8,272,339**	8,264,137
Acquisition of property, furniture and equipment	13	**(31,666)**	(2,960)
Proceeds from the sale of property, furniture and equipment		**135**	195
Net cash used in investing activities		**(5,212,198)**	(3,319,991)
Cash flows from financing activities			
Proceeds from / (repayment of) other borrowings	18	**2,014,912**	(595,942)
(Repayment of) / proceeds from issue of debt securities		**(274,514)**	88,631
Distribution on Tier 1 capital notes		**(220,000)**	(220,000)
Dividends paid		**(310,047)**	(930,140)
Net cash used in financing activities		**1,210,351**	(1,657,451)
Net decrease in cash and cash equivalents		**(2,581,045)**	(525,953)
Cash and cash equivalents as at 1 January		**9,779,722**	10,305,675
Cash and cash equivalents at 31 December	33	**7,198,677**	9,779,722
Operational cash flows from interest and dividend:			
Interest received		**4,166,727**	3,878,639
Interest paid		**2,142,581**	1,731,955
Dividends received		**35,627**	36,914

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

As at and for the year ended 31 December 2019 QAR '000s

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 24 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 condensed consolidated interim financial statements for the year ended 31 December 2019 comprises of 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 **2019**	 2018
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');
- Other financial assets designated at fair value through profit or loss ('FVTPL');
- Financial investment measured at fair value through other comprehensive income ('FVOCI'); 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 16 on 1 January 2019.

3 Significant accounting policies

a) New, amended standards and interpretations

The following standards, amendments and interpretations, which became effective as of 1 January 2019, are relevant to the Group:

IFRIC 23 Uncertainty over Income Tax Treatments	1-Jan-19
IFRS 16 Leases	1-Jan-19
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1-Jan-19

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 16 Leases

The Group has adopted IFRS 16 as issued by the IASB in January 2016 with a date of transition of 1 January 2019, which resulted 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 applied the standard from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the year, prior to date of adoption of the standard. As allowed under IFRS 16, right-of-use assets has been 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;
- 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.

3 Significant accounting policies (continued)

a) New, amended standards and interpretations (continued)

i) IFRS 16 Leases (continued)

The Group's activities as a lessor are not material and hence it does not have any significant impact on the financial statements.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019.

The following amounts have been recognised under the new standard and included with in the respective headings of the consolidated statement of financial position and consolidated income statement:

	1 January 2019
Right of use asset (Property & Equipment)	137,262
Lease liability (Other Liabilities)	137,262
Operating lease commitments at 31 December 2018 under IAS 17	150,228
Discounted using the incremental borrowing rate at 1 January 2019	137,262
Lease liabilities recognised at 1 January 2019	137,262

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.

- IFRS 17 – "Insurance Contracts" (Effective on 1 January 2021)
- Amendments to IFRS 10 – Consolidated Financial Statements" and IAS 28 – "Investments in Associates and Joint Ventures" on sale or contribution of assets between an investor and its associate or joint venture (Effective date deferred indefinitely / available for optional adoption)

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 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee
- 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.

3 Significant accounting policies (continued)

c) Business combinations and goodwill (continued)

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.

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
		2019	2018	
Doha Brokerage and Financial Services Limited	India	**44.02%**	44.02%	Brokerage and assets management

3 Significant accounting policies (continued)

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.

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

Financial assets
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.

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

ii) Classification (continued)

Financial assets (continued)

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.

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 FVTPL.

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

ii) Classification (continued)

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

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.

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.

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

iv) Modification of financial assets and liabilities

Financial Assets (continued)
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.

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.

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.

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

vi) Measurement principles (continued)

Fair value measurement (continued)

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

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.

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.

3 Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

vii) Identification and measurement of impairment (continued)

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

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

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.

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.

3 Significant accounting policies (continued)

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. 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.

3 Significant accounting policies (continued)

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.

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.

3 Significant accounting policies (continued)

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.

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 and measured at amortised cost 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.

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.

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.

3 Significant accounting policies (continued)

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.

aa) Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has decided to separate the lease and non-lease component in the underlying contracts based on their relative standalone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any prepaid and accrued lease expenses. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. In addition, the right of-use asset is periodically reduced by impairment losses, if any, and is adjusted for extension in lease terms or cancellation of the leases.

The lease liability is initially measured at the present value of the lease payments which are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate, which is based on the weighted average rate applied in the Group's principal markets adjusted for the nature of the asset, lease term, security and any other relevant assumptions. The lease liability is subsequently measured at amortised cost using the effective interest method. The finance cost incurred related to the lease liabilities is included in the 'interest expense' in the consolidated income statement.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position. The deferred tax impact, if any, is recognized in accordance with the relevant tax regulations and is accounted under IAS 12.

Policy applicable upto 31 December 2018

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease. As a lessee the Group classified all leases as operating leases under IAS 17. Payments made under operating leases were recognised in consolidated income statement on a straight-line basis over the term of the lease.

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.

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 (b) (iii) 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.

As at and for the year ended 31 December 2019 QAR '000s

4 Financial risk management (continued)

b) Credit risk (continued)

i) Credit risk measurement (continued)

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.

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.

	2019	2018
Credit risk exposures relating to assets recorded on the statement of financial position are as follows:		
Balances with central banks	**5,331,026**	7,156,046
Due from banks	**7,756,944**	6,238,998
Loans and advances to customers	**65,784,258**	59,844,059
Investment securities – debt	**25,943,856**	20,111,514
Other assets	**1,213,696**	675,664
Total as at 31 December	**106,029,780**	94,026,281
Other credit risk exposures are as follows:		
Guarantees	**12,896,949**	16,046,400
Letters of credit	**4,679,118**	5,273,014
Unutilised credit facilities	**1,737,863**	1,868,006
Total as at 31 December	**19,313,930**	23,187,420
	125,343,710	117,213,701

As at and for the year ended 31 December 2019 QAR '000s

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**	**2019 Total**
Balances with central banks	**3,044,982**	**2,230,318**	**-**	**55,726**	**5,331,026**
Due from banks	**1,596,929**	**640,889**	**1,120,148**	**4,398,978**	**7,756,944**
Loans and advances to customers	**51,739,728**	**9,569,457**	**925,668**	**3,549,405**	**65,784,258**
Investment securities - debt	**23,353,201**	**1,608,705**	**302,007**	**679,943**	**25,943,856**
Other assets	**1,144,361**	**6,416**	**-**	**62,919**	**1,213,696**
	80,879,201	**14,055,785**	**2,347,823**	**8,746,971**	**106,029,780**

	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	2,847,199	349,354	191,929	2,850,516	6,238,998
Loans and advances to customers	47,221,573	7,507,114	1,066,775	4,048,597	59,844,059
Investment securities - debt	17,791,352	1,682,996	232,999	404,167	20,111,514
Other assets	618,598	7,873	-	49,193	675,664
	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**	**2019 Total**
Guarantees	**6,788,764**	**2,482,822**	**154,820**	**3,470,543**	**12,896,949**
Letters of credit	**3,924,787**	**75,442**	**149,350**	**529,539**	**4,679,118**
Unutilised credit facilities	**1,363,043**	**295,301**	**-**	**79,519**	**1,737,863**
	12,076,594	**2,853,565**	**304,170**	**4,079,601**	**19,313,930**

	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

As at and for the year ended 31 December 2019 QAR '000s

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.

	2019	2018
Funded and unfunded		
Government and related agencies	**34,400,874**	28,404,621
Industry	**683,489**	639,569
Commercial	**11,952,111**	11,589,237
Services	**22,830,029**	17,327,366
Contracting	**9,318,310**	9,637,882
Real estate	**16,845,058**	16,865,644
Personal	**7,758,749**	8,286,571
Others	**2,241,160**	1,275,391
Guarantees	**12,896,949**	16,046,400
Letters of credit	**4,679,118**	5,273,014
Unutilised credit facilities	**1,737,863**	1,868,006
	125,343,710	117,213,701

As at and for the year ended 31 December 2019 QAR '000s

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.

	2019				2018
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	11,595,300	-	-	11,595,300	12,978,829
Sub-investment grade – Ba1 to Ca3	883,146	618,042	-	1,501,188	428,493
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Loss allowance	(7,909)	(609)	-	(8,518)	(12,278)
Carrying amount	**12,470,537**	**617,433**	**-**	**13,087,970**	**13,395,044**

	2019				2018
Loans and Advances to Customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade – Aaa to Baa3	24,952,174	1,633,901	-	26,586,075	27,799,083
Sub-investment grade – Ba1 to Ca3	22,538,251	17,667,068	-	40,205,319	33,476,303
Substandard	-	-	1,020,876	1,020,876	1,128,116
Doubtful	-	-	830,465	830,465	980,260
Loss	-	-	2,271,094	2,271,094	1,693,721
Loss allowance	(144,711)	(1,425,438)	(3,559,422)	(5,129,571)	(5,233,424)
Carrying amount	**47,345,714**	**17,875,531**	**563,013**	**65,784,258**	**59,844,059**

As at and for the year ended 31 December 2019 QAR '000s

4 Financial risk management (continued)

b) Credit risk (continued)

iv) Credit quality

	2019				2018
Investment Securities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade – Aaa to Baa3	24,752,620	-	-	24,752,620	19,559,573
Sub-investment grade – Ba1 to Ca3	936,514	242,374	-	1,178,888	537,551
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	37,735	37,735	38,972
Loss allowance	(355)	-	(25,032)	(25,387)	(24,582)
Carrying amount	**25,688,779**	**242,374**	**12,703**	**25,943,856**	**20,111,514**

	2019				2018
Loan commitments and financial guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade – Aaa to Baa3	10,222,225	546,945	-	10,769,170	14,138,295
Sub-investment grade – Ba1 to Ca3	3,860,568	4,423,187	-	8,283,755	8,831,700
Substandard	-	-	261,005	261,005	217,425
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Loss allowance	(17,595)	(101,148)	(125,543)	(244,286)	(161,937)
Carrying amount	**14,065,198**	**4,868,984**	**135,462**	**19,069,644**	**23,025,483**

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 2019 is QR 1,129 million (2018: QR 456 million).

The aggregate collateral in respect to the loans and advances to customers are QAR 76,375 million as of 31 December 2019 (2018: QAR 73,749 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 2019 (2018: 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 1,680 million (2018: QAR 389 million).

v) 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)

v) 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 2019 and 31 December 2019, 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 2019, 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)

v) 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 2019 were GDP and Oil prices (Oil price 2020: $61.30/Barrel, 2021: $64.00/ Barrel) and (GDP 2020:2.48%, 2021: 2.49%).

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.

As at and for the year ended 31 December 2019 QAR '000s

4 Financial risk management (continued)

b) Credit risk (continued)

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

	2019 (Audited)				2018 (Audited)
	Stage 1	Stage 2	Stage 3	Total	Total
Gross exposures subject to ECL – as at 31 December					
- Loans and advances to customers	47,490,425	19,300,969	4,122,435	70,913,829	65,077,483
- Investment securities (debt)	25,689,134	242,374	37,735	25,969,243	20,136,096
- Loan commitments and financial guarantees	14,082,793	4,970,132	261,005	19,313,930	23,187,420
- Due from banks and balances with central Banks	12,478,446	618,042	-	13,096,488	13,407,322
	99,740,798	**25,131,517**	**4,421,175**	**129,293,490**	121,808,321
Opening balance of ECL / impairment - as at 1 January					
- Loans and advances to customers	223,709	1,301,896	3,707,819	5,233,424	4,302,608
- Investment securities (debt)	18,359	793	22,832	41,984	25,777
- Loan commitments and financial guarantees	27,575	126,204	8,158	161,937	260,925
- Due from banks and balances with central Banks	11,886	392	-	12,278	16,989
	281,529	**1,429,285**	**3,738,809**	**5,449,623**	4,606,299
Net charge and transfers for the year (net of foreign currency translation)					
- Loans and advances to customers*	(78,998)	123,542	1,619,397	1,663,941	1,320,251
- Investment securities (debt)	(8,930)	6,470	2,200	(260)	16,207
- Loan commitments and financial guarantees	(9,980)	(25,056)	75,645	40,609	(98,988)
- Due from banks and balances with central Banks	(3,977)	217	-	(3,760)	(4,711)
	(101,885)	**105,173**	**1,697,242**	**1,700,530**	1,232,759
Write offs/transfers during the year					
- Loans and advances to customers**	-	-	(1,767,794)	(1,767,794)	(389,435)
- Investment securities (debt)	-	-	-	-	-
- Loan commitments and financial guarantees**	-	-	41,740	41,740	-
- Due from banks and balances with central Banks	-	-	-	-	-
	-	**-**	**(1,726,054)**	**(1,726,054)**	(389,435)
Closing balance of ECL / impairment - as at 31 December					
- Loans and advances to customers	144,711	1,425,438	3,559,422	5,129,571	5,233,424
- Investment securities (debt)	9,429	7,263	25,032	41,724	41,984
- Loan commitments and financial guarantees	17,595	101,148	125,543	244,286	161,937
- Due from banks and balances with central Banks	7,909	609	-	8,518	12,278
	179,644	**1,534,458**	**3,709,997**	**5,424,099**	5,449,623

* stage 3 provision includes interest in suspense

** stage 3 provision includes a transfer of provision from loans and advances to loan commitments and financial guarantees

As at and for the year ended 31 December 2019 QAR '000s

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 134.63% as at 31 December 2019 (31 December 2018: 102.9%).

The Liquidity Ratio (LR) computed as per QCB guidelines was 126.94% as at 31 December 2019 (31 December 2018: 120.5%).

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:

	2019	2018
Average for the year	**124.10%**	108.96%
Maximum for the year	**129.27%**	117.82%
Minimum for the year	**112.25%**	102.60%

As at and for the year ended 31 December 2019 QAR '000s

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 2019							
Cash and balances with central banks	5,803,844	3,069,998	300,000	-	3,369,998	-	2,433,846
Due from banks	7,756,944	1,848,493	1,898,766	2,986,672	6,733,931	1,023,013	-
Loans and advances to customers	65,784,258	5,556,047	3,146,225	8,204,181	16,906,453	48,877,805	-
Investment securities	26,560,585	481,194	144,674	2,027,043	2,652,911	23,290,945	616,729
Investment in an associate	10,478	-	-	-	-	-	10,478
Property, furniture and equipment	723,597	-	-	-	-	-	723,597
Other assets	1,568,719	1,568,719	-	-	1,568,719	-	-
Total	108,208,425	12,524,451	5,489,665	13,217,896	31,232,012	73,191,763	3,784,650
Due to banks	24,036,948	10,668,405	8,190,494	4,216,592	23,075,491	961,457	-
Customer deposits	58,463,833	19,838,967	15,087,192	17,796,331	52,722,490	5,741,343	-
Debt securities	473,059	-	138,565	264,526	403,091	69,968	-
Other borrowings	6,859,049	749,200	162,489	2,400,539	3,312,228	3,546,821	-
Other liabilities	5,057,622	5,057,622	-	-	5,057,622	-	-
Total equity	13,317,914	-	-	-	-	-	13,317,914
Total	108,208,425	36,314,194	23,578,740	24,677,988	84,570,922	10,319,589	13,317,914
Maturity gap	-	(23,789,743)	(18,089,075)	(11,460,092)	(53,338,910)	62,872,174	(9,553,264)

As at and for the year ended 31 December 2019 QAR '000s

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 2018							
Cash and balances with central banks	7,586,122	5,584,683	-	-	5,584,683	-	2,001,439
Due from banks	6,238,998	2,801,106	1,368,063	1,964,184	6,133,353	105,645	-
Loans and advances to customers	59,844,059	3,628,656	2,953,624	8,071,625	14,653,905	45,190,154	-
Investment securities	20,727,215	577,732	128,556	1,568,604	2,274,892	17,836,625	615,698
Investment in an associate	10,510	-	-	-	-	-	10,510
Property, furniture and equipment	621,469	-	-	-	-	-	621,469
Other assets	1,104,038	1,104,038	-	-	1,104,038	-	-
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	19,528,535	10,622,371	4,984,529	2,731,689	18,338,589	1,189,946	-
Customer deposits	55,785,338	24,983,137	12,167,304	14,546,384	51,696,825	4,088,513	-
Debt securities	747,573	-	74,406	377,185	451,591	295,982	-
Other borrowings	4,844,137	291,670	145,660	2,487,978	2,925,308	1,918,829	-
Other liabilities	2,493,599	2,493,599	-	-	2,493,599	-	-
Total equity	12,733,229	-	-	-	-	-	12,733,229
Total	96,132,411	38,390,777	17,371,899	20,143,236	75,905,912	7,493,270	12,733,229
Maturity gap	-	(24,694,562)	(12,921,656)	(8,538,823)	(46,155,041)	55,639,154	(9,484,113)

As at and for the year ended 31 December 2019 QAR '000s

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 2019				
Guarantees	**12,896,949**	**4,849,738**	**4,598,397**	**3,448,814**
Letters of credit	**4,679,118**	**1,055,023**	**341,830**	**3,282,265**
Unutilised credit facilities	**1,737,863**	**543,911**	**1,152,167**	**41,785**
Total	**19,313,930**	**6,448,672**	**6,092,394**	**6,772,864**
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

As at and for the year ended 31 December 2019 QAR '000s

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 2019						
Non-derivative financial liabilities						
Due to banks	**24,036,948**	**24,280,750**	**10,674,639**	**8,203,361**	**4,292,206**	**1,110,544**
Customer deposits	**58,463,833**	**58,920,263**	**19,853,723**	**15,143,143**	**18,052,729**	**5,870,668**
Debt securities	**473,059**	**478,523**	**-**	**138,780**	**266,830**	**72,913**
Other borrowings	**6,859,049**	**7,052,506**	**750,098**	**163,030**	**2,448,009**	**3,691,369**
Other liabilities	**4,543,346**	**4,543,346**	**4,543,346**	**-**	**-**	**-**
Total liabilities	**94,376,235**	**95,275,388**	**35,821,806**	**23,648,314**	**25,059,774**	**10,745,494**

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:	**(6,345,766)**	**(6,345,766)**	**-**
Outflow			
Inflow	**6,342,123**	**6,342,123**	**-**

As at and for the year ended 31 December 2019 QAR '000s

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 2018						
Non-derivative financial liabilities						
Due to banks	19,528,535	19,578,259	10,632,482	4,995,468	2,748,118	1,202,191
Customer deposits	55,785,338	56,170,428	25,014,787	12,207,216	14,799,920	4,148,505
Debt securities	747,573	760,652	-	73,324	378,747	307,005
Other borrowings	4,844,137	4,762,466	-	146,860	2,560,579	2,042,051
Other liabilities	2,354,711	2,354,711	2,354,711	-	-	-
Total liabilities	83,260,294	83,626,516	38,001,980	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)

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.

As at and for the year ended 31 December 2019 QAR '000s

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 2019					
Cash and cash equivalents	5,803,844	1,202,900	-	-	4,600,944
Due from banks	7,756,944	5,429,625	2,047,474	-	279,845
Loans and advances to customers	65,784,258	59,243,176	202	11,574	6,529,306
Investment securities	26,560,585	632,750	2,025,456	23,285,650	616,729
Investment in an associate	10,478	-	-	-	10,478
Property, furniture and equipment	723,597	-	-	-	723,597
Other assets	1,568,719	-	-	-	1,568,719
Total	**108,208,425**	**66,508,451**	**4,073,132**	**23,297,224**	**14,329,618**
Due to banks	24,036,948	18,149,725	4,850,369	698,145	338,709
Customer deposits	58,463,833	38,265,660	17,920,796	2,277,377	-
Debt securities	473,059	338,847	134,212	-	-
Other borrowings	6,859,049	6,859,049	-	-	-
Other liabilities	5,057,622	-	-	-	5,057,622
Total equity	13,317,914	-	-	-	13,317,914
Total	**108,208,425**	**63,613,281**	**22,905,377**	**2,975,522**	**18,714,245**
Interest rate sensitivity gap	**-**	**2,895,170**	**(18,832,245)**	**20,321,702**	**(4,384,627)**
Cumulative interest rate sensitivity gap	**-**	**2,895,170**	**(15,937,075)**	**4,384,627**	**-**

As at and for the year ended 31 December 2019 QAR '000s

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 2018					
Cash and cash equivalents	7,586,122	2,825,350	-	-	4,760,772
Due from banks	6,238,998	5,083,161	1,019,678	34,688	101,471
Loans and advances to customers	59,844,059	55,015,730	500,029	74,804	4,253,496
Investment securities	20,727,215	508,733	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	1,104,038	-	-	-	1,104,038
Total	96,132,411	63,432,974	3,382,665	17,849,318	11,467,454
Due to banks	19,528,535	16,709,291	2,364,856	214,226	240,162
Customer deposits	55,785,338	40,012,833	14,661,982	1,110,523	-
Debt securities	747,573	383,621	363,952	-	-
Other borrowings	4,844,137	4,844,137	-	-	-
Other liabilities	2,493,599	-	-	-	2,493,599
Total equity	12,733,229	-	-	-	12,733,229
Total	96,132,411	61,949,882	17,390,790	1,324,749	15,466,990
Interest rate sensitivity gap	-	1,483,092	(14,008,125)	16,524,569	(3,999,536)
Cumulative interest rate sensitivity gap	-	1,483,092	(12,525,033)	3,999,536	-

As at and for the year ended 31 December 2019 QAR '000s

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		
2019		
At 31 December	**(1,730)**	**1,730**
2018		
At 31 December	(2,125)	2,125

	10 bp parallel increase	**10 bp parallel decrease**
Sensitivity of reported equity to interest rate movements		
2019		
At 31 December	**(39,378)**	39,378
2018		
At 31 December	(37,453)	37,453

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:

	2019	2018
Net foreign currency exposure:		
Pound Sterling	**5,287**	2,035
Euro	**3,392**	147,197
Kuwaiti Dinar	**49,550**	10,524
Japanese Yen	**2,775**	624
Other currencies	**55,101**	2,917,677

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:

As at and for the year ended 31 December 2019 QAR '000s

4 Financial risk management (continued)

d) Market risk (continued)

iii) Exposure to other market risks (continued)

	Increase / (decrease) in profit or loss	
	2019	2018
5% increase / (decrease) in currency exchange rate		
Pound Sterling	**264**	102
Euro	**170**	7,360
Kuwaiti Dinar	**2,478**	526
Japanese Yen	**139**	31
Other currencies	**2,775**	145,884

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:

	2019		2018	
	Effect on OCI	**Effect on income statement**	Effect on OCI	Effect on income statement
5% increase / (decrease) in Qatar Exchange	**± 10,381**	**-**	± 6,906	-
5% increase / (decrease) in Other than Qatar Exchange	**± 2,340**	**-**	± 1,803	-
	± 12,721	**-**	± 8,709	-

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.

As at and for the year ended 31 December 2019 QAR '000s

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:

	2019	2018
	Basel III	Basel III
Common Equity Tier 1 Capital	9,143,194	8,224,942
Additional Tier 1 Capital	4,000,000	4,000,000
Additional Tier 2 Capital	927,323	899,329
Total Eligible Capital	**14,070,517**	13,124,271

Risk weighted assets

	2019 Basel III Risk weighted amount	2018 Basel III Risk weighted amount
Total risk weighted assets for credit risk	73,399,101	71,134,820
Risk weighted assets for market risk	252,621	526,394
Risk weighted assets for operational risk	5,635,707	5,511,995
Total risk weighted assets	**79,287,429**	77,173,209

As at and for the year ended 31 December 2019 QAR '000s

4 Financial risk management (continued)

f) Capital management (continued)

	2019	2018
Regulatory capital	**14,070,517**	13,124,271
Common equity tier 1 (CET1) ratio	**11.53%**	10.66%
Tier 1 Capital Ratio	**16.58%**	15.84%
Total capital adequacy ratio	**17.75%**	17.01%

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

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Total capital ratio including capital conservation buffer	Total capital including capital conservation buffer and domestic systematic important bank buffer	Total capital including conservation buffer, domestic systematic important bank buffer and ICAAP Pillar II capital charge
Actual	11.53%	11.53%	16.58%	17.75%	17.75%	17.75%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	12.50%	13.50%

The Group is currently analysing the new capital requirements in relation to the Interest Rate Risks on the Banking Book (IRRBB) and will start allocating capital based on the new standards in Pillar II as of 30/06/2020 in accordance with the instructions and directions of the Qatar Central Bank (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

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)(v).

5 Use of estimates and judgements (continued)

i) Impairment allowances for credit losses (continued)

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.

- 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.

As at and for the year ended 31 December 2019 QAR '000s

5 Use of estimates and judgements (continued)

b) Critical accounting judgement in applying the Group's accounting policies (continued)

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 2019:

	Date of valuation	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Investment securities measured at FVOCI	**31 Dec 2019**	**17,367,095**	**-**	**52,813**	**17,419,908**
Investment securities measured at FVTPL	**31 Dec 2019**	**23,237**	**41,571**	**-**	**64,808**
Derivative instruments:					
Interest rate swaps	**31 Dec 2019**	**-**	**36,459**	**-**	**36,459**
Forward foreign exchange contracts	**31 Dec 2019**	**-**	**3,970**	**-**	**3,970**
		17,390,332	**82,000**	**52,813**	**17,525,145**
Financial liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	**31 Dec 2019**	**-**	**506,663**	**-**	**506,663**
Forward foreign exchange contracts	**31 Dec 2019**	**-**	**7,613**	**-**	**7,613**
		-	**514,276**	**-**	**514,276**

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

As at and for the year ended 31 December 2019 QAR '000s

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 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	15,005,296	300,000	52,781	15,358,077
Investment securities measured at FVTPL	31 Dec 2018	43,716	58,641	-	102,357
Derivative instruments:					
Interest rate swaps	31 Dec 2018	-	77,417	-	77,417
Forward foreign exchange contracts	31 Dec 2018	-	10,388	-	10,388
		15,049,012	446,446	52,781	15,548,239
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

During the reporting period 31 December 2018, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

iii) Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 3 (g) for further information.

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) Impairment of investments debt securities

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.

v) 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.

vi) Useful lives of property and equipment

The Group's management determines the estimated useful life of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, 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.

As at and for the year ended 31 December 2019 QAR '000s

6 Operating segments (continued)

a) By operating segment

Details of each segment as of and for the year ended 31 December 2019 are stated below:

	2019					
	Corporate Banking	Retail Banking	Unallocated	Total	Insurance	Total
Net Interest income	1,746,172	234,050	-	1,980,222	-	1,980,222
Net income from insurance activities	-				(77,246)	(77,246)
Other income	682,234	123,376	68,469	874,079	5,734	879,813
Segmental revenue	2,428,406	357,426	68,469	2,854,301	(71,512)	2,782,789
Total Expense				(874,420)	6,653	(867,767)
Net impairment loss on loans and advances to customers				(1,161,537)	-	(1,161,537)
Impairment loss on investment securities				260	-	260
Segmental profit				818,604	(64,859)	753,745
Share of results of the associate						187
Net profit						753,932
Other information						
Assets	93,962,105	5,819,749	8,096,160	107,878,014	319,933	108,197,947
Investments in an associate						10,478
Total						108,208,425
Liabilities	83,740,903	9,341,693	1,584,852	94,667,448	223,063	94,890,511
Contingent items	19,229,223	84,707	-	19,313,930	-	19,313,930

As at and for the year ended 31 December 2019 QAR '000s

6 Operating segments (continued)

a) By operating segment

	2018					
	Corporate Banking	Retail Banking	Unallocated	Total	Insurance	Total
Net Interest income	1,804,948	275,998	-	2,080,946	-	2,080,946
Net income from insurance activities					(6,723)	(6,723)
Other income	485,713	128,416	67,194	552,907	7,468	560,375
Segmental revenue	2,290,661	404,414	67,194	2,633,853	745	2,634,598
Total Expense				(837,011)	185	(836,826)
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	80,503,999	5,885,511	9,311,629	95,701,139	420,762	96,121,901
Investments in an associate						10,510
Total						96,132,411
Liabilities	73,886,496	8,106,697	1,144,158	83,137,350	261,832	83,399,182
Contingent items	23,133,637	53,783	-	23,187,420	-	23,187,420

As at and for the year ended 31 December 2019 QAR '000s

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
2019				
Net operating income	**2,650,099**	**109,979**	**22,711**	**2,782,789**
Net profit	**847,602**	**(94,282)**	**612**	**753,932**
Total assets	**98,194,341**	**9,234,320**	**779,764**	**108,208,425**
Total liabilities	**86,115,875**	**8,150,056**	**624,580**	**94,890,511**
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

As at and for the year ended 31 December 2019 QAR '000s

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 2019	**Debt**	**Equity**	**Derivatives**	**Debt**	**Equity**			
Cash and balances with central banks	-	-	-	-	-	5,803,844	5,803,844	5,803,844
Due from banks	-	-	-	-	-	7,756,944	7,756,944	7,756,944
Positive fair value of derivatives	-	-	40,429	-	-	-	40,429	40,429
Loans and advances to customers	-	-	-	-	-	65,784,258	65,784,258	65,784,258
Investment securities:								
Measured at fair FVOCI	-	-	-	16,867,987	551,921	-	17,419,908	17,419,908
Measured at fair FVTPL	-	64,808	-	-	-	-	64,808	64,808
Measured at amortised cost	-	-	-	-	-	9,075,869	9,075,869	9,204,426
Other assets	-	-	-	-	-	1,173,267	1,173,267	1,173,267
	-	64,808	40,429	16,867,987	551,921	89,594,182	107,119,327	107,247,884
Negative fair value of derivatives	-	-	514,276	-	-	-	514,276	514,276
Due to banks	-	-	-	-	-	24,036,948	24,036,948	24,036,948
Customer deposits	-	-	-	-	-	58,463,833	58,463,833	58,463,833
Debt securities	-	-	-	-	-	473,059	473,059	473,059
Other borrowings	-	-	-	-	-	6,859,049	6,859,049	6,859,049
Other liabilities	-	-	-	-	-	4,029,697	4,029,697	4,029,697
	-	-	514,276	-	-	93,862,586	94,376,862	94,376,862

As at and for the year ended 31 December 2019 QAR '000s

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:

	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	-	-	-	-	-	6,238,998	6,238,998	6,238,998
Positive fair value of derivatives	-	-	87,805	-	-	-	87,805	87,805
Loans and advances to customers	-	-	-	-	-	59,844,059	59,844,059	59,844,059
Investment securities:								
Measured at fair FVOCI	-	-	-	14,844,733	513,344	-	15,358,077	15,358,077
Measured at fair FVTPL	-	102,357	-	-	-	-	102,357	102,357
Measured at amortised cost	-	-	-	-	-	5,266,781	5,266,781	5,275,056
Other assets	-	-	-	-	-	817,893	817,893	817,893
	-	102,357	87,805	14,844,733	513,344	79,753,853	95,302,092	95,310,367
Negative fair value of derivatives	-	-	138,888	-	-	-	138,888	138,888
Due to banks	-	-	-	-	-	19,528535	19,528,535	19,528,535
Customer deposits	-	-	-	-	-	55,785,338	55,785,338	55,785,338
Debt securities	-	-	-	-	-	747,573	747,573	747,573
Other borrowings	-	-	-	-	-	4,844,137	4,844,137	4,844,137
Other liabilities	-	-	-	-	-	2,163,471	2,163,471	2,163,471
	-	-	138,888	-	-	83,069,054	83,207,942	83,207,942

As at and for the year ended 31 December 2019 QAR '000s

8 Cash and balances with central banks

	2019	2018
Cash	**472,818**	430,076
Cash reserve with QCB*	**2,169,707**	1,882,593
Cash reserve with other central banks*	**208,413**	92,431
Other balances with central banks	**2,952,906**	5,184,863
Allowance for Impairment	**-**	(3,841)
	5,803,844	7,586,122

*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

	2019	2018
Current accounts	**252,088**	371,088
Placements	**4,817,102**	4,373,350
Loans to banks	**2,692,350**	1,494,017
Interest receivable	**3,922**	8,980
Allowance for impairment	**(8,518)**	(8,437)
	7,756,944	6,238,998

10 Loans and advances to customers

a) By type

	2019	2018
Loans	**57,676,395**	57,559,469
Overdrafts	**10,276,514**	6,240,831
Bills discounted	**308,927**	367,679
Other loans*	**2,666,157**	924,002
(Note-i)	**70,927,993**	65,091,981
Less :		
Deferred profit	**(14,164)**	(14,498)
Expected credit losses of loans and advances to customers - Performing (Stage 1 and 2)	**(1,570,149)**	(1,525,605)
Allowance for impairment of loans and advances to customers - Non performing (Stage 3)	**(2,659,105)**	(3,041,187)
Interest in suspense	**(900,317)**	(666,632)
Net loans and advances to customers	**65,784,258**	59,844,059

As at and for the year ended 31 December 2019 QAR '000s

10 Loans and advances to customers (continued)

a) By type

The aggregate amount of non-performing loans and advances to customers amounted QAR 4,122 million, which represents 5.81 % of total loans and advances to customers (2018: QAR 3,802 million, 5.84% of total loans and advances to customers).

During the year, the Group has written-off fully provided non-performing loans amounting to QAR 1,680 million (2018: QAR 389 million) as per Qatar Central Bank circular no. 68/2011.

Specific impairment of loans and advances to customers includes QAR 900 million of interest in suspense (2018: QAR 667 million).

*This includes acceptances pertaining to trade finance amounting to QAR 2,407 million (2018: QAR 451 million).

Note-i:

	2019	2018
Government and related agencies	**7,512,713**	4,164,155
Corporate	**54,958,293**	52,571,539
Retail	**8,456,987**	8,356,287
	70,927,993	65,091,981

b) By industry

At 31 December 2019	**Loans**	**Overdrafts**	**Bills discounted**	**Other loans**	**Total**
Government and related agencies	**604,249**	**6,908,464**	**-**	**-**	**7,512,713**
Non-banking financial institutions	**1,596,265**	**5,530**	**-**	**-**	**1,601,795**
Industry	**658,189**	**38,955**	**45,741**	**756**	**743,641**
Commercial	**9,406,154**	**1,239,464**	**58,169**	**2,300,198**	**13,003,985**
Services	**9,541,746**	**293,273**	**189,798**	**231**	**10,025,048**
Contracting	**9,124,308**	**863,216**	**9,689**	**141,177**	**10,138,390**
Real estate	**17,872,103**	**455,443**	**-**	**-**	**18,327,546**
Personal	**8,077,081**	**379,114**	**792**	**-**	**8,456,987**
Others	**796,300**	**93,055**	**4,738**	**223,795**	**1,117,888**
	57,676,395	**10,276,514**	**308,927**	**2,666,157**	**70,927,993**
Less: Deferred profit					**(14,164)**
Net impairment of loans and advances to customers					**(5,129,571)**
					65,784,258

As at and for the year ended 31 December 2019 QAR '000s

10 Loans and advances to customers (continued)

b) By industry (continued)

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	237,514	450,182
	57,559,469	6,240,831	367,679	924,002	65,091,981
Less: Deferred profit					(14,498)
Specific impairment of loans and advances to customers					(5,233,424)
					59,844,059

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

	2019	2018
Balance at 1 January	**5,233,424**	2,817,973
Foreign currency translation	**3,635**	(2,694)
ECL impact of initial application of IFRS 9	**-**	1,484,635
Net charge for the year	**1,709,699**	1,404,303
Recoveries on credit impaired loans during the year	**(49,393)**	(81,358)
Net impairment losses recorded during the year *	**1,660,306**	1,322,945
Written off/transfers during the year	**(1,767,794)**	(389,435)
Balance at 31 December	**5,129,571**	5,233,424

*The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations amounting to QAR 498.8 million during the year (2018: QAR 371.3 million).

As at and for the year ended 31 December 2019 QAR '000s

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	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Performing		Credit impaired	Performing		Credit impaired	Performing		Credit impaired	Performing		Credit impaired	Performing		Credit impaired
Balance at 1 January 2019	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
Transfer between Stages	(4,294)	(31,117)	35,411	(369)	(7,680)	8,049	(1,232)	(7,596)	8,828	(711)	(2,724)	3,435	(6,606)	(49,117)	55,723
Net charge for the year	(90,044)	204,168	1,494,321	(311)	(2,210)	29,096	(6,612)	18,098	73,008	24,575	(47,397)	16,642	(72,392)	172,659	1,613,067
Recoveries on credit impaired loans during the year	-	-	(13,073)	-	-	(2,290)	-	-	(29,343)	-	-	(4,687)	-	-	(49,393)
Net impairment losses recorded during the year	**(94,338)**	**173,051**	**1,516,659**	**(680)**	**(9,890)**	**34,855**	**(7,844)**	**10,502**	**52,493**	**23,864**	**(50,121)**	**15,390**	**(78,998)**	**123,542**	**1,619,397**
Written off during the year	-	-	(1,634,918)	-	-	(25,082)	-	-	(107,129)	-	-	(665)	-	-	(1,767,794)
Balance at 31 December 2019	92,949	1,292,248	3,046,517	1,628	33,387	117,566	16,515	48,034	350,163	33,619	51,769	45,176	144,711	1,425,438	3,559,422

As at and for the year ended 31 December 2019 QAR '000s

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		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Performing		Credit impaired	Performing		Credit impaired	Performing		Credit impaired	Performing		Credit impaired	Performing		Credit impaired
Balance at 1 January 2018	-	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)	(410,266)	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

As at and for the year ended 31 December 2019 QAR '000s

11 Investment securities

The analysis of investment securities is detailed below:

	2019	2018
Investment Securities measured at FVOCI*	**17,259,232**	15,215,927
Investment Securities measured at FVTPL	**64,808**	102,357
Investment Securities measured at amortized cost	**9,033,190**	5,258,181
Interest receivable	**228,742**	175,332
	26,585,972	20,751,797
Net Impairment losses on investment securities measured at amortized cost	**(25,387)**	(24,582)
Total	**26,560,585**	20,727,215

*Includes QAR 16.3 million ECL on debt securities (2018: QAR 17.4 million)
**The Group has pledged State of Qatar Bonds amounting to QAR 7,747 million (2018: QAR 7,401 million) against repurchase agreements.

a) Fair Value Through Other Comprehensive Income

		2019	
	Quoted	**Unquoted**	**Total**
Equities	**499,108**	**52,813**	**551,921**
State of Qatar Debt Securities	**11,841,437**	**-**	**11,841,437**
Other Debt Securities	**4,865,874**	**-**	**4,865,874**
	17,206,419	**52,813**	**17,259,232**

b) Fair Value Through Profit or Loss

		2019	
	Quoted	**Unquoted**	**Total**
Mutual Funds and Equities	**23,237**	**41,571**	**64,808**
	23,237	**41,571**	**64,808**

c) Amortised Cost

	Quoted	**Unquoted**	**Total**
By Issuer			
State of Qatar Debt Securities	**8,084,648**	**-**	**8,084,648**
Other Debt Securities	**282,898**	**665,644**	**948,542**
Net impairment loss	**(18,863)**	**(6,524)**	**(25,387)**
	8,348,683	**659,120**	**9,007,803**
By Interest Rate			
Fixed Rate Securities	**8,348,683**	**659,120**	**9,007,803**
Floating Rate Securities	**-**	**-**	**-**
	8,348,683	**659,120**	**9,007,803**

As at and for the year ended 31 December 2019 QAR '000s

11 Investment securities (continued)

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

	2018		
	Quoted	Unquoted	Total
Mutual Funds and Equities	100,536	1,821	102,357
	100,536	1,821	102,357

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

As at and for the year ended 31 December 2019 QAR '000s

11 Investment securities (continued)

c) Movement in ECL / impairment losses on investment securities

	2019	2018
Balance at 1 January	**24,582**	261,156
Provision for impairment loss created during the year	**2,201**	10,387
Impact of adoption of IFRS 9 (re-classification and re-measurement)	**-**	(246,961)
Recoveries during the year	**(1,396)**	-
Balance at 31 December	**25,387**	24,582

12 Investment in an associate

	2019	2018
Balance at 1 January	**10,510**	11,126
Foreign currency translation	**(219)**	(956)
Share of results	**187**	340
Cash dividend	**-**	-
Balance at 31 December	**10,478**	10,510

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	**2019**	2018
Total assets	**50,931**	45,567
Total liabilities	**36,543**	31,237
Total revenue	**10,583**	10,262
Profit	**424**	773
Share of profit	**187**	340

As at and for the year ended 31 December 2019 QAR '000s

13 Property, furniture and equipment

	Land and buildings	**Leasehold improvements**	**Furniture and equipment**	**Vehicles**	**Total**
At 31 December 2019					
Cost:	**792,216**	**195,810**	**525,626**	**5,742**	**1,519,394**
Balance at 1 January					
'Recognition of Right-of-use asset on initial application of IFRS 16 - note 3 (aa)	**130,656**	**-**	**1,502**	**5,104**	**137,262**
Adjusted balance as at 1 January	**922,872**	**195,810**	**527,128**	**10,846**	**1,656,656**
Additions/ transfers	**52,052**	**7,883**	**25,055**	**1,983**	**86,973**
Disposals/Write-off	**-**	**(1,848)**	**(10,644)**	**(469)**	**(12,961)**
	974,924	**201,845**	**541,539**	**12,360**	**1,730,668**
Depreciation:					
Balance at 1 January	**282,611**	**156,482**	**453,991**	**4,841**	**897,925**
Depreciation	**72,456**	**13,293**	**33,295**	**2,796**	**121,840**
Disposals/Write-off	**-**	**(1,780)**	**(10,445)**	**(469)**	**(12,694)**
	355,067	**167,995**	**476,841**	**7,168**	**1,007,071**
Net Book Value	**619,857**	**33,850**	**64,698**	**5,192**	**723,597**

	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	(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	(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

The Group leases branches, ATM machines, vehicles and computer equipment. Information about leases for which the Group is a lessee is presented below.

	Land and buildings	**Furniture and equipment**	**Vehicles**	**Total**
At 31 December 2019				
Recognition of right-of-use asset at 1 January	130,656	1,502	5,104	137,262
Additions	52,052	1,272	1,983	55,307
Depreciation charge for the year	(40,748)	(1,420)	(2,401)	(44,569)
Balance at 31 December	141,960	1,354	4,686	148,000

As at and for the year ended 31 December 2019 QAR '000s

14 Other assets

	2019	2018
Prepaid expenses	**43,173**	41,469
Repossessed collaterals*	**134,000**	134,000
Positive fair value of derivatives (Note 34)	**40,429**	87,805
Deferred tax asset	**177,850**	139,310
Sundry debtors	**55,816**	65,103
Collateral margin	**755,133**	196,002
Others	**362,318**	440,349
	1,568,719	1,104,038

*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 2019 are not materially different from the carrying values.

15 Due to banks

	2019	2018
Balances due to central banks	**-**	1,638,675
Current accounts	**247,837**	207,875
Short-term loan from banks	**13,850,187**	8,556,599
Repo borrowings	**9,895,525**	9,059,768
Interest payable	**43,399**	65,618
	24,036,948	19,528,535

16 Customer deposits

a) By type

	2019	2018
Current and call deposits	**9,496,990**	8,701,561
Saving deposits	**2,379,553**	2,131,203
Time deposits	**46,167,095**	44,627,127
Interest payable	**420,195**	325,447
	58,463,833	55,785,338

b) By sector

	2019	2018
Government and semi government agencies	**23,801,730**	28,682,303
Individuals	**11,681,945**	9,807,764
Corporates	**20,820,404**	15,592,725
Non-banking financial institutions	**1,739,559**	1,377,099
Interest payable	**420,195**	325,447
	58,463,833	55,785,338

As at and for the year ended 31 December 2019 QAR '000s

17 Debt securities

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

	2019	2018
Senior guaranteed notes	**471,908**	745,997
Interest payable	**1,151**	1,576
	473,059	747,573

Note
During current year, the Group issued USD 55 million (2018: USD Nil) and JPY 8.1 billion (2018: JPY 5.4 billion) senior unsecured debt under its updated EMTN programme.

18 Other borrowings

	2019	2018
Term loan facilities	**6,824,310**	4,831,161
Interest payable	**34,739**	12,976
	6,859,049	4,844,137

The table below shows the maturity profile of other borrowings.

	2019	2018
Up to 1 year	**3,030,356**	2,918,583
Between 1 and 3 years	**3,828,693**	1,925,554
	6,859,049	4,844,137

19 Other liabilities

	2019	2018
Accrued expense payable	**72,984**	64,521
Provision for end of service benefits (note-i)	**143,039**	133,524
Staff provident fund	**46,338**	47,306
Tax payable	**1,437**	8,885
Negative fair value of derivatives (note 34)	**514,276**	138,888
Unearned income	**125,664**	116,851
Cash margins	**387,985**	480,006
Dividend payable	**48,533**	64,059
Unclaimed balances	**12,327**	12,219
Proposed transfer to social and sport fund	**18,848**	20,756
Lease liabilities (note-ii)	**146,283**	-
Allowance for Impairment for Loan Commitments and Financial Guarantees	**244,286**	161,937
Others*	**3,295,622**	1,244,647
Total	**5,057,622**	2,493,599

*This includes acceptances pertaining to trade finance amounting to QAR 2,407 million (2018: QAR 451 million).

19 Other liabilities (continued)

Note-i
Provision for end of service benefits

	2019	2018
Balance at 1 January	**133,524**	131,020
Provision for the year	**18,366**	17,670
Provisions used during the year	**(8,851)**	(15,166)
Balance at 31 December	**143,039**	133,524

Note-ii
Lease liabilities include current and non-current liabilities amounting to QAR 9.6 million and QAR 136.7 million, respectively.

20 Equity

a. Share capital

	Ordinary shares	
	2019	2018
Authorised number of ordinary shares (in thousands)		
On issue at the beginning of the reporting year	**3,100,467**	310,047
On issue at 31 December	**3,100,467**	310,047

At 31 December 2019, the authorised share capital comprised 3,100,467 thousands ordinary shares (2018: 310,047 thousands). These instruments have a par value of QAR 1 (2018: QAR 10). All issued shares are fully paid.

As per the instructions from the Qatar Financial Markets Authority, the Extraordinary General Assembly on 6 March 2019 approved a 10 for 1 share split i.e. 10 new shares with a par value of QAR 1 each were exchanged for 1 old share with a par value of QAR 10 each. This has led to an increase in the number of authorised and outstanding shares from 310,046,702 to 3,100,467,020. The listing of the new shares on the Qatar Exchange was effective from 16 June 2019, as decided by Qatar Exchange. Consequently, the weighted average number of shares outstanding has been retrospectively adjusted.

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.

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

As at and for the year ended 31 December 2019 QAR '000s

20 Equity (continued)

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 712.4 million (including an additional QAR 38 million) to its risk reserve during the year ended 31 December 2019 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 (2018: QAR 137 million).

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.

	Total 2019	Total 2018
Balance as at 1 January	**(227,271)**	(67,555)
Changes due to adoption of IFRS 9	**-**	(212,573)
Restated balance at beginning of the year	**(227,271)**	(280,128)
Impact of revaluation	**723,789**	60,133
Reclassified to Income Statement	**(341,475)**	(7,276)
Net Movement during the Year	**382,314**	52,857
Balance as at 31 December *	**155,043**	(227,271)

*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 Nil cash dividend for the year ended 2019 (2018: 10% of paid up share capital amounting to QAR 310 million - QAR 0.10 per share post-split) which is subject to approval at the Annual General Meeting of the shareholders.

g. Instrument eligible as additional capital

	2019	2018
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.

As at and for the year ended 31 December 2019 QAR '000s

21 Interest income

	2019	2018
Balance with central banks	**29,690**	9,950
Due from banks and non-banking financial institutions	**82,576**	106,612
Debt securities	**931,660**	721,813
Loans and advances to customers	**3,172,744**	3,082,380
	4,216,670	3,920,755

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	**3,553,151**	3,378,482
Financial assets measured at fair value	**663,519**	542,273
Total	**4,216,670**	3,920,755

22 Interest expense

	2019	2018
Due to banks	**838,756**	614,435
Customer deposits	**1,383,848**	1,214,761
Debt securities	**10,023**	10,613
Others	**3,821**	-
	2,236,448	1,839,809

Others represent interest expense related to lease assets.

23 Fee and commission income

	2019	2018
Credit related fees	**99,703**	88,996
Brokerage fees	**481**	505
Bank services fee	**286,032**	265,332
Commission on unfunded facilities	**118,506**	119,179
Others	**15,981**	15,670
	520,703	489,682

24 Fee and commission expense

	2019	2018
Bank fees	**365**	204
Others	**126,242**	101,846
	126,607	102,050

25 Net foreign exchange gain

	2019	2018
Dealing in foreign currencies	**4,780**	12,192
Revaluation of assets and liabilities	**106,744**	103,200
	111,524	115,392

As at and for the year ended 31 December 2019 QAR '000s

26 Net income / (loss) from investment securities

	2019	2018
Net gain / (loss) from sale of investments measured at FVOCI	**273,657**	(45,555)
Dividend income	**35,627**	36,914
Changes in fair value of financial assets measured at FVTPL	**(3,560)**	(1,202)
	305,724	(9,843)

27 Other operating income

	2019	2018
Recoveries from loans and advances to customers previously written-off	**43,804**	29,677
Rental income	**12,908**	14,500
Others	**11,757**	23,017
	68,469	67,194

28 Staff costs

	2019	2018
Staff cost	**468,418**	472,738
Staff pension fund costs	**4,943**	4,681
End of service benefits	**18,366**	17,670
Training	**1,564**	1,236
	493,291	496,325

29 Other expenses

	2019	2018
Advertising	**27,477**	24,857
Professional fees	**35,294**	27,223
Communication and insurance	**49,283**	41,666
Board of Directors' remuneration	**164**	14,887
Occupancy and maintenance	**36,747**	86,725
Computer and IT costs	**46,353**	31,389
Printing and stationery	**8,848**	9,158
Travel and entertainment costs	**4,396**	6,744
Others	**111,331**	107,678
	319,893	350,327

30 Tax expense

	2019	2018
Current tax expense		
Current year	**1,439**	9,022
Adjustments for prior years	**(30,583)**	1,786
	(29,144)	10,808
Deferred tax expense		
Temporary differences	**-**	(6,994)
Income tax (reversal) / expense	**(29,144)**	3,814

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 1 capital notes) of the Bank by the weighted average number of ordinary shares in outstanding during the year:

	2019	2018
Profit for the year attributable to the equity holders of the Group	**753,932**	830,222
Deduct : Interest on Tier 1 capital notes	**(220,000)**	(220,000)
Net profit attributable to equity holders of the Group	**533,932**	610,222
Weighted average number of outstanding shares (in thousands)	**3,100,467**	3,100,467
Basic and diluted earnings per share (QAR)	**0.17**	0.20

The earnings per share for comparative has been restated to reflect share split. Refer Note 20(a).

The weighted average number of shares are as follows:

	2019	2018
In thousands of shares		
Weighted average number of shares at 31 December	**3,100,467**	**3,100,467**

As at and for the year ended 31 December 2019 QAR '000s

32 Contingent liabilities and other commitments

	2019	2018
Contingent liabilities		
Unused facilities	**1,737,863**	1,868,006
Guarantees	**12,896,949**	16,046,400
Letters of credit	**4,679,118**	5,273,014
Others	**49,819**	190,294
Total	**19,363,749**	23,377,714
Other commitments		
Forward foreign exchange contracts	**6,338,153**	8,135,927
Interest rate swaps	**7,110,363**	6,737,362
Total	**13,448,516**	14,873,289

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.

33 Cash and cash equivalents

	2019	2018
Cash and balances with central banks*	**3,425,724**	5,611,097
Due from banks and other financial institutions maturing within 3 months	**3,772,953**	4,168,625
	7,198,677	9,779,722

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

As at and for the year ended 31 December 2019 QAR '000s

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 2019:							
Derivatives held for trading:							
Forward foreign exchange contracts	**3,970**	**7,613**	**6,338,153**	**1,844,301**	**4,493,852**	**-**	**-**
Derivatives held for fair value hedges:							
Interest rate swaps	**36,459**	**506,663**	**7,110,363**	**72,830**	**36,415**	**2,967,681**	**4,033,437**
Total	**40,429**	**514,276**	**13,448,516**	**1,917,131**	**4,530,267**	**2,967,681**	**4,033,437**

	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

As at and for the year ended 31 December 2019 QAR '000s

35 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, Related parties include 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:

	2019		2018	
	Board of directors	**Others**	Board of directors	Others
Assets:				
Loans and advances to customers	**2,368,267**	**-**	2,444,110	-
Liabilities:				
Customer deposits	**711,121**	**3,219**	449,486	2,220
Unfunded items:				
Contingent liabilities and other commitments	**661,588**	**-**	827,653	-
Other assets	8,305	**-**	8,305	-
Income statement items:				
Interest, commission and other income	**65,747**		73,314	-
Interest, commission and other expense	**15,144**	**80**	10,611	248

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:

	2019	2018
Salaries and other benefits	**41,528**	59,823
End of service indemnity benefits and provident fund	**2,974**	3,010
	44,502	62,833

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.

(b) Restatement of comparatives

Prior year figures have not been restated for the adoption of IFRS 16 as permitted by the transitional provisions of IFRS 16 and QCB regulations.

As at 31 December 2019 QAR '000s

FINANCIAL STATEMENTS OF THE PARENT

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Financial Position – Parent Bank

As at 31 December	2019	2018
ASSETS		
Cash and balances with central banks	**5,803,844**	7,586,122
Due from banks	**7,710,358**	6,183,091
Loans and advances to customers	**65,784,258**	59,844,059
Investment securities	**26,613,540**	20,736,600
Investment in an associate	**10,478**	10,510
Property, furniture and equipment	**720,611**	621,030
Other assets	**1,455,021**	880,120
TOTAL ASSETS	**108,098,110**	95,861,532
LIABILITIES		
Due to banks	**24,036,948**	19,528,535
Customer deposits	**58,563,777**	55,832,365
Debt securities	**473,059**	747,573
Other borrowings	**6,859,049**	4,844,137
Other liabilities	**4,844,233**	2,234,623
TOTAL LIABILITIES	**94,777,066**	83,187,233
EQUITY		
Share capital	**3,100,467**	3,100,467
Legal reserve	**5,080,853**	5,080,853
Risk reserve	**849,600**	137,200
Fair value reserves	**154,172**	(225,746)
Foreign currency translation reserve	**(58,846)**	(56,180)
Retained earnings	**194,798**	637,705
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**9,321,044**	8,674,299
Instrument eligible as additional capital	**4,000,000**	4,000,000
TOTAL EQUITY	**13,321,044**	12,674,299
TOTAL LIABILITIES AND EQUITY	**108,098,110**	95,861,532

For the year ended 31 December 2019 QAR '000s

FINANCIAL STATEMENTS OF THE PARENT BANK (CONTINUED)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

Income Statement – Parent Bank

	2019	2018
Interest income	**4,216,670**	3,920,755
Interest expense	**(2,237,655)**	(1,840,377)
Net interest income	**1,979,015**	2,080,378
Fee and commission income	**520,703**	489,682
Fee and commission expense	**(126,607)**	(102,050)
Net fee and commission income	**394,096**	387,632
Net foreign exchange gain	**111,524**	115,392
Net income / (loss) from investment securities	**305,521**	(10,566)
Other operating income	**68,159**	64,085
	485,204	168,911
Net operating income	**2,858,315**	2,636,921
Staff costs	**(483,112)**	(485,627)
Depreciation	**(119,616)**	(89,837)
Net impairment reversal / (loss) on investment securities	**260**	(16,207)
Net impairment loss on loans and advances to customers	**(1,161,537)**	(951,683)
Net impairment reversal on other financial assets	**38,113**	103,699
Other expenses	**(342,963)**	(364,579)
	(2,068,855)	(1,804,234)
Profit for the year before tax	**789,460**	832,687
Tax reversal / (expense)	**29,144**	(3,735)
Profit for the year	**818,604**	828,952