



Interim Condensed Consolidated Financial Statements

**As at and for the six month period ended
30 June 2019**

Doha Bank Q.P.S.C.

**Interim Condensed Consolidated Financial Statements
As at and for the six month period ended 30 June 2019**

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

Introduction

We have reviewed the accompanying 30 June 2019 condensed consolidated interim financial statements of Doha Bank Q.P.S.C. (the 'Bank') and its subsidiaries (together the 'Group'), which comprise:

- the interim consolidated statement of financial position as at 30 June 2019;
- the interim consolidated income statement for the three and six month periods ended 30 June 2019;
- the interim consolidated statement of comprehensive income for the three and six month periods ended 30 June 2019;
- the interim consolidated statement of changes in equity for the six month period ended 30 June 2019;
- the interim consolidated statement of cash flows for the six month period ended 30 June 2019; and
- notes to the interim condensed consolidated financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ('IAS 34') and applicable provisions of the Qatar Central Bank regulations. Our responsibility is to express a conclusion on these 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 30 June 2019 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and applicable provisions of the Qatar Central Bank regulations.

24 July 2019
Doha
State of Qatar




Gopal Balasubramaniam
KPMG

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License No. 120153

Interim consolidated statement of financial position
As at 30 June 2019

QAR '000s

	Notes	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Assets				
Cash and balances with central banks		6,310,539	5,223,553	7,586,122
Due from banks		5,756,648	4,324,383	6,238,998
Loans and advances to customers	7	60,917,330	57,951,505	59,844,059
Investment securities	8	25,452,221	19,927,012	20,727,215
Investment in an associate		10,645	10,326	10,510
Property, furniture and equipment	9	694,201	652,805	621,469
Other assets		1,652,670	1,060,688	1,104,038
Total assets		100,794,254	89,150,272	96,132,411
Liabilities				
Due to banks		20,309,700	17,038,097	19,528,535
Customer deposits		55,617,008	51,879,847	55,785,338
Debt securities	10	572,656	779,977	747,573
Other borrowings	11	7,013,445	5,208,123	4,844,137
Other liabilities		4,023,018	1,701,166	2,493,599
Total liabilities		87,535,827	76,607,210	83,399,182
Equity				
Share capital	12	3,100,467	3,100,467	3,100,467
Legal reserve		5,092,948	5,092,762	5,092,948
Risk reserve		137,200	-	137,200
Fair value reserve		86,461	(302,054)	(227,271)
Foreign currency translation reserve		(53,258)	(52,799)	(56,180)
Retained earnings		894,609	704,686	686,065
Total equity attributable to shareholders of the Bank		9,258,427	8,543,062	8,733,229
Instruments eligible as additional Tier 1 capital	13	4,000,000	4,000,000	4,000,000
Total equity		13,258,427	12,543,062	12,733,229
Total liabilities and equity		100,794,254	89,150,272	96,132,411

The interim condensed consolidated financial statements were approved by the Board of Directors on 24 July 2019 and were signed on its behalf by:



Fahad Bin Mohammad Bin Jabor Al Thani
Chairman



Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director



Dr. Raghavan Seetharaman
Group Chief Executive Officer

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated income statement
For the three and six month periods ended 30 June 2019

QAR '000s

	Three month period ended		Six month period ended		
	Note	30 June 2019 Reviewed	30 June 2018 Reviewed	30 June 2019	30 June 2018
Interest income		1,044,334	975,422	2,060,872	1,953,993
Interest expense		(575,123)	(453,225)	(1,098,979)	(871,710)
Net interest income		469,211	522,197	961,893	1,082,283
Fee and commission income		132,233	123,966	263,043	242,710
Fee and commission expense		(28,576)	(25,054)	(59,419)	(49,783)
Net fee and commission income		103,657	98,912	203,624	192,927
Gross written premium		9,651	11,762	20,934	24,877
Premium ceded		(2,682)	(337)	(4,559)	(1,281)
Net claims paid		(33,974)	(8,905)	(42,448)	(18,208)
Net (loss) / income from insurance activities		(27,005)	2,520	(26,073)	5,388
Net foreign exchange gain		25,326	33,474	52,646	54,459
Income from investment securities		54,627	(6,996)	53,549	2,708
Other operating income		30,233	16,653	45,879	27,543
		110,186	43,131	152,074	84,710
Net operating income		656,049	666,760	1,291,518	1,365,308
Staff costs		(123,032)	(128,931)	(238,155)	(261,031)
Depreciation		(25,966)	(23,185)	(55,186)	(46,345)
Net impairment reversal / (loss) on investment securities		8,383	177	1,194	(8,925)
Net impairment loss on loans and advances to customers		(296,862)	(398,677)	(416,797)	(448,368)
Net impairment reversal on other financial assets		75,523	67,548	71,337	65,833
Other expenses		(82,363)	(92,238)	(164,961)	(191,949)
		(444,317)	(575,306)	(802,568)	(890,785)
Profit before tax		211,732	91,454	488,950	474,523
Income tax reversal / (expense)		(635)	(2,106)	29,641	(3,822)
Profit		211,097	89,348	518,591	470,701
Earnings per share					
Basic and diluted earnings per share (QAR per share)	15	0.07	0.03	0.17	0.15

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of comprehensive income
For the three and six month periods ended 30 June 2019

QAR '000s

Note	Three month period ended		Six month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Reviewed	Reviewed	Reviewed	Reviewed
Profit	211,097	89,348	518,591	470,701
Other comprehensive income				
Items that are or may be subsequently reclassified to income statement:				
Foreign currency translation differences for foreign operations	1,697	(11,649)	2,922	(15,343)
<i>Movement in fair value reserve (debt instruments):</i>				
Net change in fair value	223,975	48,110	339,210	(27,214)
Net amount transferred to consolidated statement of income	(72,519)	(25,728)	(45,035)	(26,142)
	153,153	10,733	297,097	(68,699)
Items that will not be reclassified subsequently to statement of income				
Net change in fair value of equity investments designated at FVOCI	6,254	19,970	19,557	31,430
Other comprehensive income / (loss)	159,407	30,703	316,654	(37,269)
Total comprehensive income	370,504	120,051	835,245	433,432

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity
For the six month period ended 30 June 2019

QAR '000s

Equity attributable to shareholders of the Bank

	Share capital	Legal Reserve	Risk reserve	Fair value reserve	Foreign currency 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
<i>Total comprehensive income:</i>									
Profit	-	-	-	-	-	518,591	518,591	-	518,591
Other comprehensive income	-	-	-	313,732	2,922	-	316,654	-	316,654
Total comprehensive income	-	-	-	313,732	2,922	518,591	835,245	-	835,245
<i>Transactions with shareholders:</i>									
Dividends paid (Note 14)	-	-	-	-	-	(310,047)	(310,047)	-	(310,047)
Balance at 30 June 2019 (Reviewed)	3,100,467	5,092,948	137,200	86,461	(53,258)	894,609	9,258,427	4,000,000	13,258,427
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 20)	-	-	-	-	(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
<i>Total comprehensive income:</i>									
Profit	-	-	-	-	-	470,701	470,701	-	470,701
Other comprehensive income	-	-	-	(21,926)	(15,343)	-	(37,269)	-	(37,269)
Total comprehensive income	-	-	-	(21,926)	(15,343)	470,701	433,432	-	433,432
<i>Transactions with shareholders:</i>									
Dividends paid (Note 14)	-	-	-	-	-	(930,140)	(930,140)	-	(930,140)
Balance at 30 June 2018 (Reviewed)	3,100,467	5,092,762	-	(302,054)	(52,799)	704,686	8,543,062	4,000,000	12,543,062

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of cash flows
For the six month period ended 30 June 2019

QAR '000s

	Six month period ended		Year ended
	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Cash flows from operating activities			
Profit before tax	488,950	474,523	834,036
Adjustments for:			
Net impairment loss on loans and advances to customers	416,797	448,368	951,683
Net impairment (reversal) / loss on investment securities	(1,194)	8,925	16,207
Net impairment reversal on other financial instruments	(71,337)	(65,833)	(103,699)
Depreciation	55,186	46,345	90,059
Amortisation of financing cost	7,387	6,845	13,141
Net (gain) / loss on disposal of investment securities	(28,603)	27,736	46,757
Profit on sale of property, furniture and equipment	(20)	(128)	(183)
Share of results of an associate		-	(340)
Profits before changes in operating assets and liabilities	867,166	946,781	1,847,661
Change in due from banks	(1,089,750)	(179,874)	132,999
Change in loans and advances to customers	(218,123)	67,085	(2,132,784)
Change in other assets	(548,632)	(282,269)	(325,619)
Change in due to banks	781,165	6,009,172	8,499,610
Change in customer deposits	(168,330)	(7,853,962)	(3,948,471)
Change in other liabilities	573,045	47,452	435,451
Social and sports fund contribution	(20,756)	(27,752)	(27,752)
Income tax reversal / (paid)	21,698	(34,930)	(29,606)
Net cash from / (used in) operating activities	197,483	(1,308,297)	4,451,489
Cash flows from investing activities			
Acquisition of investment securities	(7,772,143)	(7,635,668)	(11,581,363)
Proceeds from sale of investment securities	3,390,531	5,074,994	8,264,137
Net (Acquisition) / disposal of property, furniture and equipment	(127,930)	9,419	(2,960)
Proceeds from sale of property, furniture and equipment	32	139	195
Net cash used in investing activities	(4,509,510)	(2,551,116)	(3,319,991)
Cash flows from financing activities			
Proceeds from / (repayment of) other borrowings	2,169,308	(231,956)	(595,942)
(Repayment) / proceeds from issue of debt securities	(174,917)	121,035	88,631
Distribution on Tier 1 capital notes	(220,000)	(220,000)	(220,000)
Dividends paid	(310,047)	(930,140)	(930,140)
Net cash from / (used in) financing activities	1,464,344	(1,261,061)	(1,657,451)
Net decrease in cash and cash equivalents	(2,847,683)	(5,120,474)	(525,953)
Cash and cash equivalents at the beginning of the period / year	9,779,722	10,305,675	10,305,675
Cash and cash equivalents at the end of the period / year	6,932,039	5,185,201	9,779,722
Operational cash flows from interest and dividend:			
Interest received	2,009,304	1,898,183	3,878,639
Interest paid	1,007,156	829,587	1,731,955
Dividends received	24,946	30,444	36,914

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

**Notes to the interim condensed consolidated financial statements
As at and for the six month period ended 30 June 2019**

1. Reporting entity

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

Doha Bank is engaged in conventional banking activities and operates through its head office in Qatar (Doha) and has 27 local branches, six overseas branches in the United Arab Emirates (Dubai & Abu Dhabi), State of Kuwait, the Republic of India (one branch each in Mumbai, Kochi and Chennai) and representative offices in United Kingdom, Singapore, Turkey, China, Japan, South Korea, Germany, Australia, Hong Kong, Canada, Bangladesh, South Africa, Sri Lanka and Nepal. The condensed consolidated interim financial statements for the six month period ended 30 June 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	
				30 June 2019	30 June 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 condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and the applicable provisions of the Qatar Central Bank (“QCB”) regulations.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended 31 December 2018 except for the effects of adoption of IFRS 16 as described in Note 3(c) to these interim condensed consolidated financial statements. The results for the six month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

(b) Estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS 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 2018, except for the effects of adoption of IFRS 16 as described in Note 3(c) to these condensed consolidated interim financial statements.

(c) Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

**Notes to the interim condensed consolidated financial statements
As at and for the six month period ended 30 June 2019**

3. Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2018, except as noted below:

During the period, the Group applied the following standards and amendments to standards have been applied by the Group 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.

a) New standards adopted by the Group

- IFRS 16 – “Leases” (Effective 1 January 2019)

b) Standards and amendments issued but not yet effective

- 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)

The Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on their effective dates.

c) Adoption of 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, prior to the date of adoption of the standard. As allowed under IFRS 16, right-of-use assets are 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.

The Group's activities as a lessor are not material and hence the Group did not have any significant impact on the condensed consolidated interim financial statements.

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

3. Significant accounting policies (continued)**c) Adoption of IFRS 16 – “Leases” (continued)**

The following amounts are recognized under the new standard and included in the respective headings of the interim consolidated statement of financial position and income statement.

	30 June 2019 Reviewed	1 January 2019 Reviewed
Right of use asset (Property & Equipment)	104,392	143,105
Lease liability (Other Liabilities)	100,770	143,105
		Six month period ended 30 June 2019 Reviewed
Depreciation charge for right of use assets		16,123
Interest expense on lease liabilities		1,287

4. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

(a) Exposure and related ECL movements

	30 June 2019 (Reviewed)				30 June 2018 (Reviewed)
	Stage 1	Stage 2	Stage 3	Total	Total
Gross exposures subject to ECL – as at 30 June					
- Loans and advances to customers	42,846,511	19,477,419	3,856,316	66,180,246	62,529,110
- Investment securities (debt)	24,773,697	2,887	37,149	24,813,733	19,289,179
- Loan commitments and financial guarantees	15,437,763	5,112,112	248,580	20,798,455	26,968,175
- Due from banks and balances with central Banks	11,491,671	127,392	-	11,619,063	9,052,163
	94,549,642	24,719,810	4,142,045	123,411,497	117,838,627
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	2,817,973
- Investment securities (debt)	18,359	793	22,832	41,984	14,195
- Loan commitments and financial guarantees	27,575	126,204	8,158	161,937	8,158
- Due from banks and balances with central Banks	11,886	392	-	12,278	-
	281,529	1,429,285	3,738,809	5,449,623	2,840,326
ECL impact of initial application of IFRS 9					
- Loans and advances to customers	-	-	-	-	1,484,635
- Investment securities (debt)	-	-	-	-	11,582
- Loan commitments and financial guarantees	-	-	-	-	252,767
- Due from banks and balances with central Banks	-	-	-	-	16,989
	-	-	-	-	1,765,973
Net charge and transfers for the period					
- Loans and advances to customers*	(106,468)	179,400	493,639	566,571	644,013
- Investment securities (debt)	(3,273)	(105)	2,184	(1,194)	8,925
- Loan commitments and financial guarantees**	(7,864)	(57,742)	75,010	9,404	(56,658)
- Due from banks and balances with central Banks	(5,765)	(106)	-	(5,871)	(9,175)
	(123,370)	121,447	570,833	568,910	587,105
Write offs during the period					
- Loans and advances to customers	-	-	(537,079)	(537,079)	(369,016)
- Investment securities (debt)	-	-	-	-	-
- Loan commitments and financial guarantees	-	-	-	-	-
- Due from banks and balances with central Banks	-	-	-	-	-
	-	-	(537,079)	(537,079)	(369,016)
Closing balance of ECL / impairment - as at 30 June					
- Loans and advances to customers	117,241	1,481,296	3,664,379	5,262,916	4,577,605
- Investment securities (debt)	15,086	688	25,016	40,790	34,702
- Loan commitments and financial guarantees	19,711	68,462	83,168	171,341	204,267
- Due from banks and balances with central Banks	6,121	286	-	6,407	7,814
	158,159	1,550,732	3,772,563	5,481,454	4,824,388

* 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

5. Operating segments

The Group organizes and manages its operations by 2 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 facilities and deposits to corporate customers. It also undertakes funding and centralized 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.

Details of each segment as of and for the six month period ended 30 June 2019 and 30 June 2018 are stated below:

For the six month period ended 30 June 2019

	Conventional Banking			Total	Insurance	Total
	Corporate Banking	Retail Banking	Unallocated			
Interest income	1,885,658	175,214	-	2,060,872	-	2,060,872
Net loss on insurance activities	-	-	-		(26,073)	(26,073)
Net other operating income	235,745	73,708	42,991	352,444	3,254	355,698
Segmental revenue	2,121,403	248,922	42,991	2,413,316	(22,819)	2,390,497
Total expense				(1,868,689)	(3,217)	(1,871,906)
Profit/(loss) for the period				544,627	(26,036)	518,591

As at 30 June 2019

Assets	86,127,452	6,045,611	8,265,561	100,438,624	344,985	100,783,609
Investment in an associate						10,645
Total assets						100,794,254
Liabilities	74,174,370	11,883,753	1,267,768	87,325,891	209,936	87,535,827
Contingent items	20,770,007	40,420		20,810,427		20,810,427

Intra-group transactions are eliminated from this segmental information (Assets: QAR 109 million and Liabilities: QAR 8.5 million)

5. Operating segments (continued)

For the six month period ended 30 June 2018	Conventional Banking				Insurance	Total
	Corporate Banking	Retail Banking	Unallocated	Total		
Interest income	1,779,138	174,855	-	1,953,993	-	1,953,993
Net income on insurance activities	-	-	-	-	5,388	5,388
Net other operating income	174,369	72,499	27,543	274,411	3,226	277,637
Segmental revenue	1,953,507	247,354	27,543	2,228,404	8,614	2,237,018
Total expense				(1,759,979)	(6,338)	(1,766,317)
Profit for the period				468,425	2,276	470,701
As at 31 December 2018						
Assets	80,409,802	6,186,523	9,104,814	95,701,139	420,762	96,121,901
Investment in an associate	-	-	-	-	-	10,510
Total assets						96,132,411
Liabilities	72,288,428	9,899,986	951,809	83,140,223	258,959	83,399,182
Contingent items	23,133,637	53,783	-	23,187,420	-	23,187,420

6. Fair value of financial instruments**Fair value hierarchy**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

As at 30 June 2019, the Group held the following classes of financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
At 30 June 2019				
Financial assets measured at fair value:				
Investment securities measured at FVOCI	17,746,364	52,808	-	17,799,172
Investment securities measured at FVTPL	53,127	55,625	-	108,752
<i>Derivative instruments:</i>				
Interest rate swaps	-	11,392	-	11,392
Forward foreign exchange contracts	-	216	-	216
	<u>17,799,491</u>	<u>120,040</u>		<u>17,919,532</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Interest rate swaps	-	477,878	-	477,878
Forward foreign exchange contracts	-	1,632	-	1,632
		<u>479,510</u>		<u>479,510</u>
	Level 1	Level 2	Level 3	Total
At 31 December 2018				
Financial assets measured at fair value:				
Investment securities measured at FVOCI	14,863,146	352,781	-	15,215,927
Investment securities measured at FVTPL	43,716	58,641	-	102,357
<i>Derivative instruments:</i>				
Interest rate swaps	-	77,417	-	77,417
Forward foreign exchange contracts	-	10,388	-	10,388
	<u>14,906,862</u>	<u>499,227</u>		<u>15,406,089</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Interest rate swaps	-	123,187	-	123,187
Forward foreign exchange contracts	-	15,701	-	15,701
		<u>138,888</u>		<u>138,888</u>

During the reporting period ended 30 June 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

6. Fair value of financial instruments (continued)**Valuation techniques**

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.

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.

7. Loans and advances to customers

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Loans	57,279,391	56,236,881	57,559,469
Overdrafts	6,550,050	5,106,980	6,240,831
Bills discounted	351,083	548,486	367,679
Other*	<u>2,012,957</u>	<u>655,097</u>	<u>924,002</u>
	66,193,481	62,547,444	65,091,981
Deferred profit	(13,235)	(18,334)	(14,498)
ECL on loans and advances to customers (stage 1 & 2)	(1,598,537)	(1,391,373)	(1,525,605)
Net impairment on loans and advances to customers (Stage 3)	<u>(3,664,379)</u>	<u>(3,186,232)</u>	<u>(3,707,819)</u>
Net loans and advances to customers*	<u>60,917,330</u>	<u>57,951,505</u>	<u>59,844,059</u>

The aggregate amount of non-performing loans and advances to customers at 30 June 2019 amounted to QAR 3,856.3 million which represents 5.83% of total loans and advances to customers (30 June 2018: QAR 2,683.5 million, 4.29% of total loans and advances to customers; 31 December 2018: QAR 3,802 million, 5.84% of total loans and advances to customers).

During the period, the Group has written off fully provided non-performing loans amounting to QAR 537 million (30 June 2018: QAR 369 million, 31 December 2018: QAR 389 million) as per Qatar Central Bank circular no. 68/2011.

Net impairment of loans and advances includes QAR 853 million of interest in suspense (30 June 2018: QAR 501 million; 31 December 2018: QAR 667 million).

*This includes acceptances pertaining to trade finance activities amounting to QAR 1,723 million (30 June 2018: QAR 233 million; 31 December 2018: QAR 451 million).

8. Investment securities

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Investment securities measured at FVOCI	17,799,172	14,337,739	15,215,927
Investment securities measured at FVTPL	108,752	150,982	102,357
Investment securities measured at amortised cost	7,352,743	5,295,901	5,258,181
Interest receivable	<u>216,800</u>	<u>163,134</u>	<u>175,332</u>
	25,477,467	19,947,756	20,751,797
Net impairment losses on investment securities	<u>(25,246)</u>	<u>(20,744)</u>	<u>(24,582)</u>
	25,452,221	<u>19,927,012</u>	<u>20,727,215</u>

The Group has pledged State of Qatar Bonds amounting to QAR 7,681 million as at 30 June 2019 (30 June 2018: QAR 6,294 million; 31 December 2018: QAR 7,401 million) against repurchase agreements.

9. Property, furniture and equipment**Acquisitions and disposals**

During the period ended 30 June 2019, the Group acquired assets with a cost of QAR 5.7 million (30 June 2018: QAR 9.4 million; 31 December 2018: QAR 22 million).

Asset disposals made by the Group during the period ended 30 June 2019 amounted to QAR 10.8 million (30 June 2018: QAR 2.6 million, 31 December 2018: QAR 18.9 million), at original cost.

10. Debt securities

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Senior guaranteed notes	571,302	778,487	745,997
Interest payable	<u>1,354</u>	<u>1,490</u>	<u>1,576</u>
	572,656	<u>779,977</u>	<u>747,573</u>

Note:

The Group has issued USD 55 million and JPY 11 billion as at 30 June 2019 (30 June 2018: USD 75 million and JPY 15.3 billion; 31 December 2018: USD 75 million and JPY 14.3 billion) senior unsecured debt under its updated EMTN programme.

11. Other borrowings

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Term loan facilities	6,983,844	5,199,866	4,831,161
Interest payable	29,601	8,257	12,976
	<u>7,013,445</u>	<u>5,208,123</u>	<u>4,844,137</u>

The table below shows the maturity profile of other borrowings:

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Upto 1 year	2,693,980	977,081	2,918,583
Between 1 and 3 years	4,319,465	4,231,042	1,925,554
	<u>7,013,445</u>	<u>5,208,123</u>	<u>4,844,137</u>

12. Share capital

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Authorised number of ordinary shares (in thousands) (Nominal value of ordinary shares QAR 1 each for 2019 and QAR 10 each for comparative period)	<u>3,100,467</u>	<u>310,047</u>	<u>310,047</u>
Issued and paid up capital (in thousands of Qatar Riyals)	<u>3,100,467</u>	<u>3,100,467</u>	<u>3,100,467</u>

All shares are of the same class and carry equal voting rights. The number of shares have been increased pursuant to instruction from Qatar Financial Markets Authority, as explained in note 21 of these interim condensed consolidated financial statements.

13. Instrument eligible as additional tier 1 capital

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Issued on 31 December 2013	2,000,000	2,000,000	2,000,000
Issued on 30 June 2015	2,000,000	2,000,000	2,000,000
	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>

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 interest 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.

14. Dividend

A cash dividend of 10% (QAR 1.0 per share) relating to the year ended 31 December 2018 (2017: QAR 3.0 per share), amounting to QAR 310 million (2017: QAR 930.1 million), was approved at the Annual General Assembly held on 6 March 2019 and paid during the period.

15. Earnings per share

	Three month period ended		Six month period ended	
	30 June 2019 Reviewed	30 June 2018 Reviewed	30 June 2019 Reviewed	30 June 2018 Reviewed
Basic and diluted				
Profit attributable to the shareholders of the Bank	211,097	89,348	518,591	470,701
Weighted average number of outstanding ordinary shares in thousands*	3,100,467	3,100,467	3,100,467	3,100,467
Basic & diluted earnings per share (QAR)	0.07	0.03	0.17	0.15

* Refer note 21.

16. Financial commitments and contingencies

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
(a) Contingent commitments			
Guarantees	14,060,546	17,213,630	16,046,400
Letter of credit	5,256,071	5,860,201	5,273,014
Unused credit facilities	1,481,838	3,894,344	1,868,006
Others	93,150	247,678	190,294
	<u>20,891,605</u>	<u>27,215,853</u>	<u>23,377,714</u>
(b) Other commitments			
<i>Derivative financial instruments:</i>			
Forward foreign exchange contracts	3,997,212	3,803,834	8,135,927
Interest rate swaps	7,298,993	5,641,635	6,737,362
	<u>11,296,205</u>	<u>9,445,469</u>	<u>14,873,289</u>
Total	<u>32,187,810</u>	<u>36,661,322</u>	<u>38,251,003</u>

The derivative instruments are reflected at their fair value and are presented under other commitments at their notional amount.

17. Cash and cash equivalents

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Cash and balances with central banks *	4,083,091	1,816,204	5,611,097
Due from banks up to 90 days	2,848,948	3,368,997	4,168,625
	<u>6,932,039</u>	<u>5,185,201</u>	<u>9,779,722</u>

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

18. Related party transactions

The Group enters into transactions, arrangements and agreements involving member of the Board of Directors and their related concern in the ordinary course of business at commercial interest and commission rates. The balances with related parties and transactions with related parties at the end of the reporting period were as were as follows:

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Statement of financial position items			
- Loans, advances and financing activities	2,341,882	2,542,803	2,444,110
- Deposits	621,198	441,104	449,486
- Contingent liabilities and other commitments	729,525	952,764	827,653
- Others assets	8,305	8,305	8,305
	Three month period ended	Six month period ended	
	30 June 2019 Reviewed	30 June 2018 Reviewed	30 June 2019 Reviewed
			30 June 2018 Reviewed
Statement of income and expenses items			
- Interest and fee income	22,489	17,930	33,231
- Interest, fee and commission expenses	2,630	2,842	7,368
	8,922	9,112	20,725
Compensation to Board of Directors			
- Salaries and other benefits	8,922	9,112	20,725
- End of service benefits and pension fund	406	406	808
	9,328	9,518	21,533

19. Capital adequacy

	30 June 2019 Reviewed	30 June 2018 Reviewed	31 December 2018 Audited
Common Equity Tier 1 Capital	8,501,304	7,883,111	8,224,942
Additional Tier 1 Capital	4,000,000	4,000,000	4,000,000
Additional Tier 2 Capital	897,395	896,127	899,329
Total Eligible Capital	13,398,699	12,779,238	13,124,271
Risk Weighted Assets	76,914,902	76,840,102	77,173,209
Total Capital Ratio	17.42%	16.63%	17.01%

20. Restatement of comparative and reclassification**(a) Reclassifications**

The comparative figures have been reclassified where necessary to preserve consistency with the current period. However, such reclassification did not have any effect on the consolidated net profit or equity for the comparative period.

(b) Restatement of comparatives

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

21. Share split

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.