Qatar Islamic Bank (Q.P.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2020

Contents

KPMG

KPMG
25 C Ring Road
PO Box 4473, Doha
State of Qatar
Telephone: +974 4457 6444
Fax: +974 4442 5626
Website: home.kpmg/qa

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR ISLAMIC BANK (Q.P.S.C)

Introduction

We have reviewed the accompanying 31 March 2020 condensed consolidated interim financial statements of Qatar Islamic Bank (Q.P.S.C) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise:

- the condensed consolidated statement of financial position as at 31 March 2020;
- the condensed consolidated income statement for the three month period ended 31 March 2020;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2020;
- the condensed consolidated statement of changes in restricted investment accounts for the three month period ended 31 March 2020;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2020; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of the Qatar Central Bank regulations. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2020 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI and the applicable provisions of the Qatar Central Bank regulations.

Emphasis of Matter

We draw attention to Note 21 of the condensed consolidated interim financial statements, which describes the potential effect of the COVID 19 pandemic on the Group's operating environment including its interim results and the related uncertainties. Our conclusion is not modified in respect of this matter.

15 April 2020
Doha
State of Qatar

Yacoub Hobeika
Qatar Auditors Registry Number 289
KPMG
Licensed by QFMA: External Auditor's License No. 120153

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Notes	*31 March 2020 (Reviewed) QAR'000*	*31 December 2019 (Audited) QAR'000*	*31 March 2019 (Reviewed) QAR'000*
Assets				
Cash and balances with central banks		**11,543,659**	7,402,932	5,599,417
Due from banks		**1,982,504**	3,552,284	6,076,982
Financing assets	6	**113,987,328**	113,753,593	106,305,671
Investment securities	7	**33,012,167**	33,271,763	31,647,855
Investment in associates		**532,419**	544,735	567,387
Investment properties		**2,158,350**	2,175,459	1,232,871
Fixed assets		**440,875**	451,748	474,401
Intangible assets		**379,470**	400,260	397,850
Other assets		**2,015,548**	1,966,437	3,035,788
Total assets		**166,052,320**	163,519,211	155,338,222
Liabilities, equity of unrestricted investment account holders and equity				
Liabilities				
Due to banks		**17,281,552**	14,355,068	11,561,064
Customers' current accounts		**15,438,808**	14,979,086	15,109,286
Sukuk financing		**13,870,157**	10,933,892	11,869,738
Other liabilities		**3,382,759**	4,450,379	3,919,769
Total liabilities		**49,973,276**	44,718,425	42,459,857
Equity of unrestricted investment account holders	8	**94,802,197**	96,641,474	92,649,792
Equity				
Share capital		**2,362,932**	2,362,932	2,362,932
Legal reserve	9	**6,370,016**	6,370,016	6,370,016
Risk reserve	10	**2,380,093**	2,380,093	2,318,875
General reserve	11	**81,935**	81,935	81,935
Fair value reserve		**(26,091)**	242,377	114,452
Foreign currency translation reserve	13	**(357,827)**	(316,204)	(320,322)
Other reserves		**216,820**	216,820	216,820
Retained earnings		**5,242,003**	5,795,037	3,767,450
Total equity attributable to equity holders of the bank		**16,269,881**	17,133,006	14,912,158
Non-controlling interests		**1,006,966**	1,026,306	1,316,415
Sukuk eligible as additional capital	14	**4,000,000**	4,000,000	4,000,000
Total equity		**21,276,847**	22,159,312	20,228,573
Total liabilities, equity of unrestricted investment account holders and equity		**166,052,320**	163,519,211	155,338,222

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 April 2020 and were signed on its behalf by:

Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman

Bassel Gamal
Group Chief Executive Officer

The attached notes 1 to 23 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the three month period ended 31 March 2020

	Note	For the three month period ended 31 March **2020** *(Reviewed)* *QAR'000*	2019 *(Reviewed)* *QAR'000*
Net income from financing activities		**1,508,633**	1,448,728
Net income from investing activities		**218,832**	226,499
Total income from financing and investing activities, net		**1,727,465**	1,675,227
Fee and commission income		**210,939**	180,395
Fee and commission expense		**(47,922)**	(40,624)
Net fee and commission income		**163,017**	139,771
Net foreign exchange gain		**27,247**	23,161
Net share of results of associates		**1,762**	1,682
Other income		**24,699**	9,645
Total income		**1,944,190**	1,849,486
Staff costs		**(160,678)**	(150,136)
Depreciation and amortisation		**(22,014)**	(20,326)
Sukuk holders' share of profit		**(110,346)**	(77,627)
Other expenses		**(88,465)**	(96,648)
Total expenses		**(381,503)**	(344,737)
Net impairment losses on investment securities		**(20,137)**	(14,749)
Net impairment losses on financing assets		**(218,944)**	(193,477)
Goodwill impairment	22	**(22,100)**	-
Other impairment (losses) / reversals		**(15,169)**	5,972
Net profit for the period before tax and return to unrestricted investment account holders		**1,286,337**	1,302,495
Less: return to unrestricted investment account holders		**(641,036)**	(622,601)
Net profit for the period before tax		**645,301**	679,894
Tax expense		**(2,197)**	(5,795)
Net profit for the period		**643,104**	674,099
Net profit / (loss) for the period attributable to:			
Equity holders of the Bank		**687,505**	685,232
Non-controlling interests		**(44,401)**	(11,133)
Net profit for the period		**643,104**	674,099
Earnings per share			
Basic / diluted earnings per share (QAR per share)	12	**0.29**	0.29

The attached notes 1 to 23 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three month period ended 31 March 2020

	Share capital	*Legal reserve*	*Risk reserve*	*General reserve*	*Fair value reserve*	*Foreign currency translation reserve*	*Other reserves*	*Retained earnings*	*Total equity attributable to equity holders of the Bank*	*Non-controlling interests*	*Sukuk eligible as additional capital*	*Total equity*
	QAR'000											
Balance at 31 December 2019 *(Audited)*	**2,362,932**	**6,370,016**	**2,380,093**	**81,935**	**242,377**	**(316,204)**	**216,820**	**5,795,037**	**17,133,006**	**1,026,306**	**4,000,000**	**22,159,312**
Foreign currency translation reserve movement	**-**	**-**	**-**	**-**	**-**	**(41,623)**	**-**	**-**	**(41,623)**	**-**	**-**	**(41,623)**
Fair value reserve movement	**-**	**-**	**-**	**-**	**(268,468)**	**-**	**-**	**-**	**(268,468)**	**-**	**-**	**(268,468)**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**687,505**	**687,505**	**(44,401)**	**-**	**643,104**
Total recognised income and expense for the period	**-**	**-**	**-**	**-**	**(268,468)**	**(41,623)**	**-**	**687,505**	**377,414**	**(44,401)**	**-**	**333,013**
Cash dividends paid to equity holders (Note 15)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,240,539)**	**(1,240,539)**	**-**	**-**	**(1,240,539)**
Movement in non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,061**	**-**	**25,061**
Balance at 31 March 2020 *(Reviewed)*	**2,362,932**	**6,370,016**	**2,380,093**	**81,935**	**(26,091)**	**(357,827)**	**216,820**	**5,242,003**	**16,269,881**	**1,006,966**	**4,000,000**	**21,276,847**
Balance at 31 December 2018 *(Audited)*	2,362,932	6,370,016	2,318,875	81,935	154,458	(348,424)	216,820	4,263,684	15,420,296	1,319,081	4,000,000	20,739,377
Foreign currency translation reserve movement	-	-	-	-	-	28,102	-	-	28,102	-	-	28,102
Fair value reserve movement	-	-	-	-	(40,006)	-	-	-	(40,006)	-	-	(40,006)
Net profit for the period	-	-	-	-	-	-	-	685,232	685,232	(11,133)	-	674,099
Total recognised income and expense for the period	-	-	-	-	(40,006)	28,102	-	685,232	673,328	(11,133)	-	662,195
Cash dividends paid to equity holders (Note 15)	-	-	-	-	-	-	-	(1,181,466)	(1,181,466)	-	-	(1,181,466)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	8,467	-	8,467
Balance at 31 March 2019 *(Reviewed)*	2,362,932	6,370,016	2,318,875	81,935	114,452	(320,322)	216,820	3,767,450	14,912,158	1,316,415	4,000,000	20,228,573

The attached notes 1 to 23 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
For the three month period ended 31 March 2020

Investment	*At 1 January 2020 (Audited)*	*Movements during the period*					*At 31 March 2020 (Reviewed)*
		Investment	***Revaluation***	***Gross income***	***Dividends paid***	***Bank's fee as an agent***	
	QAR'000						
Real Estate Portfolio	**66,430**	**-**	**-**	**-**	**-**	**-**	**66,430**
Equity Securities Portfolio	**703,637**	**485,675**	**(79,271)**	**16,765**	**(1,802)**	**(2,564)**	**1,122,440**
	770,067	**485,675**	**(79,271)**	**16,765**	**(1,802)**	**(2,564)**	**1,188,870**

Investment	*At 1 January 2019 (Audited)*	*Movements during the period*					*At 31 March 2019 (Reviewed)*
		Investment	*Revaluation*	*Gross Income*	*Dividends paid*	*Bank's fee as an agent*	
	QAR'000						
Real Estate Portfolio	66,430	-	-	-	-	-	66,430
Equity Securities Portfolio	555,461	1,434	3,611	14,181	(1,645)	(1,045)	571,997
	621,891	1,434	3,611	14,181	(1,645)	(1,045)	638,427

The attached notes 1 to 23 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three month period ended 31 March 2020

	For the three month period ended 31 March	
	2020	*2019*
	(Reviewed)	*(Reviewed)*
	QAR'000	*QAR'000*
Cash flows from operating activities		
Net profit for the period before tax	**645,301**	679,894
Net changes in operating assets and liabilities	**1,556,231**	(12,008,671)
Net cash flows used in operating activities	**2,201,532**	(11,328,777)
Cash flows from investing activities		
Net changes in investment securities	**131,229**	(61,830)
Net changes in fixed and intangible assets	**(25,549)**	(46,942)
Net changes in investment properties	**-**	-
Dividends received from associate companies	**7,000**	5,000
Net cash flows from / (used in) investing activities	**112,680**	(103,772)
Cash flows from financing activities		
Change in equity of unrestricted investment account holders	**(1,839,278)**	7,472,616
Profit paid on sukuk eligible as additional capital	**(205,000)**	(205,000)
Net proceeds from sukuk issue	**2,912,000**	2,730,000
Net movement in non-controlling interests	**25,061**	8,467
Cash dividends paid to equity holders of the Bank	**(1,240,539)**	(1,181,466)
Net cash flows from financing activities	**(347,756)**	8,824,617
Net decrease in cash and cash equivalents	**1,966,456**	(2,607,932)
Cash and cash equivalents - beginning of the period	**6,210,268**	9,087,614
Cash and cash equivalents - end of the period (Note 16)	**8,176,724**	6,479,682

The attached notes 1 to 23 form part of these condensed consolidated interim financial statements.

1. REPORTING ENTITY

Qatar Islamic Bank Q.P.S.C ("QIB" or the "Bank") is an entity domiciled in the State of Qatar and was incorporated on 8 July 1982 as a Qatari Public Shareholding Company under Emiri Decree no. 45 of 1982. The commercial registration number of the Bank is 8338. The address of the Bank's registered office is at P.O. Box 559, Doha, State of Qatar. The condensed consolidated interim financial statements of the Bank for the three month period ended 31 March 2020 comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in corporate, retail and investment banking in accordance with Islamic sharia rules as determined by sharia supervisory board of the Bank, and has 26 branches in Qatar and one branch in Sudan. The Parent Company of the Group is Qatar Islamic Bank (Q.P.S.C). The Bank's shares are listed for trading on the Qatar Exchange.

The condensed consolidated interim financial statements include the financial statements of the Bank and the following principal subsidiaries and special purpose entities:

			Effective percentage of ownership	
	Country of Incorporation	*Principal Business Activity*	***31 March 2020***	*31 December 2019*
Arab Finance House	Lebanon	Banking	**99.99%**	99.99%
Aqar Real Estate Development and Investment Company W.L.L.("Aqar")	Qatar	Investment in real estate	**49%**	49%
Durat Al Doha Real Estate Investment and Development W.L.L. (ii)	Qatar	Investment in real estate	**49.99%**	39.87%
QIB Sukuk Ltd (iii)	Cayman Island	Sukuk issuance	**100%**	100%
QIB (UK)	United Kingdom	Investment banking	**99.71%**	99.71%
QInvest LLC	Qatar	Investment banking	**58.17%**	58.17%

Notes:

i) The Bank has the power to cast majority of the votes in the Board of Directors meetings of Aqar by virtue of representing the highest number of members in the Board.

ii) Effective from 1 January 2013, the Group has obtained control to govern the financial and operating policies of its previous associate through a management agreement with other shareholders of the Company.

iii) QIB Sukuk Ltd was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk issuance for the benefit of QIB.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of Qatar Central Bank ("QCB") regulations. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the condensed consolidated interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

The condensed consolidated interim financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019. In addition, results for the three month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019 except as disclosed in note 21 to these condensed consolidated interim financial statements.
.

(b) Estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with FAS and QCB regulations 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. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2019, except for the effects of adoption of FAS 33 as described in Note 2(d) and as disclosed in note 21 to these condensed consolidated interim financial statements.
.

(c) Significant accounting policies

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except as noted below:

During the period, the Group applied the following standards and amendments to standards have been applied in preparation of these condensed consolidated interim financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net profit or equity of the Group, except for the changes mentioned in Note 2 (c) from the adoption of FAS 33, but they may result in additional disclosures at year end:

- ***FAS 33 Investment in sukuks, shares and similar instruments***
  The objective of this standard is to set out the principles for the classification, recognition, measurement and presentation and disclosure of investment in Sukuk, shares and other similar instruments made by Islamic financial institutions. This standard shall apply to an institution's investments whether in the form of debt or equity securities. This standard replaces FAS 25 Investment in Sukuk, shares and similar instruments.

  The standard classifies investments into equity type, debt type and other investment instruments. Investments in equity instruments must be at fair value and will be subject to impairment provisions as per FAS 30 "Impairment, Credit Losses and Onerous Commitments". In limited circumstances, where the institution is not able to determine a reliable measure of fair value of equity investments, cost may be deemed to be best approximation of fair value.

  Investment can be classified and measured at amortized cost, fair value through equity or fair value through the income statement. Classification categories are now driven by business model tests and reclassification will be permitted only on change of a business model and will be applied prospectively

- ***FAS 31 Investment Agency (Al-Wakala Bi Al-lstithmar)***

  AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Al-lstithmar) in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al- Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives.

- ***FAS 34 Financial reporting for Sukuk-holders***

  AAOIFI has issued FAS 34 Financial reporting for Sukuk-holders in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukuk-holders.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (continued)

- ***FAS 30 Impairment, Credit Losses and Onerous Commitments***

  AAOIFI has issued FAS 30 Impairment, Credit losses and Onerous Commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 will replace FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

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

  In 2018, the Group early adopted FAS 30 effective 01 January 2018 based on circular 26 of 2018 issued by QCB superseding its earlier circular 9 of 2017 pertaining to ECL regulations. The respective adjustments to the opening retained earnings and non-controlling interests as of 01 January 2018 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

New standards, amendments and interpretations issued but not yet effective

- ***FAS 35 Risk Reserves***

  AAOIFI has issued FAS 35 "Risk Reserves" in 2019. This standard along with FAS 30 'Impairment, Credit losses and onerous commitments' supersede the earlier FAS 11 "Provisions and reserves".

  The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). This standard shall be effective for the financial periods beginning on or after 1 January 2021 with early adoption permitted only if the Group early adopts FAS 30 "Impairment, Credit losses and onerous commitments". The Group is currently evaluating the impact of this standard.

- ***FAS 32 Ijarah***

  AAOIFI has issued FAS 32 "Ijarah" in 2020. This standard supersedes the existing FAS 8 "Ijarah and Ijarah Muntahia Bittamleek".

  The objective of this standard is set out principles for the classification, recognition, measurement, presentation and disclosure for Ijarah (asset Ijarah, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic Financial Institutions as a lessor and lessee. This new standard aims to address the issues faced by the Islamic finance industry in relation to accounting and financial reporting as well as to improve the existing treatments in line with the global practices. This standard shall be effective for the financial periods beginning on or after 1 January 2021 with early adoption permitted. The Group is currently evaluating the impact of this standard.

(d) Adoption of FAS 33 investment in sukuks, shares and similar instruments

The Group has adopted FAS 33 Investment in sukuks, shares and similar instruments as issued by AAOIFI effective 1 January 2020.

The standard shall be applicable on a retrospective basis. However, the cumulative effect, if any, attributable to profit and loss taking stakeholders, including investment holders relating to previous periods, shall be adjusted with investments fair value pertaining to such class of stakeholders.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Adoption of FAS 33 investment in sukuks, shares and similar instruments (continued)

The adoption of FAS 33 has resulted in changes in accounting policies for recognition, classification and measurement of investment in sukuks, shares and other similar instruments, however, the adoption of FAS 33 had no significant impact on any amounts previously reported in the condensed consolidated interim financial statements for the period ended 31 March 2019 and the consolidated financial statement of the Group for the year ended 31 December 2019. Set out below are the details of the specific FAS 33 accounting policies applied in the current period.

Categorization and classification

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

(a) equity-type instruments;

(b) debt-type instruments, including:
   (i) monetary debt-type instruments; and
   (ii) non-monetary debt-type instruments; and

(c) other investment instruments

Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:

(a) the Bank’s business model for managing the investments; and
(b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

Key changes to the significant estimates and judgements

Investment classification
Assessment of the business model within which the investments are managed and assessment of whether the contractual terms of the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

Impairment on equity-type investments classified as fair value through equity
In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant or prolonged decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

3. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Chief Executive Officer reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Corporate banking – Corporate Banking includes services offered to institutional investors, corporate, other banks, and investment vehicles such as mutual funds or pensions.

Personal banking – Personal banking includes services that are offered to individual customers through local branches of the Bank which includes checking and savings accounts, credit cards, personal lines of credit, mortgages, and so forth.

Group function – treasury, investment, finance and other central functions.

Local & international subsidiaries – Local and international subsidiaries include the Groups local and international subsidiaries all of which are consolidated in the Group financial statements.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information regarding the results, assets and liabilities of each reportable segment is included below:

3. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

31 March 2020 (Reviewed)	*Corporate banking QAR'000*	*Personal banking QAR'000*	*Group function QAR'000*	*Local & international subsidiaries QAR'000*	*Total QAR'000*
External revenue:					
Total income from financing and investing activities	**1,225,728**	**355,471**	**161,685**	**(15,419)**	**1,727,465**
Net fee and commission income	**87,543**	**50,185**	**13,098**	**12,191**	**163,017**
Net foreign exchange gain	**-**	**-**	**8,407**	**18,840**	**27,247**
Share of results of associates	**-**	**-**	**(687)**	**2,449**	**1,762**
Other income	**-**	**-**	**18,679**	**6,020**	**24,699**
Total income	**1,313,271**	**405,656**	**201,182**	**24,081**	**1,944,190**
Sukuk holders' share of profit	**-**	**-**	**(110,346)**	**-**	**(110,346)**
Return to unrestricted investment account holders	**(345,551)**	**(140,675)**	**(140,449)**	**(14,361)**	**(641,036)**
Inter segment (cost) / revenue	**(456,293)**	**141,531**	**314,762**	**-**	**-**
Reportable segment net profit / (loss) after tax	**322,820**	**275,528**	**111,894**	**(67,138)**	**643,104**

31 March 2019 (Reviewed)	*Corporate banking QAR'000*	*Personal banking QAR'000*	*Group function QAR'000*	*Local & international subsidiaries QAR'000*	*Total QAR'000*
External revenue:					
Total income from financing and investing activities	1,177,824	324,781	104,979	67,643	1,675,227
Net fee and commission income	75,989	46,383	10,278	7,121	139,771
Net foreign exchange gain	-	-	22,945	216	23,161
Share of results of associates	-	-	2,365	(683)	1,682
Other income	-	-	-	9,645	9,645
Total income	1,253,813	371,164	140,567	83,942	1,849,486
Sukuk holders' share of profit	-	-	(77,627)	-	(77,627)
Return to unrestricted investment account holders	(412,710)	(122,737)	(73,569)	(13,585)	(622,601)
Inter segment (cost) / revenue	(368,657)	136,328	232,329	-	-
Reportable segment net profit / (loss) after tax	294,009	224,207	158,743	(2,860)	674,099

3. OPERATING SEGMENTS (CONTINUED)

31 March 2020 (Reviewed)	***Corporate banking***	***Personal banking***	***Group function***	***Local & international subsidiaries***	***Total***
	QAR'000	***QAR'000***	***QAR'000***	***QAR'000***	***QAR'000***
Reportable segment assets	**102,699,497**	**19,901,233**	**39,321,081**	**4,130,509**	**166,052,320**
Reportable segment liabilities and equity of unrestricted investments account holders	**54,280,997**	**41,096,022**	**45,891,020**	**3,507,434**	**144,775,473**

31 December 2019 (Audited)	*Corporate banking*	*Personal banking*	*Group function*	*Local & international subsidiaries*	*Total*
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
Reportable segment assets	101,292,679	19,538,847	38,115,941	4,571,744	163,519,211
Reportable segment liabilities and equity of unrestricted investments account holders	55,876,231	38,897,124	42,415,545	4,170,999	141,359,899

4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Fair value through equity	*Fair value through income statement*	*Amortised cost*	*Total carrying amount*	*Fair value*
			QAR'000		
31 March 2020 (Reviewed)					
Cash and balances with central banks	**-**	**-**	**11,543,659**	**11,543,659**	**11,543,659**
Due from banks	**-**	**-**	**1,982,504**	**1,982,504**	**1,982,504**
Financing assets	**-**	**503,075**	**113,484,253**	**113,987,328**	**113,987,328**
Investment securities					
- Equity type instruments	**920,145**	**1,264,064**	**-**	**2,184,209**	**2,184,209**
- Debt type instruments	**-**	**-**	**30,827,958**	**30,827,958**	**30,760,763**
Other assets	**-**	**-**	**641,964**	**641,964**	**641,964**
	920,145	**1,767,139**	**158,480,338**	**161,167,622**	**161,100,427**
Due to banks	**-**	**-**	**17,281,552**	**17,281,552**	**17,281,552**
Customers' current accounts	**-**	**-**	**15,438,808**	**15,438,808**	**15,438,808**
Sukuk financing	**-**	**-**	**13,870,157**	**13,870,157**	**13,870,157**
Other liabilities	**-**	**-**	**3,382,759**	**3,382,759**	**3,382,759**
Equity of unrestricted investment account holders	**-**	**-**	**94,802,197**	**94,802,197**	**94,802,197**
	-	**-**	**144,775,473**	**144,775,473**	**144,775,473**

	Fair value through equity	*Fair value through income statement*	*Amortised cost*	*Total carrying amount*	*Fair value*
			QAR'000		
31 December 2019 (Audited)					
Cash and balances with central banks	-	-	7,402,932	7,402,932	7,402,932
Due from banks	-	-	3,552,284	3,552,284	3,552,284
Financing assets	-	513,445	113,240,148	113,753,593	113,753,593
Investment securities:					
- Equity type instruments	995,952	1,369,094	-	2,365,046	2,365,046
- Debt type instruments	-	104,993	30,801,724	30,906,717	30,881,622
Other assets	-	-	623,887	623,887	623,887
	995,952	1,987,532	155,620,975	158,604,459	158,579,364
Due to banks	-	-	14,355,068	14,355,068	14,355,068
Customers' current accounts	-	-	14,979,086	14,979,086	14,979,086
Sukuk financing	-	-	10,933,892	10,933,892	10,933,892
Other liabilities	-	-	4,450,379	4,450,379	4,450,379
Equity of unrestricted investment account holders	-	-	96,641,474	96,641,474	96,641,474
	-	-	141,359,899	141,359,899	141,359,899

4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of financial assets and liabilities carried at amortised cost are equal to the carrying value except for investment securities carried at amortised cost with a carrying value of QAR 3,101 million (31 December 2019: QAR 2,928 million) for which the fair value amounts to QAR 3,033 million (31 December 2019: QAR 3,007 million), which is derived using level 1 fair value hierarchy.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

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 other valuation techniques where all significant inputs are directly or indirectly observable from market data.; and

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 and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, sukuk 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.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

As at 31 March 2020 and 31 December 2019, the Group held the following financial instruments measured at fair value:

31 March 2020 (Reviewed)	***Fair value measurement using***			
	Total	***Level 1***	***Level 2***	***Level 3***
		QAR'000		
Shari'a compliant risk management instruments (assets)	**524,611**	**-**	**524,611**	**-**
Investments securities				
Quoted equity-type investments classified FVTIS	**46,286**	**46,286**	**-**	**-**
Quoted debt-type investments classified as FVTIS	**19,813**	**19,813**	**-**	**-**
Unquoted debt-type investments classified as FVTIS	**37,987**	**-**	**37,987**	**-**
Unquoted equity-type investments classified as FVTIS	**1,159,978**	**-**	**348,167**	**811,811**
Quoted equity-type investments classified as FVTE	**367,417**	**367,417**	**-**	**-**
Unquoted equity-type investments classified as FVTE	**552,728**	**-**	**153,878**	**398,850**
Financing assets classified as FVTIS	**503,074**	**-**	**-**	**503,074**
Shari'a compliant risk management instruments (liabilities)	**129,151**	**-**	**129,151**	**-**

31 December 2019 (Audited)	*Fair value measurement using*			
	Total	*Level 1*	*Level 2*	*Level 3*
		QAR'000		
Shari'a compliant risk management instruments (assets)	375,434	-	375,434	-
Investments securities				
Quoted equity-type investments classified as FVTIS	78,727	70,660	8,067	-
Quoted debt-type investments classified as FVTIS	19,883	19,883	-	-
Unquoted debt-type investments classified as FVTIS	85,110	-	85,110	-
Unquoted equity-type investments classified as FVTIS	1,290,367	-	406,680	883,687
Quoted equity-type investments classified as FVTE	440,693	415,401	25,292	-
Unquoted equity-type investments classified as FVTE	555,259	-	160,983	394,276
Financing assets classified as FVTIS	513,445	-	-	513,445
Shari'a compliant risk management instruments (liabilities)	64,526	-	64,526	-

FVTIS – Fair value through income statement
FVTE – Fair value through equity

Transfers within the fair value hierarchy

During the period ended 31 March 2020 and year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The valuation technique in measuring the fair vale financial instruments categorized as level 3 were in line with 31 December 2019, however, significant unobservable inputs of 31 December 2019 were adjusted appropriately for the effects of COVID 19 as disclosed in note 21 to these condensed consolidated interim financial statements.

4. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The following table shows the reconciliation of the opening and closing amounts of level 3 investments which are recorded at fair value:

	At 1 January 2020	***Total (loss) / gain recorded in consolidated income statement / equity***	***Purchases***	***Sales / transfers***	***At 31 March 2020***
	(Audited)				***(Reviewed)***
			QAR'000		
Equity investments:					
at fair value through equity	**394,277**	**(10,583)**	**325,604**	**(310,448)**	**398,850**
at fair value through income statement	**883,689**	**(6,450)**	**(14,066)**	**(51,362)**	**811,811**
Financing assets classified as FVTIS	**513,444**	**(23,571)**	**13,201**	**-**	**503,074**
	1,791,410	**(40,604)**	**324,739**	**(361,810)**	**1,713,735**

	At 1 January 2019	*Total (loss) / gain recorded in consolidated income statement / equity*	*Purchases*	*Sales/ transfers*	*At 31 December 2019*
	(Audited)				*(Audited)*
			QAR'000		
Equity investments:					
at fair value through equity	-	441,951	4,339	(52,014)	394,276
at fair value through income statement	1,441,957	(5,192)	45,785	(598,863)	883,687
Financing assets classified as FVTIS	494,929	13,085	57,254	(51,823)	513,445
	1,936,886	449,844	107,378	(702,700)	1,791,408

5. IMPAIRMENT

Equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant or prolonged decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the condensed consolidated statement of changes in equity is removed from equity and recognised in the condensed consolidated income statement. Impairment losses recognised in the condensed consolidated income statement on equity-type investments are subsequently reversed through equity. The Group has provided QAR 21.4 million (31 March 2019: QAR 16.4 million) as impairment on equity investment securities which were recognised under "Net impairment losses on investment securities" in the condensed consolidated income statement.

5. IMPAIRMENT (continued)

Investment properties

Investment properties held for rental or capital appreciation is measured at fair value with the resulting unrealised gains being recognised in the condensed consolidated statement of changes in equity under fair value reserve. Any unrealized losses resulting from re-measurement at fair value is recognized in the condensed consolidated statement of financial position under fair value reserve to the extent of available balance. In case such losses exceed the available balance, the unrealized loss is recognized in the condensed consolidated income statement. In case there are unrealized losses that have been recognized in the condensed consolidated income statement in a previous financial year/period, the unrealized gains related to the current financial period is recognized to the extent of crediting back such previous losses in the condensed consolidated income statement. Any excess of such gains over such prior-year losses is added to the fair value reserve.

Financial assets carried at amortised cost (including investment in sukuk instruments classified as amortised cost)

For financial assets carried at amortised cost, impairment is recognised based on FAS 30. Losses are recognised in condensed consolidated income statement and reflected in an allowance account. The Group has provided QAR 218.9 million (31 March 2019: QAR 193.5 million) as impairment on financing assets which was recognised under "Net impairment loss on financing assets" in the condensed consolidated income statement. Further, the Group has recognised reversals of impairment losses of QAR 1.3 million (31 March 2019: impairment losses of QAR 1.7 million) on investment securities which was recognised under "Net impairment losses on investment securities" in the condensed consolidated income statement as disclosed in note 20 and 21 to these condensed consolidated interim financial statements.

6. FINANCING ASSETS

	31 March 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*	*31 March 2019 (Reviewed) QAR'000*
Total financing assets	**124,861,715**	124,378,154	116,363,179
Less: Deferred profit	**(7,910,839)**	(7,859,426)	(7,651,709)
Expected credit losses on financing assets - performing (Stage 1 and 2) *	**(1,387,700)**	(1,250,074)	(1,081,389)
Allowance for impairment on financing assets – credit impaired (Stage 3) *	**(1,506,096)**	(1,448,613)	(1,265,463)
Suspended profit	**(69,752)**	(66,448)	(58,947)
Net financing assets	**113,987,328**	113,753,593	106,305,671

Note:

Net financing assets includes hybrid instruments amounting to QAR 503 million designated as fair value through income statement ('FVTIS') (31 December 2019: QAR 513 million) which are not subject to impairment assessment.

The impaired financing assets net of deferred profit amounted to QAR 1,576 million as at 31 March 2020 representing 1.3% of the total financing assets net of deferred profit (31 December 2019: QAR 1,515 million, representing 1.3% of the total financing assets net of deferred profit).

**For stage wise exposure and allowance for impairment refer note 20.*

7. INVESTMENT SECURITIES

	31 March 2020 (Reviewed)			*31 December 2019 (Audited)*			*31 March 2019 (Reviewed)*		
	Quoted QAR'000	***Unquoted QAR'000***	***Total QAR'000***	*Quoted QAR'000*	*Unquoted QAR'000*	*Total QAR'000*	*Quoted QAR'000*	*Unquoted QAR'000*	*Total QAR'000*
Investments classified as fair value through income statement									
• equity-type investments	**46,286**	**1,159,978**	**1,206,264**	78,727	1,290,367	1,369,094	18,162	1,828,022	1,846,184
• debt-type investments									
- Fixed rate	**19,813**	**1,673**	**21,486**	19,883	1,673	21,556	20,002	-	20,002
- Floating rate	**-**	**36,314**	**36,314**	-	83,437	83,437	-	81,839	81,839
	66,099	**1,197,965**	**1,264,064**	98,610	1,375,477	1,474,087	38,164	1,909,861	1,948,025
Debt-type investments classified at amortised cost									
- State of Qatar Sukuk and QCB Murabaha	**2,029,726**	**27,699,437**	**29,729,163**	1,996,326	27,830,166	29,826,492	1,924,800	26,532,269	28,457,069
- Fixed rate	**781,425**	**361,696**	**1,143,121**	804,609	270,849	1,075,458	677,879	201,099	878,978
- Floating rate	**-**	**54,600**	**54,600**	-	-	-	-	-	-
Less: allowance for impairment*	**(3,988)**	**(94,938)**	**(98,926)**	(5,081)	(95,145)	(100,226)	(5,025)	(106,198)	(111,223)
	2,807,163	**28,020,795**	**30,827,958**	2,795,854	28,005,870	30,801,724	2,597,654	26,627,170	29,224,824
Equity-type investments classified as fair value through equity	**367,417**	**552,728**	**920,145**	440,693	555,259	995,952	306,190	168,816	475,006
	3,240,679	**29,771,488**	**33,012,167**	3,335,157	29,936,606	33,271,763	2,942,008	28,705,847	31,647,855

**For stage wise exposure and allowance for impairment refer note 20.*

8. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	31 March 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*	*31 March 2019 (Reviewed) QAR'000*
Term accounts	**74,479,826**	80,163,550	75,936,358
Saving accounts	**16,034,085**	14,398,556	14,164,940
Call accounts	**4,186,332**	1,951,785	2,501,381
	94,700,243	96,513,891	92,602,679
Share in fair value reserve	**101,954**	127,583	47,113
Total	**94,802,197**	96,641,474	92,649,792

9. LEGAL RESERVE

In accordance with QCB Law No. 13 of 2012, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital at a minimum. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 11 of 2015 and after QCB approval. No appropriation was made in the current period as the legal reserve exceeds 100% of the paid up share capital.

10. RISK RESERVE

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to / or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. No transfer to risk reserve has been made during the period as the required amount will be transferred at year end (31 December 2019: QAR 61.2 million was transferred to risk reserve).

11. GENERAL RESERVE

In accordance with the Articles of Association of the Bank, the General Assembly may transfer a portion of the net profits to the general reserve which could be based on the General Assembly Resolution as per recommendation from Board of Directors and after the approval from Qatar Central Bank.

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank for the period by the weighted average number of ordinary shares as outstanding during the period.

	For the three month period ended 31 March	
	2020 (Reviewed)	*2019 (Reviewed)**
Profit for the period attributable to equity holders of the Bank (*QAR'000*)	**687,505**	685,232
Weighted average number of shares outstanding during the period ('000*)	2,362,932	2,362,932
Basic and diluted earnings per share (QAR)	**0.29**	0.29

*As per the instructions from the Qatar Financial Markets Authority, the Extraordinary General Assembly on 20 February 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 236,293,200 to 2,362,932,000. The listing of the new shares on Qatar Exchange was effective from 16 June 2019, as decided by Qatar Exchange. Consequently, weighted average number of shares outstanding has been retrospectively adjusted.

13. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on risk management instruments that hedge the Group's net investment in foreign operations and gains and losses on revaluation of foreign currency non-monetary assets carried at fair value for which gain or loss is recognized in other comprehensive income.

14. SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

The Group issued a perpetual sukuk eligible as additional tier 1 capital for an amount of QAR 2 billion in the year 2015. The sukuk is unsecured and the profit distributions are discretionary, non-cumulative and payable annually at an agreed expected profit rate of 5% to be reset every sixth year. The Group has the right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. The sukuk does not have a maturity date and have been classified as equity. During September 2016, the Group raised additional tier 1 capital by issuing a perpetual sukuk for an amount of QAR 2 billion at an agreed expected profit rate of 5.25% to be reset every sixth year.

15. DIVIDENDS

The equity holders of the Bank approved 52.5% cash dividends of (QAR 0.525 per share) amounting to QAR 1,240.5 million for the year ended 31 December 2019 (50% cash dividends of (QAR 0.5 per share) amounting to QAR 1,181 million for the year ended 31 December 2018) in the general assembly meeting held on 24 February 2020.

16. CASH AND CASH EQUIVALENTS

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

	31 March 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*	*31 March 2019 (Reviewed) QAR'000*
Cash and balances with central banks (excluding restricted QCB and other central banks reserve account)	**6,389,512**	2,700,896	1,240,406
Due from banks	**1,787,212**	3,509,372	5,239,276
Total	**8,176,724**	6,210,268	6,479,682

17. CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*	*31 March 2019 (Reviewed) QAR'000*
a) Contingent liabilities			
Unused financing facilities	**5,309,485**	5,148,244	4,781,611
Guarantees	**10,270,360**	10,978,355	10,918,667
Letters of credit	**5,216,218**	4,167,860	2,340,405
	20,796,063	20,294,459	18,040,683
b) Commitments			
Investment commitment	**35,095**	37,337	80,818
Total	**20,831,158**	20,331,796	18,121,501

17. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Lease commitments

Operating lease rentals are payable as follows:

	31 March 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*	*31 March 2019 (Reviewed) QAR'000*
Less than one year	**14,082**	10,539	5,491
After one year but not more than five years	**30,448**	40,843	56,180
	44,530	51,382	61,671

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant equity holders and entities over which the Group and the equity holders' exercise significant influence, directors and executive management of the Group.

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

	31 March 2020 (Reviewed)		*31 December 2019 (Audited)*	
	Associated companies QAR'000	***Board of Directors QAR'000***	*Associated companies QAR'000*	*Board of Directors QAR'000*
Assets:				
Financing assets	**74,980**	**4,704,596**	92,031	4,003,971
Equity of unrestricted investment account holders	**23,303**	**998,324**	64,494	1,092,360
Off balance sheet items:				
Contingent liabilities, guarantees and other commitments	**88,306**	**545,654**	66,761	502,070

	31 March 2020 (Reviewed)			*31 March 2019 (Reviewed)*		
	Associated companies QAR'000	***Board of Directors QAR'000***	***Others QAR'000***	*Associated companies QAR'000*	*Board of Directors QAR'000*	*Others QAR'000*
Consolidated statement of income items:						
Income from financing activities	**1,168**	**48,993**	**-**	2,064	49,573	20,664
Profit paid on deposits	**198**	**3,941**	**-**	341	5,756	-
Fee and commission	**268**	**4,689**	**-**	147	2,758	-

Key management personnel compensation for the period comprised:

	31 March	
	2020 (Reviewed) QAR'000	*2019 (Reviewed) QAR'000*
Key management remuneration	**21,022**	19,757

19. CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the capital adequacy ratios in accordance with Basel III guidelines. The Group's minimum QCB regulatory limit, including the Capital Conservation Buffer, ICAAP pillar II capital charge and the applicable Domestically Systemically Important Bank ("DSIB") Buffer is 14.5% for 2020.

The table below summarises the composition of prevailing regulatory capital and the ratios of the Group. The Group complied with the externally imposed capital requirements to which they are subject to:

	31 March 2020 QAR'000 (Reviewed)	*31 December 2019 QAR'000 (Audited)*	*31 March 2019 QAR'000 (Reviewed)*
Common Equity Tier 1 (CET 1) Capital	**15,743,889**	16,179,018	14,770,534
Additional Tier 1 Capital	**4,000,000**	4,000,000	4,000,000
Other Tier 1 capital	**37,913**	41,024	55,313
Tier 2 capital	**1,317,813**	1,302,214	1,206,191
Total eligible capital	**21,099,615**	21,522,256	20,032,038
Risk weighted assets	**111,810,535**	110,404,028	106,844,041
Common equity tier 1 (CET 1) capital adequacy ratio	**14.1%**	14.7%	13.8%
QCB minimum	9.5%	9.5%	9.5%
Total capital adequacy ratio	**18.9%**	19.5%	18.7%
QCB minimum including ICAAP pillar II capital charge	**14.5%**	14.5%	14.5%

Pursuant to Qatar Central Bank circular number 24/2019, the Group does not anticipate any material change to its current ICAAP charge based on revised IRRBB rules which will be effective from 30 June 2020.

20. FINANCIAL RISK MANAGEMENT

Except as disclosed in note 21 the Group's financial risk management policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

Exposure and movement of expected credit loss / impairment allowances

	31 March 2020				31 December 2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**	
	QAR'000				
Exposures subject to expected credit losses					
Due from banks and central banks	**1,945,263**	**36,638**	**20,647**	**2,002,548**	10,233,468
Debt type investments carried at amortised cost	**30,753,237**	**71,589**	**102,057**	**30,926,883**	30,901,950
Financing assets*	**96,317,180**	**18,353,600**	**1,506,096**	**116,176,876**	116,452,280
Off balance sheet exposures subject to credit risk	**14,094,912**	**681,457**	**35,760**	**14,812,129**	20,294,459
	143,110,592	**19,143,284**	**1,664,560**	**163,918,436**	177,882,157

	Stage 1	**Stage 2**	**Stage 3**	**Total**	**31 March 2019**
	QAR'000				
Opening balance of expected credit losses / impairment losses as at 1 January					
Due from banks and central banks	**38**	**7**	**20,647**	**20,692**	20,833
Debt type investments carried at amortised cost	**1,040**	**4,337**	**94,850**	**100,227**	112,913
Financing assets	**600,036**	**650,037**	**1,448,613**	**2,698,686**	2,129,804
Off balance sheet exposures subject to credit risk	**64,486**	**6,484**	**14,920**	**85,890**	90,789
	665,600	**660,865**	**1,579,030**	**2,905,495**	2,354,339
Fair value adjustments**	**-**	**-**	**-**	**-**	43,437
Opening balance of expected credit losses / impairment losses as at 1 January (excluding fair value adjustments)	**665,600**	**660,865**	**1,579,030**	**2,905,495**	2,397,776
Net transfer between stages					
Due from banks and central banks	**-**	**-**	**-**	**-**	-
Debt type investments carried at amortised cost	**-**	**-**	**-**	**-**	-
Financing assets	**(1,011)**	**1,011**	**-**	**-**	-
Off balance sheet exposures subject to credit risk	**-**	**-**	**-**	**-**	-
	(1,011)	**1,011**	**-**	**-**	-
Write off / transfers for the period					
Due from banks and central banks	**-**	**-**	**-**	**-**	-
Debt type investments carried at amortised cost	**-**	**-**	**-**	**-**	-
Financing assets	**(1,022)**	**(745)**	**(22,067)**	**(23,834)**	(19,866)
Off balance sheet exposures subject to credit risk	**-**	**-**	**-**	**-**	-
	(1,022)	**(745)**	**(22,067)**	**(23,834)**	(19,866)
Charge / (reversal) for the period (net) including foreign currency translation					
Due from banks and central banks	**179**	**(5)**	**-**	**174**	(74)
Debt type investments carried at amortised cost	**(169)**	**(1,132)**	**-**	**(1,301)**	(1,690)
Financing assets	**15,028**	**124,366**	**79,550**	**218,944**	193,477
Off balance sheet exposures subject to credit risk	**8,895**	**5,721**	**379**	**14,995**	(5,898)
	23,933	**128,950**	**79,929**	**232,812**	185,815
Closing balance of expected credit losses / impairment losses - as at 31 March (Reviewed)					
Due from banks and central banks	**217**	**2**	**20,647**	**20,866**	20,759
Debt type investments carried at amortised cost	**871**	**3,205**	**94,850**	**98,926**	111,223
Financing assets	**613,031**	**774,669**	**1,506,096**	**2,893,796**	2,346,852
Off balance sheet exposures subject to credit risk	**73,381**	**12,205**	**15,299**	**100,885**	84,891
	687,500	**790,081**	**1,636,892**	**3,114,473**	2,563,725

**net of suspended profit*

*** pertaining to financing assets carried at fair value through income statement.*

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit quality assessments
The table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on third party rating agency's rating scale (or their equivalent) as at 31 March 2020.

Rating grade	Due from banks and central banks	Debt type investments carried at amortised cost	Financing assets	Off balance sheet exposures subject to credit risk	Total
	QAR'000				
AAA to AA-	**86,850**	**29,979,509**	**19,201,782**	**3,665,284**	**52,933,425**
A+ to A-	**1,421,061**	**242,191**	**4,031,895**	**409,956**	**6,105,103**
BBB to BBB-	**20,280**	**51,220**	**74,207,358**	**6,550,825**	**80,829,683**
BB+ to B-	**2,327**	**280,695**	**14,435,789**	**3,418,426**	**18,137,237**
Unrated	**472,030**	**373,268**	**4,300,052**	**767,638**	**5,912,988**
Total	**2,002,548**	**30,926,883**	**116,176,876**	**14,812,129**	**163,918,436**

21. IMPACT OF COVID 19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In addition, QIB Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. QIB Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.

The Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and IFRS which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 31 March 2020:

i. Expected credit losses

The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 March 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Bank. Interdependency exists between the CI and macro-economic factors as applicable, which for Qatar includes a) yearly weighted average oil price of $ 40.17/ barrel, $ 49.09 / barrel and weighted average real GDP growth of -0.22%, 2.06% for the financial year 2020 and 2021 respectively (31 December 2019: Oil price 2020: $ 60.49/barrel, 2021: $57.96/ barrel and GDP 2020: 2.75%, 2021: 3%). The aforementioned values of macro-economic factors have been derived by applying weightings of 65%, 25% and 10% for base, stressed and improved scenarios respectively (31 December 2019: 70% to the Base Case, 15% to Downside and Upside Case). The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue.

In addition to the assumptions outlined above, QIB Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors. This has resulted in staging downgrade of certain exposures and recognition of relevant ECLs and impairment allowances as disclosed in note 20 to the condensed consolidated interim financial statements.

21. IMPACT OF COVID 19 (CONTINUED)

ii. Valuation estimates and judgements

QIB Group has also considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, the QCB has encouraged banks in Qatar to delay repayments for affected sectors, via a circular issued on 22 March 2020, pursuant to which QIB has delayed repayments of certain SME customers for a period of three months. The modification loss on those financing assets was not considered to be material for the period.

iv. Accounting for zero rate repo facility

QCB has advised banks to extend new financing to affected sectors at reduced rates, which is to be supported by zero-cost repo facilities from QCB, and extended guarantees from the government of the State of Qatar to local banks to support these affected sectors. The benefit arising out of the zero rate repos was not considered to be material for the period.

22. IMPAIRMENT OF GOODWILL

Goodwill, which arose on the acquisition of Arab Finance House (Subsidiary of the Bank based in Lebanon), is tested for impairment on an annual basis. Subsequent to the year end, due to ongoing political and economic uncertainties in Lebanon, operations of the subsidiary were significantly affected. The Group has performed an impairment testing as at 31 March 2020, and based on the testing performed, the recoverable amounts of cash-generating units were lower than the carrying amounts by QAR 22.1 million and accordingly an impairment is recognized in these condensed consolidated interim financial statements.

23. COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current period. However, such reclassifications did not have any effect on the condensed consolidated income statement or the total consolidated equity for the comparative period/year.