



بنك قطر الأول

QFB

—2019—

ANNUAL
REPORT

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His Highness
Sheikh Hamad Bin Khalifa Al Thani
Father Amir



His Highness
Sheikh Tamim Bin Hamad Al Thani
The Amir of the State of Qatar

QATAR FIRST BANK LLC (PUBLIC)

Qatar First Bank LLC (Public) “QFB”, a leading Shari’ah compliant bank based in Qatar and listed on the Qatar Stock Exchange, is one of the first independent Shari’ah compliant financial institutions regulated by the Qatar Financial Centre Regulatory Authority (QFCRA) that offers investment opportunities and innovative financial solutions with local, regional and international reach.

Launched in 2009 as an investment bank, QFB has since evolved to broaden its offering to combine the best of a private bank with bespoke investment solutions tailored for the protection, preservation and growth of wealth.

QFB provides a wide range of products and services including alternative investments focused on private equity and real estate, private banking and wealth management, corporate and institutional banking, as well as treasury and investments.

QFB, with a clear strategy, highly experienced team, and solid shareholder base, is a trusted advisor for high-net-worth individuals, corporate and institutional clients and a gateway to opportunities in Qatar, the region and global markets.

Vision

To become a global leader in Shari’ah Compliant Banking by offering attractive investment opportunities and innovative financial solutions.

Mission

To offer high-net-worth individuals and corporates an attractive range of innovative Shari’ah Compliant financial products and services covering alternative investments focused on private equity and real estate, private banking and wealth management, corporate and institutional banking, as well as treasury and investments.

As a listed entity on the Qatar Stock Exchange, we will continue to enhance our role as a trusted advisor and gateway to opportunities in Qatar, the region and global markets.

Our solid shareholder base and highly experienced team will enable us to capitalize on the growing demand

for Shari’ah Compliant finance, and provide a “Signature of Excellence” in our business, reflecting international best practices and operating with the highest standards of governance and integrity. We will continually recruit and retain the best talent in the market place - ensuring a modern, meritocratic environment within which our employees can deliver the very best to clients, whilst advancing the Qatar National Vision 2030.

Our actions will always be in the best interests of our stakeholders and the communities in which we operate.

Values

Our values, “The Five Ps”, were crafted to build a culture that will continually evolve by believing that our success is dependent upon understanding the changing needs of stakeholders. QFB is a reflection of “The Five Ps”:

- **Principled**
Committing to the highest standards of Shari’ah and governance principles, classified with a genuine professional approach.
- **Pioneering**
Providing banking and investment solutions with a unique perspective, while challenging the standards and exploring innovative opportunities.
- **Personalized**
Offering tailored financial solutions with an individual approach, to meet the changing needs of shareholders and clients with high levels of confidentiality.
- **Premium**
Developing creative investment and banking propositions, services and extras by adopting forward - thinking and groundbreaking methodologies.
- **Partnering**
Maintaining long - term relationships with individual and institutional clients, while becoming the trusted advisor with international reach.



BOARD OF DIRECTORS



**Sheikh Faisal bin Thani
Al Thani
Chairman**



**Mr. Salman Abdullah
Al Abdulghani
Vice Chairman**



**Mr. Ibrahim Mohamed
Ibrahim Jaidah**



**Mr. Mohamed
Yousef Al Mana**



**Mr. Abdullatif
Mohammed Al Sada**



**Dr. Mohammed
Nasser Al Qahtani**



**Mr. Mohammad Nasser
Al Faheed Al Hajri**



Mr. Salem Al Marri

SHARI'AH SUPERVISORY BOARD



**Shaikh Prof. Dr. Ali
Al Quradaghi**
Chairman



**Shaikh Dr. Yahia
Al Nuami**
Member



**Shaikh Dr. Sultan
Al Hashemi**
Member

EXECUTIVE MANAGEMENT



Ayman Zaidan
Deputy Chief Executive Officer
and Chief Business Officer



Mohammed Al Sahli
Chief Operating Officer



Ajay Subramanian
Chief Risk Officer

CHAIRMAN'S STATEMENT



In the name of Allah, the most compassionate and the most merciful. May God bestow His prayers and peace upon our Prophet Muhammad, his relatives and companions.

On behalf of the Board of Directors, I am pleased to present to you the 10th Annual Report for Qatar First Bank for the year ended 31 December 2019.

2019 arguably the most enunciated year for QFB with plenty of key incidents and decisions were taken throughout the year. As we, aware QFB went through a very challenging period during last three years predominantly due to uncontrollable international and regional macro-economic factors. In general, Qatar's economy has proved its level of resiliency and sturdiness in facing these adverse headwinds under the state's visionary leadership, spearheaded by His Highness, The Emir, Sheikh Tamim Bin Hamad Al Thani.

Capital reduction

In order to amortize the hitherto accumulated losses QFB took a bold move with its shareholders approving a 65% reduction of its capital. Bank's EGM that held

in September 2019 obtained shareholders' approval, through a special resolution to reduce its capital in accordance with regulatory requirements by the Qatar Financial Markets Authority (QFMA), QFC rules and others applicable commandments.

Private Equity

In line with QFB's strategy of maximizing value from its proprietary investments and moving to a less capital-intensive business model, QFB managed to sell its shares in FutureCard Industries and Kuwait Energy Company. Additionally, QFB signed definitive agreements to sell its shares in Food Services Company. QFB will continue to assess opportunities for exit for the remaining assets while helping them expand their business.

New Board of directors and CEO

QFB's shareholders elected a robust well diversified new BoD at the AGM held in April 2019, which consists of prominent economic and business figures who are communally worked to improve the bank financial performance on a well-structured long-term growth plan.

Financials Performance

Most highlighting financials insights for the year being QFB made a turnaround performance by recording three profitable quarters which is direct manifest that QFB's new strategy map has started generating affirmative results. QFB's growth momentum continued related to its income streams where fee income increased by 103% to 32.3 million compared to QAR 15.9 million in 2018 largely driven by new structured products introduced during 2019. QFB made continuous gain from its cost rationalization plan instigated in 2017 where bank reduced its total expenses by 17.2% compared to 2018.

New strategy

QFB board took a judicious move to shift the bank's operating model to fee income on investment products from a PE base structure with an ambitious goal of organic growth in a sustainable impetus. This move was made after a detailed study on the bank's current operating model along with expert opinions from key stakeholders. New strategy is further strengthened by key focus areas such as re-establishing the bank with limited and efficient use of resources, Curtailing large amount of previous risk, setting platform for stable recurring income and geographical diversification through directly acquiring several yielding real estate properties in US and UK.

Treasury and Investment Management

During the last quarter of 2019 QFB completed the \$117 million off-market acquisition of 90 North, a four-building, 262k-square-foot office campus located in Bellevue, Washington. The property is fully rented by two tenants T-Mobile and Mindtree. This acquisition was QFB's sixth product offering and fourth in the US real estate market posing investors access to international investment opportunities through Investment Management Platform.

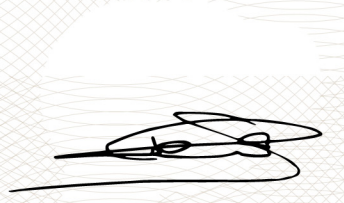
QFB also made a successful exit along with its investors through the sale of two Boeing 737-900ER aircrafts, which is its second sharia-compliant aviation deal. The two aircrafts were on a 7-year long-term sharia-compliant lease contract to Indonesia's Lion Air. Interestingly, this is the first deal of its kind that the bank is undertaking in the field of aviation through the global investment management platform that the bank launched and attracts increased opportunities for its clients and investors.

Briefly, 2019 was the year for QFB's turnaround performance with the major outcomes of the new strategy to be realized in the near future. QFB will continue to source and structure investments in line with its new strategy to generate sound returns for the bank, its clients and shareholders.

On behalf of the Board of Directors, I would like to express our sincere appreciation for the visionary leadership of His Highness, the Emir, Sheikh Tamim Bin Hamad Al Thani.

I would also like to express my sincere gratitude to our shareholders, regulators and investment partners for their continued loyalty, patience, faith and support, as well as our Shari'ah Supervisory Board for their wise counsel and guidance while appreciating the continued hard work of our staff members as we strive to deliver a value-added service to our clients and shareholders.

May almighty Allah enlighten our path and bless us to realize our vision of becoming a leading Shari'ah-compliant financial institution in Qatar.



Sheikh Faisal bin Thani Al Thani
Chairman

INVESTMENT PORTFOLIO



Cambridge Medical & Rehabilitation Centre (Cambridge)

Cambridge provides long-term care from specialist centres in the UAE. 2019 was another landmark year for the company generating significant growth in both revenue and profitability. Furthermore, the company's new facility in Dhahran commenced commercial operations whilst achieving major milestones. The company's robust growth has led to significant investor inquiries by both financial and strategic investors.

David Morris

David Morris is a London jeweler defined by a sense of quintessential British style combined with irreverent glamour. David Morris sources exquisite rare gems with which it crafts bespoke pieces tailored to the client's wishes. It is praised across the globe for its exceptional quality craftsmanship. The brand's main flagship located on iconic London's Bond street includes a working atelier on site. During the year 2019, David Morris registered significant growth in profitably on the back of strategic initiatives undertaken by management leading to an optimized cost structure.



Al Rifai

Al Rifai is a Lebanese multinational nut retailing company headquartered in Beirut, Lebanon. The company operates its retail and wholesale channels across 6 major markets – Middle East, North America, South America, Europe, South-East Asia and Australia. Leveraging upon its high quality products, Al Rifai has established partnerships with global leaders in the duty free business space resulting in its products to be placed in more than 40 airports in addition to having a presence in Harrods. The company is currently finalizing the establishment of a 55sqm duty free shop in Istanbul airport.

Cambridge Medical

Acquisition of 15.6%
March 2015

UAE

Food Services Company

Acquisition of 49%
December 2014

QATAR

David Morris

Acquisition of 50%
January 2014

UK

Avivo Group

Subscription of US\$ 20m
December 2013

UAE

Al Rifai International Holding

Acquisition of 35%
December 2011

LEBANON SWEDEN

Al Jazeera Finance

Acquisition of 3.5%
June 2009

QATAR

Exited Investments

FutureCard

Acquisition of 71.3%
July 2009

Exit: October 2019

UAE

English Home

Acquisition of 40%
November 2012

Exit: June 2019

TURKEY

Leinster Inn Hotel Building

Acquisition of 40%
August 2012

Exit: April 2019

UK

Kuwait Energy Company

Acquisition 2.2%
June 2011
Convertible Facility
(\$ 150 mn)
September 2012

Exit: March 2019

KUWAIT

Memorial Healthcare Group

Acquisition of 20%
August 2010

Exit: September 2018

TURKEY

Amanat Holdings

Subscription of 5%
November 2014

Full Exit: AED 150m
Exit: November 2017

UAE

Westbourne House Building

Acquisition of 38%
June 2012

Full Exit: IRR 17%
Exit : June 2017

UK

Avivo Group

Subscription of US\$ 20m
December 2013

Partial Exit: 44% of stake
Cash-on-Cash: 2x
Exit: March 2017

UAE

Astro SPV

Acquisition of 17.5%
April 2010

Full Exit: IRR 50%
Exit: April 2015

UAE

Nobles Consortium

Buraj Khalifa Development
Acquisition of 50%
March 2009

Full Exit: ROC 34%
Exit: January 2015

UAE

Watania Takaful

Acquisition of 10.3%
May 2011

Full Exit: ROC 17%
Exit: July 2014

UAE

Emirates National Factory for Plastic Industries

Acquisition of 71.3%
July 2009

Full Exit: IRR 31%
Exit: December 2012

QATAR KSA

Qatar Construction and Engineering Company

Acquisition of 41.6%
September 2009

Full Exit: IRR 43%
Exit: March 2012

QATAR

QFB Building

Acquisition of 100%
August 2009

Full Exit : IRR 40%
Exit: December 2010

QATAR

CORPORATE GOVERNANCE REPORT

The Bank is committed to operating to the highest standards of corporate governance and in this regard has looked to structure a corporate governance framework that complies with good corporate governance practices in Qatar. The Bank has looked to adopt best practices from both the QFC Regulatory Authority's (A Guide to Corporate Governance for QFC Authorized Firms) and the Qatar Financial Markets Authority's (Corporate Governance Code for Listed Entities). The business of the Bank is conducted under a corporate governance framework made up of the Board of Directors, the Shari'ah Supervisory Board, the senior executive management and its staff led by the Chief Executive Officer.

General Assembly of Shareholders

The Bank has one Annual General Meeting per year. All other general meetings are referred to as Extraordinary General Meetings.

Board

The Board of Directors is made up of 9 directors. Its members are elected by the shareholders to oversee management and ensure that the interests of the shareholders are being served. The Board of Directors may delegate its powers, authorities, discretions and functions to any committee made of members of the Board on such terms and conditions as it may think fit and in accordance with the Articles.

Board Committees

The Board of Directors has appointed the following Board Committees:

- Executive Committee
- Audit, Risk and Compliance Committee
- Nomination, Remuneration and Corporate Governance Committee

Senior Executive Management

The day-to-day management of the Bank is conducted by the Senior Executive Management which is led by the Chief Executive Officer and who is considered relevant to ensure that the Bank has the appropriate expertise and experience for the management of its business. The Senior Executive Management are also members of management committees which have specific duties and responsibilities such as: Credit Committee, Investment Committee and Asset & Liability (ALCO) Committee.

Chief Executive Officer

The Chief Executive Officer is appointed by the Board of Directors. He is responsible to the Board of Directors for the general and active management of the business, including overseeing the day-to-day operations of the Bank, and ensures that the resolutions of the Board of Directors and the shareholders are carried out. He has the right to delegate a part of his responsibilities and prerogatives to other employees or officers of the Bank.

Shari'ah Supervisory Board

The Board of Directors shall appoint not less than 3 and not more than 5 Shari'ah advisors selected among experts well-versed in Shari'ah, Islamic transactions and finance, to sit on the Shari'ah Supervisory Board. The appointed advisors shall perform their tasks on a professional and confidential basis while reviewing all practical steps and measures with regard to the activities of the Bank.

Accounts

External Auditors: The accounts of the Bank must be prepared in accordance with the requirements, accounting principles and standards prescribed by the QFCA, the regulations of the QFCA including the QFCRA and as determined by the Board of Directors from time to time. The External Auditors are nominated by the Audit, Risk and Compliance Committee and shall attend the Annual General Meetings.

QFB's corporate governance framework is disclosed in detail in the Corporate Governance Report available on QFB web site (www.qfb.com.qa)

SHARI'A SUPERVISORY BOARD REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

In the name of Allah, the most beneficent and the most merciful.

Shari'a Supervisory Board Report For the financial year ended 31 December 2019

Praise is to Allah and prayers & peace be upon His Prophet Muhammad, and upon his kinsfolk, companions and those who followed his teachings...

To the Shareholders of Qatar First Bank LLC (Public).

In compliance with our terms of appointment, we, the Shari'a Supervisory Board (refer to hereafter as "**SSB**") of Qatar First Bank LLC (Public), (refer to hereafter "**the Bank**") is pleased to present to you this Report.

The SSB has properly performed its duties as follows:

1. We have coordinated with the management to develop Shari'a standards and guidelines for the activities and contracts of the Bank and ensured their implementation through internal Shari'a audit.
2. We have reviewed and approved all transaction agreements and contracts related to the investment and financing activities of the Bank, which were presented to us. We have also provided Sharia compliant solutions to the issues faced by the Bank during the course of its operations and responded to the questions and inquiries raised by the Bank.
3. We have calculated the Zakat according to the approved Shari'a rules taking into consideration the balance sheet of 2019 as presented.
4. We have performed the diligent supervision to form transparent and reasonable opinion on whether the Bank has complied with Shari'a principles, resolutions (Fatwa) and guidelines issued by us.
5. We have reviewed and approved the financial statements and the balance sheet and ensured Shari'a compliance of the allocation of profits and losses on the investments, and other activities.

In order to ensure proper implementation, we have, through the Sharia Compliance Department, conducted and performed review and examination on the procedures adopted by the Bank so as to obtain all information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not breached any rules or principles of Shari'a and AAOIFI's Shari'a Standards.

As a general principle and practice, the management is responsible for ensuring that the Bank conducts its business in accordance with Sharia rules and principles. It is our responsibility to form Sharia opinion (Fatwa), approve the contracts which were presented to us, and conduct the Shari'a audit.

SSB's Opinion, in our opinion:

- a) The contracts, transactions and procedures of the Bank, which we reviewed, do not contradict Shari'a rules and principles.
- b) The investments of the Bank, which were presented to us, had been executed through Shari'a compliant contracts, instruments and products and do not contradict the principles of Shari'a and were in line with AAOIFI Shari'a Standards.
- c) After reviewing the consolidated financial statement and income statement for the financial year, we did not notice any breach of Shari'a rules and principles.
- d) All earnings realized from sources or by means prohibited by rules and principles of Shari'a have been credited to a special account so that they are not mixed with shareholder's funds and have been disposed of to charitable causes under the supervision of the Executive Management of the Bank.

Finally, we avail ourselves of this opportunity to express our gratitude and sincere prayer to these who have contributed to this great organization; our special thanks go out to the Board; the Chairman and the members, and to the CEO and the Executive Management of the Bank for their efforts and valuable cooperation with us and the Chairman and Executive Member of the SSB, praying for Allah, the Almighty, to bless them with continuous growth and successes based on fearing Allah and Shari'a principles in a way that contributes to the development of our country. May Allah protect our country and guide its ruler to what is good.

The last of our prayer is praise is to Allah, the Lord of the worlds.



Shaikh Prof. Dr. Ali Al-Qaradaghi
Chairman and Executive Member of the
Shari'a Supervisory Board

**CONSOLIDATED
FINANCIAL STATEMENTS
31 DECEMBER 2019**

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C (PUBLIC)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Qatar First Bank L.L.C (Public) ('the Bank') and its subsidiaries (together the 'Group') which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of income, changes in owners' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI').

Basis for Opinion

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

Key Audit Matters

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

Description of the key audit matter	How the matter was addressed in our audit
Valuation of Equity Investments - refer notes 3.10 and 8 to the consolidated financial statements	
We focused on this area because: - The carrying value of level 3 based equity investments as of 31 December 2019 is QAR 354.3 million representing 11.0 % of the Group's total assets as at 31 December 2019, hence a material portion of the consolidated statement of financial position. The loss on re-measurement of level 3 based equity investments recorded in the consolidated statement of income for the year is QAR 34.4 million. - The valuation of equity investments based on level 3 fair values involves significant assumptions, estimates and judgements underlying the determination of fair values, accordingly we considered this to be a key audit matter.	Our audit procedures in this area included the following, amongst others: - Testing controls over the process of valuation of equity investments. - Evaluating the competence and capabilities of the external valuation expert appointed by the management. - Involving our own valuation specialist to assist us in the following: - assessing the consistency of the valuation basis and appropriateness of the methodology used based on their knowledge about client and the industry; - evaluating the appropriateness of the discount rates applied which included comparing them with the sector averages of the markets in which those investments are operating; - evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes, operating costs, long-term growth rates which included comparing these inputs with externally derived data and their knowledge of the client and the industry and challenging the future forecast business performance by agreeing amounts to approved forecasts and underlying contracts and comparing forecasts with historical performance. - Evaluating the adequacy of the Group's disclosures in the consolidated financial statements including disclosures of key assumptions, judgements and sensitivities, by reference to the requirements of the relevant accounting standards.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C (PUBLIC)

Description of the key audit matter	How the matter was addressed in our audit
Impairment of financial assets subject to credit risk - refer to notes 5, 6, 7,15 and 26 in the consolidated financial statements	
• Impairment of financial assets subject to credit risk involves: - complex accounting require-ments, including assumptions, estimates and judgements underlying the determination of adjustments on transition; - modelling risk (e.g.inappropriate methodology and design decisions); - susceptibility to management bias when making judgements to determine expected credit loss outcomes; and - complex disclosure requirements. • The carrying value of the Group's net financial assets subject to credit risk, both on and off-balance sheet, is QAR 2,789.4 million as at 31 December 2019, hence a material portion of the consolidated statement of financial position. Furthermore, the total expected credit loss / impairment recognized by the Group on these financial assets amounted to QAR 207.2 million, in the year ended 31 December 2019, which represents 68.9% of the net loss of the Group, hence a material portion of the consolidated statement of income, accordingly we considered this to be a key audit matter.	Our audit procedures in this area included the following, amongst others: • Evaluating the appropriateness of the accounting policies based on the requirements of FAS 30, our business understanding and industry practice. • Confirming our understanding of management's processes, systems and controls implemented, including controls over model development. • Identifying and tested the relevant controls. • Involving information risk management (IRM) specialists to test IT systems and relevant controls. • Evaluating the reasonableness of management's key judgements and estimates made in provision calculations, including selection of methods, models, assumptions and data sources. • Involving Financial Risk Management (FRM) specialists: - o to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates; and - o for evaluating the appropriateness and testing the mathematical accuracy of ECL models applied. • Involving valuation specialists to evaluate the inputs, assumptions and techniques used by the valuers engaged by the Group for the valuation of the real estate collaterals, relating to the determination of ECL. • Assessing the completeness, accuracy and relevance of data. • Evaluating the appropriateness and tested the mathematical accuracy of models applied. • Evaluating the reasonableness of and tested the post-model adjustments. • Performing detailed credit risk assessment of a sample of customers. • Assessing the adequacy of the Group's disclosures by reference to the requirement of the relevant accounting standards including the disclosures of key assumptions and judgments.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report ("Annual Report") but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C (PUBLIC)

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C (PUBLIC)

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purpose of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Other than the matter disclosed in note 26.11, we are not aware of any violations of the applicable provisions of the Qatar Financial Centre Regulatory Authority regulations or the terms of the Bank's Article of Association and the amendments thereto, having occurred during the year which might have had a material effect on the Bank's consolidated financial position or performance as at and for year ended 31 December 2019.

Doha
State of Qatar
10 March 2020

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251
Licensed by QFMA:
External Auditor's license No. 120153

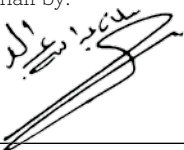
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

		As at	
		31 December 2019	31 December 2018
	Notes		
ASSETS			
Cash and cash equivalents	5	1,220,988	237,697
Investments carried at amortised cost	6	110,352	150,801
Financing assets	7	976,070	1,479,789
Accounts receivable		–	24,230
Inventories		–	39,532
Equity investments	8	357,047	409,320
Investments in real estate	9	14,812	–
Fixed assets	10	20,603	132,973
Intangible assets	11	7,918	10,802
Assets held-for-sale	12	454,351	731,410
Other assets	13	51,945	42,421
TOTAL ASSETS		3,214,086	3,258,975
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY			
Liabilities			
Financing liabilities	14	135,051	410,227
Customers' balances		243,535	47,853
Liabilities held-for-sale	12	218,441	431,336
Other liabilities	15	101,285	87,120
Total Liabilities		698,312	976,536
Equity of Unrestricted Investment Account Holders	16	1,759,019	1,158,571
Equity			
Share capital	17	700,000	2,000,000
Share premium		203	
Retained earnings /(Accumulated losses)		2,885	(998,459)
Total Equity Attributable to Shareholders of the Bank		703,088	1,001,541
Non-controlling interest		53,667	122,327
Total Equity		756,755	1,123,868
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY		3,214,086	3,258,975

These consolidated financial statements were authorised for issuance by the Board of Directors on 10 March 2020 and signed on its behalf by:



Sheikh Faisal bin Thani Al Thani
Chairman



Jassim Mohammad Al-Kaabi
Board Member

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

		For the year ended	
		31 December	31 December
	Notes	2019	2018
			Restated
CONTINUING OPERATIONS			
INCOME			
Income from financing assets		80,131	79,031
Fee income	18	32,320	15,899
Loss on re-measurement of investments at fair value through income statement	8	(34,012)	(211,431)
Dividend income		2,069	1,382
Profit on investments carried at amortised cost		9,223	8,897
Income from placements with financial institutions		7,121	14,791
Gain on disposal of investments carried at amortised cost		2,040	-
Gain/(loss) on disposal of equity investments		10,448	(119,290)
Gain on disposal of subsidiaries	12.3	1,255	16,545
Loss on early settlement of financing assets	7	(12,920)	-
Other income, net	19	4,535	33,716
Total Income Before Return To Unrestricted Investment Account Holders			
		102,210	(160,460)
Return to unrestricted investment account holders		(54,468)	(58,929)
TOTAL INCOME			
		47,742	(219,389)
EXPENSES			
Staff costs		(39,715)	(58,560)
Financing costs		(13,597)	(19,164)
Depreciation and amortisation		(7,650)	(9,721)
Other operating expenses	20	(49,447)	(45,904)
TOTAL EXPENSES			
		(110,409)	(133,349)
Provision for impairment on financing assets, net of recoveries		(178,214)	(45,256)
Provision for impairment on other financial assets		(28,964)	(13,178)
NET LOSS BEFORE INCOME TAX			
		(269,845)	(411,172)
Income tax expense		-	-
NET LOSS FROM CONTINUING OPERATIONS			
		(269,845)	(411,172)
DISCONTINUED OPERATIONS			
Loss from discontinued operations, net of tax	12	(30,856)	(98,920)
NET LOSS FOR THE YEAR			
		(300,701)	(510,092)
Attributable to:			
Equity holders of the Bank		(298,453)	(481,905)
Non-controlling interest		(2,248)	(28,187)
		(300,701)	(510,092)
Basic/diluted loss per share from continuing operations - QAR	21	(0.385)	(0.572)
Basic/diluted loss per share from discontinued operations - QAR	21	(0.041)	(0.116)
Basic/diluted loss per share – QAR	21	(0.426)	(0.688)

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

	Notes	Fair value reserves		Share premium	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
		Share capital	Retained Earnings/ (accumulated losses)				
Balance at 1 January 2018		2,000,000	(470,014)	-	1,529,986	166,885	1,696,871
Impact of early adoption of FAS 30		-	(46,540)	-	(46,540)	(2,319)	(48,859)
Balance at 1 January 2018 (Restated)		2,000,000	(516,554)	-	1,483,446	164,566	1,648,012
Net loss for the year		-	(481,905)	-	(481,905)	(28,187)	(510,092)
Disposal of a subsidiary		-	-	-	-	(15,545)	(15,545)
Net change in non-controlling interests due to:							
- Real Estate Structures		-	-	-	-	1,493	1,493
Balance at 31 December 2018		2,000,000	(998,459)	-	1,001,541	122,327	1,123,868
Balance at 1 January 2019		2,000,000	(998,459)	-	1,001,541	122,327	1,123,868
Net loss for the year		-	(298,453)	-	(298,453)	(2,248)	(300,701)
Capital reduction	17	(1,300,000)	1,299,797	203	-	-	-
Disposal of a subsidiary	12.3	-	-	-	-	(20,291)	(20,291)
Net change in non-controlling interests due to:							
- Real Estate Structures		-	-	-	-	(46,121)	(46,121)
Balance at 31 December 2019		700,000	2,885	203	703,088	53,667	756,755

As disclosed in Note 17, accumulated losses of QAR 1,299,797 thousand were offset against share capital during the year. As result of offset and performance during the year, the Bank's retained earnings stood at positive QAR 2.9 million as at 31 December 2019.

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

		For the year ended	
	Notes	31 December 2019	31 December 2018
OPERATING ACTIVITIES			
Net loss for the year		(300,701)	(510,092)
Adjustments for non-cash items			
Depreciation and amortisation	10&11	7,650	25,880
Loss on disposal of equity investments		–	119,290
Gain on disposal of subsidiary		–	(16,545)
Unrealised loss on equity investments		34,012	211,431
Unrealised loss/(profit) on Sharia-compliant risk management instruments, net	8	10,261	(23,237)
Provision for impairment on financing assets, net	26	178,214	45,256
Provision for impairment on other financial assets	26	28,964	13,178
Other provisions, net		–	26,155
		(41,600)	(108,684)
Changes in:			
Due from banks		–	477,218
Investments carried at amortised cost		45,343	(8,418)
Financing assets		325,505	79,364
Accounts receivable		24,230	(8,420)
Inventories		39,532	5,908
Equity investments		(6,911)	(4,373)
Assets held-for-sale		395,115	336
Other assets		(9,524)	9,045
Customers' balances		195,682	(52,123)
Liabilities held-for-sale		(212,895)	85,687
Other liabilities		(29,954)	(16,918)
Net cash from operating activities		724,523	458,622
INVESTING ACTIVITY			
Purchase of fixed and intangible assets	10&11	(92)	(22,377)
Net cash used in investing activity		(92)	(22,377)
FINANCING ACTIVITIES			
Net change in financing liabilities		(275,176)	(16,848)
Net change in equity of unrestricted investment account holders		600,448	(555,222)
Net change in non-controlling interest		(66,412)	1,493
Net cash from/(used) in financing activities		258,860	(570,577)
Net increase/(decrease) in cash and cash equivalents		983,291	(134,332)
Cash and cash equivalents at the beginning of the year	5	237,697	372,029
Cash and cash equivalents at the end of the year	5	1,220,988	237,697

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

1. REPORTING ENTITY

Qatar First Bank L.L.C (Public) ("the Bank" or "the Parent") is an Islamic bank, which was established in the State of Qatar as a limited liability company under license No.00091, dated 4

September 2008, from the Qatar Financial Centre Authority. The Bank is authorised to conduct the following regulated activities by the Qatar Financial Centre Regulatory Authority (the "QFCRA"):

- Deposit taking;
- Providing credit facilities;
- Dealing in investments;
- Arranging deals in investments;
- Arranging credit facilities;
- Providing custody services;
- Arranging the provision of custody services;
- Managing investments;
- Advising on investments; and
- Operating a collective investment fund.

All the Bank's activities are regulated by the QFCRA and are conducted in accordance with Islamic Shari'a principles, as determined by the Shari'a Supervisory Board of the Bank and in accordance with the provisions of its Articles of Association. The Bank operates through its head office located on Suhaim bin Hamad Street, Doha, State of Qatar. The Bank's issued shares are listed for trading on the Qatar Exchange effective from 27 April 2016 (ticker: "QFBQ").

The consolidated financial statements of the Bank for the year ended 31 December 2019 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Parent Company / Ultimate Controlling Party of the Group is Qatar First Bank L.L.C (Public). The Bank had the following subsidiaries as at 31 December 2019 and 31 December 2018:

Subsidiaries	Activity	Effective ownership as at		Year of incorporation	Country
		31 December 2019	31 December 2018		
Isnad Catering Services WLL	Catering	75.0%	75.0%	2012	Qatar
QFB Money Market Fund 1 Ltd.	Money market fund	100.0%	100.0%	2015	Cayman Islands
Astor Properties Finance Limited*	Financing	26.2%	32.1%	2017	Jersey
Astor Properties Holdings Limited*	Holding company	26.2%	32.1%	2017	Jersey
Umm Slal for Accommodation LLC	Construction	70.0%	70.0%	2017	Qatar
3130 Fairview GEG, LLC	Owning and leasing real estate	97.0%	-	2019	USA
Fairview Investments Corp.	Leasing real estate	97.0%	-	2019	USA

*For details of subsidiaries disposed during the year, refer to Note 12 .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and the Shari’a rules and principles as determined by the Shari’a Supervisory Board of the Bank. 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”).

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for valuation of equity investments, investments in real estate, Sharia-compliant-risk-management instruments which are carried at fair value.

Functional and presentational currency

The consolidated financial statements are presented in Qatari Riyals (“QAR”), which is the Bank’s functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with FAS requires management to make judgments, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are set out below:

3.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has power, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries. All intra-group balances, transactions, income and expenses and unrealised profits and losses resulting from intra-group transactions are eliminated in full on the consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations are accounted for using the acquisition method as at the acquisition date i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the consolidated income statement immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Subsidiaries (continued)

Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as profits or losses attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in owners' equity. Gains or losses on disposals to non-controlling interests are also recorded in owners' equity.

3.2 Foreign currencies

Transactions and balances

Transactions in foreign currencies are translated into Qatari Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates ruling at the date of consolidated financial position.

All differences from gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a local currency different from the presentational currency are translated as follows:

- Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position,
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of the consolidated statement of changes in owners' equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to the consolidated statement of changes in owners' equity within the "translation reserve". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

3.3 Financial assets and liabilities

Recognition

Financial assets and liabilities are recognised on the trade date at which the Group becomes a party of the contractual provisions of the instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial assets and liabilities (continued)

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the right to receive cash flows from the asset has expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and financial liabilities are only offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle these on a net basis, or intends to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterparty.

3.4 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise of cash and balances with banks; and amounts of placements with financial institutions with an original maturity of three months or less. Placements with financial institutions comprise placements with banks in the form of Wakala and Murabaha investment. They are stated at cost plus related accrued profit and net of provision for impairment, if any.

3.5 Due from banks

Due from banks represent amounts of placements with financial institutions with an original maturity more than three months. Due from bank placements are invested under Wakala and Murabaha and Mudaraba terms. They are stated at cost plus related accrued profit and net of provision for impairment, if any.

3.6 Investment carried at amortised cost

Investments in Sukuk are carried at amortised cost when the investment is managed on a contractual yield basis and its performance is evaluated on the basis of contractual cash flows. These investments are measured initially at fair value plus transaction costs. Premiums or discounts are then amortised over the investment's life using effective profit method less reduction for impairment, if any.

Gain on disposal of investment carried at amortised cost is recognised when substantially all risks and rewards of ownership of these assets are transferred and equals to the difference between fair value of proceeds and the carrying amount at time of de-recognition.

3.7 Financing assets

Financing activities comprise murabaha and ijarah contracts:

Due from murabaha contracts

Murabaha receivables are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and unearned profit. These receivables are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted, any recoveries from previously written off financing activities are written back to the specific provision.

The Group considers the promise made in murabaha to the purchase orderer as obligatory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financing assets (continued)

Due from ijarah contracts

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivable are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any). Ijarah income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

3.8 Accounts receivable

Accounts receivable is the amount of debt due from the customers at the end of the financial period and are stated at amortised cost less any provision for doubtful debts, if any. When an account receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement.

3.9 Inventories

Raw materials are stated at the lower of cost or net realisable value. Costs of raw materials include:

- (a) costs of purchases (including transport, and handling) net of trade discounts received, and;
- (b) other costs incurred in bringing the inventories to their present location and condition.

The cost of raw materials is recorded using the first-in first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Finished and semi-finished goods are also measured at the lower of cost or net realisable value that include cost of raw materials, labour and factory overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

3.10 Equity investments

Equity investments comprise the following:

3.10.1 Investments carried at fair value

Equity type instruments are investments that do not exhibit the feature of debt type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

i. Classification

Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'. Equity-type investments designated at fair value through income statement include investments, which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Equity investments (continued)

3.10.1 Investments carried at fair value (continued)

i. Classification (continued)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. On initial recognition of an associate, the Group makes an accounting policy choice as to whether the associate shall be equity accounted or designated as at fair value through income statement. The Group makes use of the exemption in FAS 24 – Investment in Associates for venture capital organisation and designates certain of its investment in associates, as ‘investments carried at fair value through income statement’. These investments are managed, evaluated and reported internally on a fair value basis.

ii. Recognition and de-recognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

iii. Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated income statement.

Subsequent measurement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated income statement in the period in which they arise.

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in owners' equity and presented in a separate investment fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in owners' equity is transferred to the consolidated income statement.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

3.10.2 Other investments

Other investments includes venture capital investments held as part of investments portfolio that are managed with the objective of earning a return on these investments. The Group aims to generate a growth in the value of investments in the medium term and usually identifies an exit strategy or strategies when an investment is made.

The investments are typically in businesses unrelated to the Bank's business. Investments are managed on a fair value basis and are accounted for as investments designated at fair value through the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment

Impairment of financial assets (other than equity type of investments classified as fair value through equity)

The Group assesses impairment at each financial reporting date whenever there is objective evidence that a specific financial asset or a group of financial assets may be impaired.

The Group applies three-stage approach to measuring credit losses on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in financing assets quality since initial recognition.

Stage 1: 12 months ECL – not credit impaired

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, ECL are recognised on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date. Profit is computed on the gross carrying amount of the asset.

Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets that have had a significant increase in credit risk (SICR) since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime ECL – credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

Impairment of equity type of investments classified as fair value through equity

In case of equity investments classified as fair value through equity, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is significant or prolonged requires judgement and is assessed for each investment separately.

Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in the fair value reserve in the consolidated statement of changes in owners' equity.

Investments in equity instruments that are carried at cost in the absence of a reliable measure of fair value are also tested for impairment, if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount and its expected recoverable amount. All impairment losses are recognised in the consolidated income statement and shall not be reversed.

Financing assets carried at amortised cost are impaired when their carrying amounts exceed their expected present value of estimated future cash flows discounted at the asset's original effective profit rate. Subsequent recovery of impairment losses are recognised through the consolidated income statement, the reversal of impairment losses shall not result in a carrying amount of the asset that exceeds what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment (continued)

Impairment of non-financial assets

The Group assesses at each reporting date if events or changes in circumstances indicate that the carrying value of a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the financed counterparty, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

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

For assets excluding goodwill, an assessment is made at each financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to goodwill cannot be reversed for subsequent increases in the recoverable amount in future periods.

3.12 Investment in real estate

Investment in real estate comprises of building and other related assets which are held by the Group to earn rentals and/ or are expected to benefit from capital appreciation. Initially investments are recognised at cost including directly attributable expenditures. Subsequently, investments are carried at fair value. Fair value of investments is re-measured at each reporting date and the difference between the carrying value and fair value is recognised in the consolidated statement of changes in owners' equity under property fair value reserve.

In case of losses, they are then recognised in equity under investment fair value reserve to the extent of availability of the reserve through earlier recognised gains assumed, in case such losses exceeded the amount available in the equity fair value reserve for a particular investment in real estate, excess losses are then recognised in the consolidated income statement under unrealised re-measurement losses on investments.

Upon occurrence of future gains, unrealised gains related to the current period are recognised in the consolidated income statement to the extent of crediting back previously recognised losses in the consolidated income statement and excess gains then are recognised in the equity under property fair value reserve.

Investment in real estate are derecognised when they have been disposed off or transferred to investment in real estate-held for sale when the investment in real estate is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment in real estate along with any available fair value reserves attributable to that investment are recognised in the consolidated income statement in the year of retirement or disposal.

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AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Assets held-for-sale and discontinued operations

Classification

The Group classifies non-current assets or disposal groups as held-for-sale if the carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use within twelve months. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

If the criteria for classification as held for sale are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale and shall measure the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held-for-sale, adjusted for any depreciation, recognised or revaluations that would have been recognised had the asset (or disposal group) not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and investment property carried at fair value, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in the consolidated income statement. Gains are not recognised in excess of any cumulative impairment loss.

Measurement

Non-current assets or disposal groups classified as held-for-sale, other than financial instruments, are measured at the lower of its carrying amount and fair value less costs to sell. Financial instruments that are non-current assets and 'held-for-sale' continue to be measured in accordance with their stated accounting policies. On classification of equity-accounted investee as held-for-sale, equity accounting is ceased at the time of such classification as held-for-sale. Non-financial assets (i.e. intangible assets, equipment) are no longer amortised or depreciated.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

3.14 Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Category description	Years
Plant and machinery	7-10
Buildings	20
Equipment	3 - 5
Furniture and fixtures	3 - 10
Building renovations	5-10
Motor vehicles	5

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Intangible assets

Intangible assets include the value of computer software and generated intangible assets that were identified in the process of a business combination. The cost of intangible assets is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Category description	Years
Software and core banking system	5 - 7
Brand and contractual relationships	5

3.16 Equity of unrestricted investment account holders

The Bank accepts funds from customers for investment in the Bank's capacity as mudarib and at the Bank's discretion in whatever manner the Bank deems appropriate without laying down any restriction as to where, how and for what purpose the fund should be invested. Such funds are classified in the statement of financial position as equity of unrestricted investment account holders.

Equity of unrestricted investments account holders is recognised when received and initially measured at cost. Subsequent to initial recognition, equity of unrestricted investments account holders is measured at amortised cost.

The allocation of profit of investments jointly financed by the Bank and investments account holders is determined by the management of the Bank within allowed profit sharing limits as per terms and conditions of the investment accounts. Such profit is measured after setting aside impairment provisions, if any. Impairment provision is made when the management considers that there is impairment in the carrying amount of assets financed by the investment account.

Administrative expenses in connection with management of the fund are charged to the common pool results.

3.17 Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income earned by the Group is recognised on the following basis:

Income from financing activities

Murabaha

Profit from Murabaha transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Ijarah

Ijarah income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

Income from placements with financial institutions

Income from short term placements is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the expected profits.

Rental income

The Group recognises rental income from properties according to the rent agreements entered into between the Group and the tenants on an accrual basis over the period of the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Recognition of income (continued)

Revenue from non-banking activities

Revenue from non-banking activities relates to the Group's subsidiaries and it is primarily derived from sale of goods and services, which is recognised when all of the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

Income from equity investments

Income from equity investments is described in Note 3.10.

Fee income

Fees are generally recognised on an accrual basis when the service has been provided. Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses are recognised on completion of the underlying transaction.

3.18 Employee benefits

Defined contribution plans

The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff costs in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Employee's end of service benefits

The Group establishes a provision for all end of service benefits payable to employees in accordance with the Group's policies which comply with laws and regulations applicable to the Group. Liability is calculated on the basis of individual employee's salary and period of service at the financial position date. The provision for employees' end of service benefits is included within other liabilities.

3.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Contingent liabilities

Contingent liabilities include guarantees, letters of credit, Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the consolidated statement of financial position date except for assets and obligations relating to fair value gains or losses on these derivative financial instruments.

3.21 Sharia-compliant-risk-management instruments

Sharia-compliant-risk-management instruments, including unilateral/bilateral promises to buy/sell currencies, profit rate swaps, currency options are carried at their fair value. All Sharia-compliant-risk-management instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of these instruments are included in consolidated income statement for the year (other income / other expense). The Group does not apply hedge accounting.

3.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Segment reporting are disclosed in Note 29.

3.23 Income tax

a) Current income tax

The Bank is subject to income tax in Qatar in accordance with Decree no 13 for the year 2010 of the Minister of Economy and Finance addressing QFC Tax regulations applicable as of 1 January 2010. Income tax expense is charged to the consolidated income statement.

b) Deferred income tax

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

3.24 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

3.25 Zakah

The Bank is not obliged to pay Zakah on its profits on behalf of shareholders. The Bank is required to calculate and notify individual shareholders of Zakah payable per share. These calculations are approved by the Bank's Shari'a Supervisory Board.

3.26 New standards, amendments and interpretations issued and effective

There were no new accounting standards and amendments issued and effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.27 New standards, amendments and interpretations issued but not yet effective but early adopted

3.27.1 FAS 30 – Impairment, credit losses and onerous commitments

3.27.1.1 *Early adoption of FAS 30 “Impairment, credit losses and onerous commitments”*

AAOIFI has issued FAS 30 Impairment, Credit losses and onerous commitments 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 deals 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.

The standard is effective from financial periods beginning on or after 1 January 2020 with early adoption permitted. However, in 2018, the Group early adopted FAS 30 effective 1 January 2018.

The respective adjustments to the opening retained earnings and non-controlling interests as of 1 January 2018 were disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

Impairment loss is the amount by which the carrying amount of assets exceeds its recoverable amount.

The standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted. The Group has early adopted the FAS 30 with a date of initial application of 1 January 2018.

3.27.2 FAS 35 – Risk 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).

The standard defines the accounting principles for risk reserves in line with the best practices of financial reporting and risk management. The standard encourages maintaining adequate risk reserves to safeguarding the interest of profit and loss stakeholders particularly against various risks including credit, market, equity investment risks, as well as, the rate of return risk including displaces commercial risk.

This is expected to provide better stability to the Islamic finance industry in line with the best practices. This standard does not mandatorily require maintaining risk reserves, however, it is applicable to any such reserves, by whichever name referred to by the institution, if they meet the definition of any of reserves covered by the standard.

This standard together with FAS 30 “Impairment, Credit Losses and Onerous Commitments” supersede the earlier FAS 11 “Provisions and Reserves” and shall be effective for the financial periods beginning on or after 1 January 2021 with earlier adoption permitted. The management early adopted FAS 35 with no material impact on Group’s consolidated financial statements, since the Group has not formed such provisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 New standards, amendments and interpretations issued but not yet effective and not early adopted

3.28.1 FAS 31 – Investment Agency (Al-Wakala Bi Al-Istithmar)

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. The standard provides a broad classification where at the inception of the transaction, the principal (investor) shall evaluate the nature of investment as either a ‘pass-through investment’ – as a preferred option; or the ‘Wakala venture’ approach.

This standard shall be effective for the financial periods beginning on or after 1 January 2020. Early adoption is permitted. The management is assessing the impact of adoption of FAS 31 on Group’s consolidated financial statements.

3.28.2 FAS 33 “Investments in Sukuk, shares and similar instruments

In December 2018, AAOIFI has issued FAS 33 “Investments in Sukuk, shares and similar instruments, which improves upon and supersedes the AAOIFI’s Financial Accounting Standard 25 “Investments in Sukuk, shares and similar instruments” issued in 2010. This standard aims at setting out principle for classification, recognition, measurement, presentation and disclosures of investment in Sukuk, shares and other similar instruments of investments made by Islamic Financial Institutions. The standard defines the key types of investments of Shari’ah compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which investments are made, managed and held.

The standard shall be effective from financial periods beginning on or after 1 January 2020. Early adoption is permitted. The management is assessing the impact of adoption of FAS 33 on Group’s consolidated financial statements.

3.28.3 FAS 34 – Financial reporting for sukuk-holders

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 to all relevant stakeholders particularly sukuk-holders.

This standard shall apply to sukuk in accordance with Shari’ah principles and rules issued by an IFI or the other institution (“originator”), directly or through the use of a special purpose vehicle or similar mechanism. In respect of sukuk, which are kept on balance sheet by the originator in line with requirement of FAS 29 “Sukuk in the books of the originator”, the originator may opt not to apply this standard. The standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted. The management has not early adopted FAS 34 and is currently assessing the impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

4. USE OF ESTIMATES AND JUDGEMENTS

In the preparation of the consolidated financial statements, the management has used its judgements and estimates in determining the amounts recognised therein. The most significant use of judgements and estimates are as follows:

Fair value of equity investments that were valued using assumptions that are not based on observable market data.

The Group uses significant judgements and estimates to determine fair value of investments valued using assumptions that are not based on observable market data. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 27.

Allowances for credit losses

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL refer to Note 26.6.5 for more information.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has resources to continue in the business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

	Note	31 December 2019	31 December 2018
Cash on hand		13	117
Balance with banks (current accounts)		51,707	35,398
Placement with financial institutions		1,169,293	202,322
Provision for impairment	26.6.5	(25)	(140)
		1,220,988	237,697

Placements with financial institutions represent inter-bank placements in the form of Wakala, Murabaha and other Islamic investments with original maturity less than three months.

6. INVESTMENTS CARRIED AT AMORTISED COST

	Note	31 December 2019	31 December 2018
Investments in sukuk		120,120	165,620
Accrued income		628	1,124
Unamortised discounts, net		(202)	(855)
Provision for impairment	26.6.5	(10,194)	(15,088)
		110,352	150,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. FINANCING ASSETS

	Note	31 December 2019	31 December 2018
Murabaha financing		1,187,759	1,593,533
Ijarah receivable		–	12,980
Deferred investment sales		254,800	218,400
Others		29,700	–
Total financing assets		1,472,259	1,824,913
Deferred profit		(142,114)	(198,966)
Provision for impairment on financing assets	26.6.5	(354,075)	(146,158)
Net financing assets		976,070	1,479,789

During the year, the Bank incurred a loss of QAR 12.9 million due to early repayment of a financing asset of QAR 277.5 million.

8. EQUITY INVESTMENTS

	Note	31 December 2019	31 December 2018
Investments at fair value through equity		38,106	31,195
Investments at fair value through income statement		318,941	378,125
		357,047	409,320

8.1 Investments at fair value through equity

Investments at fair value through equity comprise unquoted equity investments QAR 38 million as at 31 December 2019 (31 December 2018: QAR 31 million) are carried at cost less impairment in the absence of reliable measure of fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts are expressed in QAR thousands unless otherwise stated)

8. EQUITY INVESTMENTS (continued)

8.2 Investments at fair value through income statement

Investments at fair value through income statement comprise equity investments as follows:

	31 December 2019	31 December 2018
Investment type		
Venture capital investments	212,216	253,562
Other investments at fair value through income statement	106,725	124,563
	318,941	378,125

Movements in the equity investments are as follows:

	31 December 2019			31 December 2018		
	Investments at fair value through equity	Investments at fair value through income statement	Total	Investments at fair value through equity	Investments at fair value through income statement	Total
At the beginning of the year	31,195	378,125	409,320	26,288	897,166	923,454
Additions*	6,911	-	6,911	4,907	-	4,907
Disposal	-	-	-	-	(209,106)	(209,106)
Transfer to						
assets held-for-sale	-	(25,172)	(25,172)	-	(98,504)	(98,504)
Fair value adjustments	-	(34,012)	(34,012)	-	(211,431)	(211,431)
At the end of the year	38,106	318,941	357,047	31,195	378,125	409,320

*Additions of QAR 6.9 million (2018: QAR 4.9 million) mainly represents the remaining stake of the investment in Kennedy (2018: Jefferson), refer to Note 12.1.1.

9. INVESTMENTS IN REAL ESTATE

The table below summarises the movement in investments in real estate during the year:

		31 December 2019	31 December 2018
At the beginning of the year		-	243,710
Additions	12.3	14,812	-
Disposal of subsidiary		-	(205,607)
Impairment		-	(38,103)
At the end of the year		14,812	-

As presented in Note 12.3, the Bank disposed one of its subsidiaries during the year. As part of consideration received for the sale thereof, the Bank acquired a land, jointly owned by the others, whose fair value attributable to QFB was QAR 14.8 million.

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10. FIXED ASSETS

	Plant and machinery	Land and buildings	Equipment	Furniture and fixture	Building renovations	Motor vehicles	Capital work in progress	Total
Cost								
As at 1 January 2018	77,187	70,835	74,441	64,822	31,032	2,591	19,452	340,360
Additions	828	-	8,621	38	5,720	218	4,815	20,240
Re classification to assets held-for-sale	-	-	(4,128)	(706)	(12,519)	(315)	-	(17,668)
Disposal of a subsidiary	-	-	(52,364)	(2,121)	(21,723)	-	(54)	(76,262)
Disposals/write-off	-	-	(47)	-	-	(186)	-	(233)
As at 31 December 2018	78,015	70,835	26,523	62,033	2,510	2,308	24,213	266,437
Accumulated depreciation								
As at 1 January 2018	(52,348)	(8,610)	(44,128)	(35,715)	(8,368)	(1,708)	-	(150,877)
Depreciation charge	(4,708)	(714)	(8,532)	(4,847)	(2,863)	(236)	-	(21,900)
Re classification to assets held-for-sale	-	-	2,554	706	3,909	203	-	7,372
Disposal of a subsidiary	-	-	24,859	1,857	5,115	-	-	31,831
Disposals/write-off	-	-	1	-	-	109	-	110
As at 31 December 2018	(57,056)	(9,324)	(25,246)	(37,999)	(2,207)	(1,632)	-	(133,464)
Net book value as at 31 December 2018	20,959	61,511	1,277	24,034	303	676	24,213	132,973
Cost								
As at 1 January 2019	78,015	70,835	26,523	62,033	2,510	2,308	24,213	266,437
Additions	-	-	92	-	-	-	-	92
Disposal of a subsidiary	(78,015)	(70,835)	(5,065)	(698)	(2,510)	(1,048)	(24,213)	(182,384)
Disposals/write-off	-	-	(18)	-	-	-	-	(18)
As at 31 December 2019	-	-	21,532	61,335	-	1,260	-	84,127
Accumulated depreciation								
As at 1 January 2019	(57,056)	(9,324)	(25,246)	(37,999)	(2,207)	(1,632)	-	(133,464)
Depreciation charge	-	-	(616)	(4,090)	-	(60)	-	(4,766)
Depreciation charge- discontinued operations	(3,531)	-	(5,574)	-	(6,399)	-	-	(15,504)
Disposal of a subsidiary	60,587	9,324	10,406	648	8,606	618	-	90,189
Disposals/write-off	-	-	21	-	-	-	-	21
As at 31 December 2019	-	-	(21,009)	(41,441)	-	(1,074)	-	(63,524)
Net book value as at 31 December 2019	-	-	523	19,894	-	186	-	20,603

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11. INTANGIBLE ASSETS

	Software and core banking system	Brand and contractual relationships	Total
At 1 January 2018			
Cost:			
Beginning balance	40,896	34,969	75,865
Additions during the year	2,137	-	2,137
Disposal of a subsidiary	(6,996)	(34,969)	(41,965)
At 31 December 2017	36,037	-	36,037
Amortisation			
Beginning balance	(22,690)	(34,969)	(57,659)
Amortisation charge for the year	(3,980)	-	(3,980)
Disposal of a subsidiary	1,435	34,969	36,404
At 31 December 2018	(25,235)	-	(25,235)
Net book value as at 31 December 2018	10,802	-	10,802
As at 1 January 2019			
Cost:			
Beginning balance	36,037	-	36,037
Additions during the year	-	-	-
At 31 December 2019	36,037	-	36,037
Amortisation			
Beginning balance	(25,235)	-	(25,235)
Amortisation charge for the year	(2,884)	-	(2,884)
At 31 December 2019	(28,119)	-	(28,119)
Netbook value at 31 December 2019	7,918	-	7,918

12. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE

Assets and liabilities of disposal groups classified as held-for-sale comprise of:

	Note	31 December 2019	31 December 2018
Assets of disposal groups classified as held-for-sale	12.1	394,284	632,906
Equity investments held-for-sale	12.2	60,067	98,504
Total		454,351	731,410
Liabilities of disposal group classified as held-for-sale	12.1	218,441	431,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts are expressed in QAR thousands unless otherwise stated)

12. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (Continued)

12.1. Assets and liabilities of disposal groups classified as held-for-sale

12.1.1. Assets and liabilities of Real Estate Structures

As a part of its business, the Bank from time to time enters into various structures to invest indirectly in real estate properties and aircrafts using special purpose vehicles ("SPV") with an intention to sell substantial part of it to investors. Until the Bank ceases its control over those SPVs, they are consolidated by the Bank as a result of application of the accounting consolidation rules under Financial Accounting Standard 23 whereby an entity needs to consolidate an SPV based on economic substance despite the fact that the SPV is not legally owned by and not legally related to the Bank. The financings of these SPVs related to the real estate property have no recourse to the Bank.

a) US Real Estate Structures

During 2018 the Bank entered into a structure to invest indirectly to acquire 99.1% in real estate property in the United States of America (the "Kennedy flats") and during the last quarter of 2019, the Bank entered into new structures to acquire 90% stake (the "T-Mobile") and 97% (the "Fairview") in real estates (together referred as "US Real Estate Structures"). These US real estate properties thereafter are leased under Ijara terms. As at 31 December 2019 the Bank sold a 94.1% stake out of 99.1% in the Kennedy flats and 65% stake out of 90% in T-mobile to its investors. As a result of ceasing its control over Kennedy flats and T-Mobile, the Bank classified remaining stake in Kennedy and T-Mobile of QAR 5.3 million and QAR 34.9 million within equity investments and equity investments held-for-sale respectively, refer to Note 8 and Note 12.2.

b) UK Real Estate Structures

During 2017 the Bank entered into a structure to invest indirectly to acquire 100% in real estate property in the United Kingdom (the "UK Real Estate Structure"). The real estate was financed partly by the Bank through a murabaha contract with an option to acquire the underlying real estate. As at 31 December 2019 the Bank sold a 73.8% stake out of 100% in the UK Real Estate Structure to its investors.

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12. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (Continued)

12.1 Assets and liabilities of disposal groups classified as held-for-sale (continued)

12.1.2. Analysis of disposal group assets/liabilities, results and cashflows

a) Asset and liabilities of disposal groups classified as held for sale

Analysis of assets and liabilities of disposal groups, which include Real Estate structures and a subsidiary held-for-sale, are as follows:

	31 December 2019	31 December 2018
Assets of disposal groups classified as held-for-sale		
Financial assets		
Cash and cash equivalents	4,731	14,981
Accounts receivable	25,509	-
Total financial assets	30,240	14,981
Non-financial assets		
Inventories	175	-
Investments in real estate	347,328	567,551
Fixed assets	10,291	10,295
Other assets	6,250	40,079
Total non-financial assets	364,044	617,925
Total assets of disposal groups classified as held for sale	394,284	632,906
Liabilities of disposal groups classified as held-for-sale		
Financial liabilities	196,283	376,811
Due to related parties	24 13,723	-
Other financial liabilities	8,435	54,525
Total liabilities of disposal groups classified as held for sale	218,441	431,336
Net carrying value	175,843	201,570

b) Analysis of results of discontinued operations, which include held-for sale and disposed subsidiaries is as follows:

	2019	2018 Restated
Revenue	91,358	306,914
Expenses	(122,214)	(405,834)
Net income from discontinued operations	(30,856)	(98,920)
Attributable to		
- Equity holders of the Bank	(28,608)	(81,176)
- Non-controlling interest	(2,248)	(17,744)

c) Analysis of cashflows of discontinued operations is as follows:

	2019	2018
Operating cash flows	(1,260)	15,035
Investing cash flows	(87,776)	(232,575)
Financing cash flows	(4,856)	211,043
	(93,892)	(6,497)

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12. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE (Continued)

12.2. Equity investments held-for-sale

During 2019, the Bank signed a sale purchase agreement, subject to conditions precedent, to sell its investment in Food Service Company.

The remaining investment stake in T-mobile Real Estate Structure of QAR 34.9 million is presented as equity investments held-for-sale in these financial statements, refer to Note 12.1.1 (a).

12.3. Disposal of a Subsidiary

During last quarter of 2019, the Group disposed its subsidiary - Future Card Industries LLC. The details of the disposal gain and of the disposed assets and liabilities are as follows:

	Carrying value
Cash and cash equivalents	4,840
Accounts receivable	26,185
Inventory	5,107
Investment in real estate	
Fixed assets	92,195
Intangible assets	-
Other assets	14,029
Financial liabilities	(27,204)
Financing liabilities	(43,723)
Net assets of discontinued operations	71,429
Less: non controlling interest	(20,291)
Carrying value of disposed assets	51,138
Fair value of investment in real assets	(14,812)
Cash and cash equivalents received	(37,581)
Gain on disposal	1,255

Results of disposed subsidiaries up to the date of the disposal were presented within Note 12.1.2(b).

13. OTHER ASSETS

Other assets comprise the following:

	Note	31 December 2019	31 December 2018
Other non-financial assets			
Prepayments		3,104	3,341
Total other non-financial assets		3,104	3,341
Other financial assets			
Receivables from customers		41,860	-
Other receivables		4,725	4,350
Due from related parties	24	437	4,120
Fair value of Sharia-compliant-risk-management instruments	27.2	1,807	23,789
Refundable deposits		10	6,165
Due from employees		2	656
Total other financial assets		48,841	39,080
Total other assets		51,945	42,421

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14. FINANCING LIABILITIES

	31 December 2019	31 December 2018
Accepted wakala deposits	–	168,012
Murabaha financing	135,051	242,215
	135,051	410,227

As at 31 December 2019, no assets were pledged against murabaha financing liabilities (31 December 2018: investments in sukuk of QAR 151 million and equity investments of QAR 93.3 million).

15. OTHER LIABILITIES

		31 December 2019	31 December 2018
Other non-financial liabilities			
Unearned revenue		1,214	141
Advances and other payables		11,228	3,348
Total other non-financial liabilities		12,442	3,489
Other financial liabilities			
Accounts payable		9,773	24,147
Fair value of Sharia-compliant-risk-management instruments	27	12,067	599
Staff-related payables		7,743	19,843
Dividends payable		17,985	18,491
Due to related parties	24	–	13,723
Other payables and accrued expenses		33,129	2,955
Provision for off-balance sheet exposures	26.6.5	8,146	3,873
Total other financial liabilities		88,843	83,631
Total other liabilities		101,285	87,120

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16. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

a) By type

	31 December 2019	31 December 2018
Term accounts	1,750,625	1,151,249
Profit payable to equity of investment account holders	8,394	7,322
	1,759,019	1,158,571

b) By sector

	31 December 2019	31 December 2018
Individual	283,148	119,750
Government	193,855	202,021
Corporate	1,282,016	836,800
	1,759,019	1,158,571

c) Equity of unrestricted investment account holders are invested in:

	31 December 2019	31 December 2018
Cash and cash equivalents	890,661	153,979
Investments carried at amortised cost	81,227	98,517
Financing assets	668,940	839,811
Equity investments	10,748	4,797
Assets held-for-sale	151,143	184,472
Liabilities held-for-sale	(43,700)	(123,005)
	1,759,019	1,158,571

Bank's net mudaraba income calculation is presented below:

	31 December 2019	31 December 2018
Return on equity of unrestricted investment account holders in the profit before Bank's Mudaraba income	81,201	62,540
Return distribution to unrestricted investment account holders		
- Return on unrestricted investment account holders	77,141	59,413
- Amount waived by the Bank in favour of unrestricted investment account holders	113	3,162
- Mudarib's incentives	(22,786)	(3,646)
Total return to unrestricted investment account holders	54,468	58,929
Bank's net mudaraba income	26,733	3,611

Calculation of return on mudarabah assets includes only stage 3 provisions and the loss on early settlement of financing assets of QAR 12.9 million (refer to Note 7) was excluded in determination of mudarabah asset income, in accordance with resolution of Shari'a Supervisory Board of the Bank.

Due to the terms of profit sharing ratios (predominantly at 5% to mudarib and 95% to investment account holders) on mudaraba agreements and in order to align to general market profit rates, the Bank increased the income of the unrestricted investment account holders by waiving part of its incentive. The amount waived was QAR 0.1 million (2018: QAR 3.2 million), as presented in above table.

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17. SHARE CAPITAL

	31 December 2019	31 December 2018
Authorized		
2,500,000,000 ordinary shares of QAR 1 each (2018: 250,000,000 ordinary shares of QAR 10 each)*	2,500,000	2,500,000
Issued and paid		
700,000,000** ordinary shares of QAR 1 each (2018: 200,000,000 ordinary shares of QAR 10* each)	700,000	2,000,000

*Shares split

As per the instructions from the Qatar Financial Markets Authority, the Extraordinary General Assembly on 24 April 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 250,000,000 to 2,500,000,000 and 200,000,000 to 2,000,000,000, respectively. The listing of the new shares on Qatar Exchange was effective from 10 June 2019, as decided by Qatar Exchange. Consequently, the weighted average number of shares outstanding has been retrospectively adjusted (refer to Note 21).

**Capital reduction

The Extraordinary General Assembly on 16 September 2019 approved the reduction of the share capital of the Bank by 65% to QAR 700 million. The capital reduction was implemented on 23 December 2019 at Qatar Stock Exchange. As a result of capital reduction accumulated losses of QAR 1,299,797 thousand were offset against share capital by QAR 1,300,000 thousand and remaining balance of QAR 203 thousand was recognized as share premium.

18. FEE INCOME

	2019	2018
Recognised upfront fees*	10,461	7,778
Bank transaction fees	10,114	3,434
Management fees (including exit fees)*	1,591	4,687
Other fees	10,154	-
	32,320	15,899

*These are related to investment structures, refer to Note 12.1.

19. OTHER INCOME

	2019	2018
Net foreign exchange (loss) /gain*	(5,586)	20,612
Rental income	8,517	9,232
Miscellaneous income	1,604	3,872
	4,535	33,716

*Includes unrealised fair value of Sharia-compliant-risk-management instruments as disclosed in Note 27.2.

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20. OTHER OPERATING EXPENSE

	2019	2018
Rent expense	22,500	22,500
Professional services	9,100	8,262
Other	17,847	15,142
	49,447	45,904

21. BASIC / DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net loss attributable to the Banks' shareholders and the weighted average number of shares outstanding during the year.

	Note	2019	2018 Restated
Basic earnings per share			
Net loss attributable to the equity holders of the Bank from continuing operations		(269,845)	(400,729)
Net profit attributable to the equity holders of the Bank from discontinued operations	12.1	(28,608)	(81,176)
Net loss attributable to the equity holders of the Bank		(298,453)	(481,905)
Total weighted average number of shares (thousand)		700,000	700,000
Basic loss per share from continuing operations - QAR		(0.385)	(0.572)
Basic loss per share from discontinued operations - QAR		(0.041)	(0.116)
Basic loss per share - QAR		(0.426)	(0.688)

As mentioned in Note 17, basic loss per share for the year ended 31 December 2019 was restated due to split of shares and capital reduction during the year. Since there is no dilutive impact, basic earnings per share equal the dilutive earning per shares.

22. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the year-end:

	31 December 2019	31 December 2018
Letters of guarantee	16,924	730,024
Unutilised credit facilities	100,779	90,307
	117,703	820,331

Contingent liabilities related to Sharia-compliant-risk-management instruments as disclosed in Note 27.2.

23. COMMITMENTS

	31 December 2019	31 December 2018
Commitment for operating lease		
No later than one year	22,500	22,500
Later than one year	-	22,500
	22,500	45,000
Investment related commitment	23,769	-
	46,269	45,000

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24. RELATED PARTIES TRANSACTIONS AND BALANCES

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 owners and entities over which the Group and the owners exercise significant influence, directors and senior management personnel of the Group, close family members, entities owned or controlled by them, associates and affiliated companies.

Balances and transactions in respect of related parties included in the financial statements are as follows:

	31 December 2019		
	Affiliated entities/ directors	Associates	Total
a) Consolidated statement of financial position			
Financing assets	–	45,689	45,689
Other assets	437	–	437
Liabilities of disposal groups classified as held-for-sale	–	13,723	13,723
b) Consolidated income statement			
Income from financing assets	924	4,696	5,620
Dividend income	–	1,000	1,000
c) Off balance sheet instruments			
Unutilised credit facilities	100,000	–	100,000

	31 December 2018		
	Affiliated entities/ directors	Associates	Total
a) Consolidated statement of financial position			
Financing assets	7,688	60,885	68,573
Other assets	437	3,683	4,120
Customers' balances	5	–	5
Other liabilities	–	13,723	13,723

Key management compensation is presented below:

	31 December 2019	31 December 2018
c) Compensation of key management personnel		
Senior management personnel	11,924	12,711
Shari'a Supervisory Board remuneration	501	508
	12,425	13,219

25. ZAKAH

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners. Zakah payable by the owners is computed by the Group on the basis of the method prescribed by the Shari'a Supervisory Board of the Bank and notified to the Owners. Zakah payable by the owners, for the year ended 31 December 2019 was QAR 0.0273 for every share held (2018: QAR 0.1078). However, if shares of the Bank are owned for trading purposes then share price, at the time of Zakah calculation, should be as a basis for Zakah.

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

26.1. Financial instruments definition and classification

Financial instruments comprise all financial assets and liabilities of the Group. Financial assets include cash and cash equivalents, investment carried at amortised cost, financing assets, accounts receivable, equity investments and other financial assets. Financial liabilities include customer balances, due to banks and other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off financial position items.

Note 3 explains the accounting policies used to recognise and measure the significant financial instruments and their respective income and expenses items.

26.2. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined for each investment individually in accordance with the valuation policies adopted by the Group as set out in 3.10.

26.3. Risk management

QFB perceives strong risk management capabilities to be the foundation in delivering results to customers, investors and shareholders Risk is an inherent part of the Group's business activities. Our Board of Directors has overall responsibility for establishing our risk culture and ensuring that an effective risk management framework is in place.

The risk management framework of the Bank encapsulates the spirit of the following key principles for Risk Management as articulated by Basel III:

- Management oversight and control
- Risk culture and ownership
- Risk recognition and assessment
- Control activities and segregation of duties
- Information and communication
- Monitoring Risk Management activities and correcting deficiencies.

26.4. Risk framework and governance

The Group's risk management process is an integral part of the organisation's culture and is embedded into all of its practices and processes. The Board of Directors (the Board), and a number of Board's subcommittees including Executive Committee; and Audit, Risk and Compliance Committee; management committees; and executive management all contribute to the effective Group wide management of risk.

The Audit, Risk and Compliance Committee is tasked with implementing risk management policies, guidelines and limits as well as ensuring that monitoring processes are in place. The Risk Management Department provides independent monitoring to both the Board and the Audit, Risk and Compliance Committee whilst also working closely with the business units which ultimately own and manage the risks.

26.5. Investment risk

Equity investment risks are identified and assessed via extensive due diligence activities conducted by the respective investment departments. The Group's investments in venture capital are by definition in illiquid markets, frequently in emerging markets. Such investments cannot generally be hedged or liquidated easily. Consequently, the Group seeks to mitigate its risks via more direct means. Post-acquisition risk management is rigorously exercised, mainly via board representation within the investee company, during the life of the private equity transaction. Periodic reviews of investments are undertaken and presented to the Investment Committee for review. Concerns over risks and performance are addressed via the investment area responsible for managing the investment under the oversight of the Investment Committee.

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.6. Credit risk

Credit risk is the risk that the Group will incur a loss of principal or profit earned because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related parties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The table below shows the maximum exposure to credit risk for the relevant components of the financial position.

	Note	31 December 2019	31 December 2018
Balances with banks	5	51,707	35,398
Placements with financial institutions	5	1,169,268	202,182
Investments carried at amortised cost	6	110,352	150,801
Financing assets	7	976,070	1,479,789
Accounts receivable		–	24,230
Financial assets of disposal group classified as held-for-sale	12	30,240	14,981
Other financial assets	13	48,841	39,080
		2,386,478	1,946,461

26.6.1. Concentration of risks

As an active participant in the banking markets, the Group has a significant concentration of credit risk with other financial institutions. At 31 December 2019 the Group had balances with 5 counterparty banks (31 December 2018: 1 bank) with aggregated amounts above QAR 150 million (31 December 2018: QAR 150 million). The total aggregate amount of these deposits was QAR 1,095 million (31 December 2018: QAR 203 million).

The analysis by geographical region of the Group's financial assets having credit risk is as follows:

	31 December 2019	31 December 2018
Qatar	2,066,364	1,648,181
Asia & Middle East	239,115	205,388
North America	9,899	10,025
Europe & Others	71,100	82,867
	2,386,478	1,946,461

The distribution of financial assets having credit risk by industry sector is as follows:

	31 December 2019	31 December 2018
Real Estate	787,747	1,119,849
Banking and financial services	1,271,223	333,092
Business Service	45,243	130,574
Construction	133,393	110,087
Consumer Services	69,791	108,577
Others	79,081	144,282
	2,386,478	1,946,461

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.6 Credit risk (continued)

26.6.2. Credit Quality

The credit quality of financial assets is managed by Group using internal and external credit risk ratings. The Group follows an internal rating mechanism for grading relationship across its credit portfolio.

The Group utilises a scale ranging from 1 to 10 for credit relationship with 1 to 7 denoting performing grades, 8, 9 and 10 denoting non-performing. All credits are assigned a rating in accordance with defined criteria.

The Group endeavours continuously to improve upon internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group. All financing relationships are reviewed at least once in a year and more frequently in case of non-performing assets.

The following table provides the details for the credit quality:

	2019			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Performing (AAA to B-)	1,221,013	-	-	1,221,013
Substandard (CCC+ to CCC-)	-	-	-	-
	1,221,013	-	-	1,221,013
Allowance for impairment	(25)	-	-	(25)
Net carrying amount	1,220,988	-	-	1,220,988
Due from banks				
Performing (AAA to B-)	-	-	-	-
Allowance for impairment	-	-	-	-
Net carrying amount	-	-	-	-
Investments carried at amortised cost				
Performing (AAA to B)	-	-	-	-
Underperforming (B-)	-	120,546	-	120,546
	-	120,546	-	120,546
Allowance for impairment	-	(10,194)	-	(10,194)
Net carrying amount	-	110,352	-	110,352
Financing assets				
Performing (Grades 1-6)	253,673	-	-	253,673
Under-performing (Grade 7)	-	720,448	-	720,448
Non-performing (Grade 8-10)	-	-	356,024	356,024
	253,673	720,448	356,024	1,330,145
Allowance for impairment	(1,333)	(43,608)	(309,134)	(354,075)
Net carrying amount	252,340	676,840	46,890	976,070
Financing commitments and financial guarantee				
Performing (Grades 1-6)	108,881	-	-	108,881
Under-performing (Grade 7)	-	1,386	-	1,386
Non-performing (Grade 8-10)	-	-	7,436	7,436
	108,881	1,386	7,436	117,703
Allowance for impairment	(294)	(416)	(7,436)	(8,146)

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.6 Credit risk (continued)

26.6.2. Credit Quality (continued)

The following table provides the details for the credit quality:

	2018			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Performing (AAA to B-)	237,837	-	-	237,837
Substandard (CCC+ to CCC-)	-	-	-	-
	237,837	-	-	237,837
Allowance for impairment	(140)	-	-	(140)
Net carrying amount	237,697	-	-	237,697
Due from banks				
Performing (AAA to B-)	-	-	-	-
Allowance for impairment	-	-	-	-
Net carrying amount	-	-	-	-
Investments carried at amortised cost				
Performing (AAA to B)	45,479	-	-	45,479
Underperforming (B-)	-	120,410	-	120,410
	45,479	120,410	-	165,889
Allowance for impairment	(29)	(15,059)	-	(15,088)
Net carrying amount	45,450	105,351	-	150,801
Financing assets				
Performing (Grades 1-6)	782,778	-	-	782,778
Under-performing (Grade 7)	-	646,910	-	646,910
Non-performing (Grade 8-10)	-	-	196,259	196,259
	782,778	646,910	196,259	1,625,947
Allowance for impairment	(3,540)	(30,890)	(111,728)	(146,158)
Net carrying amount	779,238	616,020	84,531	1,479,789
Financing commitments and financial guarantee				
Performing (Grades 1-6)	781,530	-	-	781,530
Under-performing (Grade 7)	-	29,979	-	29,979
Non-performing (Grade 8-10)	-	-	8,822	8,822
	781,530	29,979	8,822	820,331
Allowance for impairment	(2,202)	(1,255)	(416)	(3,873)

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.6 Credit risk (continued)

26.6.2 Credit Quality (continued)

Collateral

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

The fair value of the collateral held against credit-impaired financing assets as at 31 December 2019 is QR 57.4 million (2018: QR 44.8 million).

Renegotiated financing assets

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated financing assets as at 31 December 2019 amounted to QAR 475 million (2018: QAR 709.4million).

26.6.3. Repossessed collateral

Reposessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. There were nil reposessed property as at 31 December 2019 and 31 December 2018.

26.6.4. Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible.

This determination is made after considering information such as the occurrence of significant changes in the financed counterparty's / issuer's financial position such that the financed counterparty/ issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status.

26.6.5. Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk (SICR)

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

In determining whether credit risk has increased significantly since initial recognition following criteria are considered:

- Two notches downgrade for rating from 1 to 4 or one notch downgrade for ratings from 5 and 6
- Facilities rescheduled during previous twelve months
- Facilities overdue by more than 30 days as at the reporting date, unless rebutted based on other qualitative supportable information
- Any other reason as per management discretion that evidence a significant increase in credit risk

Credit risk grades

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of financed counterparty. Exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk grade.

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.6 Credit risk (continued)

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

Generating the term structure of Probability of Default (PD)

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

Renegotiated financial assets

The contractual terms of a financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing whose terms have been modified may be derecognised and the renegotiated financing recognised as a new financing at fair value. Where possible, the Group seeks to restructure financing rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new financing conditions. Management continuously reviews renegotiated financing to ensure that all criteria are met and that future payments are likely to occur.

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

Definition of default

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

- the financed counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financed counterparty is past due more than 90 days on any material credit obligation to the Group, unless rebutted based on other qualitative supportable information.
- rated internally as 8, 9 or 10 corresponding to the Qatar Financial Centre Regulatory Authority (QFCRA) categories of substandard, doubtful and loss, respectively.

In assessing whether a financed counterparty is in default, the Group considers indicators that are:

- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

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

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables affecting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are updated from the World economic outlook: IMF country data and other reliable sources which provide the best estimate view of the economy over the next five years.

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.6 Credit risk (continued)

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

Economic variable assumptions

The most significant period-end assumption used for the ECL estimate as at 31 December 2019 was GDP (2020: 3.17%, 2021: 3.32%).

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external PD data where available.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and the Group assumes that haircut percentage applied to Collateral value as per QFCRA.

LGD estimation includes:

- Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default. It would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.
- Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Comparative amounts represent allowance account for credit losses and reflect measurement basis under relevant FAS:

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.6 Credit risk (continued)

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

	2019			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Balance at 1 January	140	–	–	140
Impact of initial application	–	–	–	–
	140	–	–	140
Impairment allowance, net	(115)	–	–	(115)
Balance at 31 December	25	–	–	25
Due from banks				
Balance at 1 January	–	–	–	–
Impact of initial application	–	–	–	–
	–	–	–	–
Recovery for the year, net	–	–	–	–
Balance at 31 December	–	–	–	–
Investments carried at amortised cost				
Balance at 1 January	29	15,059	–	15,088
Impact of initial application	–	–	–	–
	29	15,059	–	15,088
Transfers to Stage 2	–	–	–	–
Impairment allowance, net	(29)	(4,865)	–	(4,894)
Balance at 31 December	–	10,194	–	10,194
Financing assets				
Balance at 1 January	3,540	30,890	111,728	146,158
Impact of initial application	–	–	–	–
	3,540	30,890	111,728	146,158
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(516)	25,351	(24,835)	–
Transfers to Stage 3	(450)	(6,444)	6,894	–
Transfer from off balance sheet	–	–	29,703	29,703
Impairment allowance, net	(1,241)	(6,189)	185,644	178,214
Balance at 31 December	1,333	43,608	309,134	354,075
Off balance sheet instruments, subject to credit risk				
Balance at 1 January	2,202	1,255	416	3,873
Impact of initial application	–	–	–	–
	2,202	1,255	416	3,873
Impairment allowance, net	(1,908)	(839)	36,723	33,976
Transfer to on balance sheet	–	–	(29,703)	(29,703)
Balance at 31 December	294	416	7,436	8,146

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(All amounts are expressed in QAR thousands unless otherwise stated)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.6 Credit risk (continued)

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

	2018			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents				
Balance at 1 January	-	-	-	-
Impact of initial application	90	-	-	90
	90	-	-	90
Impairment allowance, net	50	-	-	50
Balance at 31 December	140	-	-	140
Due from banks				
Balance at 1 January	-	-	-	-
Impact of initial application	25	-	-	25
	25	-	-	25
Recovery for the year, net	(25)	-	-	(25)
Balance at 31 December	-	-	-	-
Investments carried at amortised cost				
Balance at 1 January	-	-	-	-
Impact of initial application	295	-	-	295
	295	-	-	295
Transfers to Stage 2	(290)	290	-	-
Impairment allowance, net	24	14,769	-	14,793
Balance at 31 December	29	15,059	-	15,088
Financing assets				
Balance at 1 January	5,399	9,117	56,061	70,577
Impact of initial application	(3,933)	14,915	19,343	30,325
	1,466	24,032	75,404	100,902
Transfers to Stage 1	1,245	(1,245)	-	-
Transfers to Stage 2	(350)	350	-	-
Transfers to Stage 3	(464)	-	464	-
Transfer from off balance sheet	-	-	-	-
Impairment allowance, net	1,643	7,753	35,860	45,256
Balance at 31 December	3,540	30,890	111,728	146,158
Off balance sheet instruments, subject to credit risk				
Balance at 1 January	-	-	-	-
Impact of initial application	2,282	1,953	1,278	5,513
	2,282	1,953	1,278	5,513
Impairment allowance, net	(80)	(698)	(862)	(1,640)
Transfer to on balance sheet	-	-	-	-
Balance at 31 December	2,202	1,255	416	3,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts are expressed in QAR thousands unless otherwise stated)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.7. Liquidity risk and funding management

Liquidity risk is defined as the risk that the Group will not have sufficient funds available to meet its financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Treasury department collects information regarding the liquidity profile of the Bank's financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then maintains a portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained within the Bank as a whole.

All liquidity policies and procedures are subject to review and approval by Assets-Liabilities Management Committee (ALCO) which also regularly receives reports relating to the Bank's liquidity position.

Below table summarises undiscounted cash outflows of financial liabilities, these amounts will not reconcile to the amounts disclosed in the statement of financial position:

	31 December 2019	31 December 2018
On demand	261,677	242,782
Less than 3 months	1,448,775	1,271,864
3 to 6 months	107,716	7,186
6 to 12 months	438,376	199,725
1 to 5 years	274,011	433,451
Total	2,530,555	2,155,008

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.7 Liquidity risk and funding management (continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

At 31 December 2019	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
Financial assets						
Cash and cash equivalents	51,683	1,169,294	–	–	11	1,220,988
Investments carried at amortised cost	–	628	–	–	109,724	110,352
Financing assets	293,193	46,007	69,933	235,609	331,328	976,070
Equity investments	–	–	–	–	357,047	357,047
Financial assets held-for-sale	4,731	85,576	–	–	–	90,307
Other financial assets	48,841	–	–	–	–	48,841
Total financial assets	398,448	1,301,505	69,933	235,609	798,110	2,803,605
Financial liabilities and equity of unrestricted investment account holders						
Financing liabilities	–	135,051	–	–	–	135,051
Customers' balances	243,535	–	–	–	–	243,535
Other financial liabilities	17,985	–	–	–	70,858	88,843
Equity of unrestricted investment account holders	151	1,234,233	103,484	421,151	–	1,759,019
Financial liabilities held-for-sale	–	22,158	–	–	196,283	218,441
Total financial liabilities and equity of unrestricted investment account holders	261,671	1,391,442	103,484	421,151	267,141	2,444,889
Net liquidity gap	136,777	(89,937)	(33,551)	(185,542)	530,969	358,716
Net cumulative gap	136,777	46,840	13,289	(172,253)	358,716	
Contingent liabilities*	–	100,780	–	12,822	4,101	117,703
Commitments	–	11,250	11,250	23,769	–	46,269

*Contingent liabilities related to Sharia-compliant-risk-management instruments as disclosed in Note 27.

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AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.7 Liquidity risk and funding management (continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

At 31 December 2018	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
Financial assets						
Cash and cash equivalents	35,515	202,182	-	-	-	237,697
Investments carried at amortised cost	-	1,125	-	-	149,676	150,801
Financing assets	-	271,448	132,314	186,941	889,086	1,479,789
Accounts receivable	24,230	-	-	-	-	24,230
Equity investments	-	-	-	-	409,320	409,320
Financial assets held-for-sale	-	14,981	38,584	59,920	-	113,485
Other financial assets	39,080	-	-	-	-	39,080
Total financial assets	98,825	489,736	170,898	246,861	1,448,082	2,454,402
Financial liabilities and equity of unrestricted investment account holders						
Financing liabilities	138,309	271,918	-	-	-	410,227
Customers' balances	47,853	-	-	-	-	47,853
Other financial liabilities	56,497	14,695	7,186	3,138	2,115	83,631
Equity of unrestricted investment account holders	123	970,650	-	187,798	-	1,158,571
Financial liabilities of disposal groups classified as held-for-sale	-	-	-	-	431,336	431,336
Total financial liabilities and equity of unrestricted investment account holders	242,782	1,257,263	7,186	190,936	433,451	2,131,618
Net liquidity gap	(143,957)	(767,527)	163,712	55,925	1,014,631	322,784
Net cumulative gap	(143,957)	(911,484)	(747,772)	(691,847)	322,784	
Contingent liabilities*	90,307	-	35,088	345,802	349,134	820,331
Commitments	-	64,245	882	12,477	50,335	127,939

*Contingent liabilities related to Sharia-compliant-risk-management instruments as disclosed in Note 27.

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.8. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in market variables such as profit rates, foreign exchange rates, equity prices and commodities. The Group classifies exposures to market risk into either listed or non-listed corporate investments.

26.8.1. Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of the financial instruments. The Group's current exposure to profit rate risk is limited to the following:

- The Group's placement with the financial institutions (classified as 'Placements with financial institutions');
- The Group's investment portfolio of Sukuk (classified as "Investments at amortised cost");
- The Group's investments in murabaha (classified as "Financing assets"); and
- Amounts borrowed by the Group from financial institutions (classified as "Financing liabilities").

The following table demonstrates the sensitivity to a 100 basis point (bp) change in profit rates, with all other variables held constant. The effect of decreases in profit rate is expected to be equal and opposite to the effect of the increases shown.

	31 December 2019	Change in basis points (+/-)	Effect on net profit/loss (+/-)
Assets			
Placements with financial institutions	1,169,268	100	11,693
Investments carried at amortised cost	110,352	100	1,104
Financing assets	976,070	100	9,761
Liabilities and Equity of unrestricted investment account holders			
Financing liabilities	135,051	100	(1,351)
Financial liabilities of disposal group classified as held-for-sale	196,283	100	(1,963)
Equity of unrestricted investment account holders	1,759,019	100	(17,590)
			1,654

	31 December 2018	Change in basis points (+/-)	Effect on net profit/loss (+/-)
Assets			
Placements with financial institutions	202,182	100	2,022
Due from banks	-	100	-
Investments carried at amortised cost	150,801	100	1,508
Financing assets	1,479,789	100	14,798
Liabilities and Equity of unrestricted investment account holders			
Financing liabilities	410,227	100	(4,102)
Financial liabilities of disposal group classified as held-for-sale	376,811	100	(3,768)
Equity of unrestricted investment account holders	1,158,571	100	(11,586)
			(1,128)

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.8 Market risk (continued)

26.8.2 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to adverse changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored regularly to ensure that positions are maintained within established limits.

The table below indicates the currencies that are pegged to the Qatari Riyals and, hence the foreign exchange risk for the Group in respect of these currencies is minimal.

Currency	Exposure (QAR equivalent)	
	31 December 2019	31 December 2018
USD	759,171	142,967
USD pegged currencies	2,184	37,829

The table below shows the impact of a 5% movement in the currency rate, for other than those pegged to the Qatari Riyals, against the Qatari Riyals, with all other variables held constant on the consolidated income statement and the consolidated statement of changes in Owners' equity. The effect of decreases in the currency rates is expected to be equal and opposite to the effect of the increases shown.

Currency	Exposure (QAR equivalent)		Effect on net profit (+/-)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
GBP	1,710	6,069	86	303
EUR	1,349	(1,319)	67	(66)
JOD	-	-	-	-
TRY	-	59,920	-	2,996
KWD	32	32	2	2

26.8.3. Commodities price risk

The Group does not currently have commodities portfolios; hence it has no exposure to commodity price risks.

26.9. Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department facilitates the management of operational risk by way of assisting in the identification of, monitoring and managing of operational risk in the Bank. The Bank has Risk and Control Assessments and Key Risk Indicators in place for each department.

26.10. Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location or individual obligor.

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26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

26.11. Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements and that the Group maintains healthy capital ratios in order to support its business and to maximise Owners' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to Owners, return capital to Owners or issue new capital. The QFCRA sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements, the QFCRA requires the Group to maintain a minimum capital adequacy ratio as prescribed by the Islamic Banking Business Prudential Rules of 2015.

The Group's capital resources are divided into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and non-controlling interest after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes the fair value reserve relating to unrealised gains on equity instruments classified as investments at fair value through equity and currency translation reserve.

Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-financial position exposures.

The Group's policy is at all times to meet or exceed the capital requirements determined by the QFCRA. There have been no material changes in the Group's management of capital during the year.

The Group's capital adequacy ratio (the "CAR"), calculated in accordance with the capital adequacy guidelines issued by the QFCRA, is as follows:

	31 December 2019	31 December 2018
Total risk weighted assets	3,419,556	5,683,499
Share capital	700,000	2,000,000
Share premium	203	-
Retained earnings / (Accumulated losses)	2,885	(998,459)
Non-controlling interest	53,667	122,327
Intangible assets	(7,918)	(10,802)
Other regulatory adjustments	(353,544)	(79,561)
Total qualifying capital and reserve funds	395,293	1,033,505
Total capital resources expressed as a percentage of total risk weighted assets	11.56%	18.18%

The Bank is subject to minimum regulatory CAR of 12.5% (31 December 2018: 10.5%) comprising of Tier 1 and Tier 2 Capital Ratio of 8% (31 December: 8%), capital conservation buffer of 2.5% (31 December: 2.5%) and an ICAAP buffer of 2.0% (31 December: nil). As at 31 December 2019, the Bank was in temporary breach of the required 12.5% due to large exposures to Qatari banks, which was subsequently rectified. If the technicality of large exposure deductions to Qatari banks aren't taken into account, the Bank's CAR would stand at 18.24% as at 31 December 2019.

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27. SHARIA-COMPLIANT-RISK-MANAGEMENT INSTRUMENTS

27.1. Profit rate swap

Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal.

27.2. Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise execution dates, by exchanging the purchase/sale offers and acceptances between the relevant parties. The table below shows the positive and negative fair values of Sharia-compliant-risk-management financial instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the derivatives fair value.

	Positive fair value	Negative fair value	Notional amount	Less than 3 months	3 to 12 months	1 to 5 years
31 December 2019						
Profit rate swaps	280	(177)	120,120	–	–	120,120
Unilateral promise to buy/sell currencies	1,527	(11,890)	775,924	227,739	548,185	–
	1,807	(12,067)	896,044	227,739	548,185	120,120
	Positive fair value	Negative fair value	Notional amount	Less than 3 months	3 to 12 months	1 to 5 years
31 December 2018						
Profit rate swaps	(379)	170	120,120	–	–	120,120
Unilateral promise to buy/sell currencies	24,168	(769)	741,049	250,496	490,553	–
	23,789	(599)	861,169	250,496	490,553	120,120

Unrealised fair value gain/loss arising from Sharia-compliant-risk management instruments were recognized in these consolidation financial statements as required by IFRS; however, as per requirement of Sharia principles gains/losses are realised when actual transactions / settlements happen.

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28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are accounted for under the historical cost method with the exception of equity investments. By contrast, the fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices and the use of valuation techniques such as discounted cash flow analysis.

As at 31 December 2019, the carrying amounts of financial instruments approximated their fair values except for investment carried at amortised cost, whose fair value was QAR 109.9 million (31 December 2018: QAR 146.4 million).

28.1. Fair value hierarchy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
 - (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
 - (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).
- Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

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28. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

28.1 Fair value hierarchy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

	Note	Level 1	Level 2	Level 3	Total
31 December 2019					
<i>Equity investments</i>					
- at fair value through equity	8	-	-	38,106	38,106
- at fair value through income statement	8	2,784	-	316,157	318,941
Net gains and losses, recognised through consolidated income statement		349	-	(34,361)	(34,012)
31 December 2018					
<i>Equity investments</i>					
- at fair value through equity	8	-	-	31,195	31,195
- at fair value through income statement	8	2,435	-	375,690	378,125
Net gains and losses, recognised through consolidated income statement		(603)	-	(210,828)	(211,431)

Sharia-compliant-risk-management instruments related assets and liabilities, as disclosed in Note 27, belong to level 2 fair value hierarchy.

The fair values of financial assets and financial liabilities carried at amortised cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investments carried at amortised cost for which the fair value amounts to QAR 109.9 million (31 December 2018: QAR 146 million) is derived using Level 1 fair value hierarchy.

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28. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

28.1 Fair value hierarchy (continued)

Valuation technique used in the fair value measurement at 31 December 2019 and 2018 for level three investments included Discounted Cash flow and Market approach. The below table summarises the inputs used discounted cash flow technique:

	Valuation technique	Inputs used	Range of inputs	
			2019	2018
Investments at fair value through income statement	Discounted cash flows	Growth rate Discount rate	1% to 3% 11.9% to 14.9%	1% to 3% 10% to 14.9%

Movements in level 3 financial instruments

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

	At 1 January 2019	Total losses recorded in consolidated income statement	Additions	Sales/ transfers	At 31 December 2019
<i>Equity investments</i>					
- at fair value through equity	31,195	-	6,911	-	38,106
- at fair value through income statement	375,690	(34,361)	-	(25,172)	316,157
	406,885	(34,361)	6,911	(25,172)	354,263
	At 1 January 2018	Total gains recorded in consolidated income statement	Additions	Sales/ transfers	At 31 December 2018
<i>Equity investments</i>					
- at fair value through equity	26,288	-	4,907	-	31,195
- at fair value through income statement	894,128	(210,828)	-	(307,610)	375,690
	920,416	(210,828)	4,907	(307,610)	406,885

Transfers between level 1, level 2 and level 3

There were no transfers between the levels during the year ended 31 December 2019 (2018: none).

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28. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

28.1 Fair value hierarchy (continued)

The effect on the valuations due to possible changes in key variables used for valuations:

- **Growth rate:** Growth rates are assumed to be in range of 1% to 3% (2018: 1% to 3%) based on actual and expected performance of the investee. Should the growth rates increase / decrease by 1 percentage point (2018: 1 percentage point), the carrying value of the investments would be QAR 21.3 million higher / QAR 18.9 million lower (2018: QAR 23.8 million higher / QAR 19.6 million lower);
- **Discount rate:** The discount rates are assumed to be in range of 11.9%-14.9% (2018: 10%-14.9%) for different investments. Should these discount rates increase/decrease by 1 percentage point (2018: 1 percentage point), the carrying value of the investments would be QAR 30 million lower /QAR 35 million higher (2018: QAR 32.9 million lower/QAR 40.3 million higher);
- **Expected cash flows:** Amount of expected cash flows and timing thereof are key variables in valuation of the investments. Should the amount of expected cash flows increase/decrease by 1 percentage point (2018: 1 percentage point), the carrying value of the investments would be QAR 3.8 million higher/lower (2018: QAR 3.4 million higher/lower).

29. SEGMENT INFORMATION

For management purposes, the Group has three reportable segments, as described below. The reportable segments offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the reportable segments, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments:

Alternative Investments

The Group's alternative investments business segment includes direct investment in the venture capital business and real estate asset classes. Alternative investments business is primarily responsible to acquire large or significant stakes, with board representation, in well managed companies and assets that have strong, established market positions and the potential to develop and expand. The team works as partners with the management of investee companies to unlock value through enhancing operational and financial performance in order to maximize returns. This segment seeks investments opportunities in growth sectors within the GCC and MENA region, as well as Turkey and United Kingdom, but remains opportunistic to attractive investment propositions outside of the geographies identified.

Private Bank

The Group's private bank business segment includes private banking, corporate & institutional banking and treasury & investment management services. The Private banking department targets qualified High Net Worth clients with Sharia compliant up-market products and services that address personal, business and wealth requirements. The services offered under the private banking department includes advisory, deposit accounts, brokerage, funds and investments, treasury Forex products, plain vanilla & specialized financing and Elite services. The corporate & institutional banking department offers deposits accounts and plain vanilla & specialized financing solutions for corporates in Qatar, the GCC and the broader region for sectors and applications currently underserved by regional banks. The treasury department is offering short term liquid investments and FX products to banking clients, deploying the bank's liquidity as well as leading the product development and idea conceptualization function.

Other

Unallocated assets, liabilities and revenues are related to some central management and support functions of the Group.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management.

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29. SEGMENT INFORMATION

Segment assets and liabilities

The Group does not monitor segments on the basis of segment assets and liabilities and do not possess detailed information thereof. Consequently, disclosure of segment assets and liabilities are not presented in these consolidated financial statements.

Below is the information about operating segments:

	Alternative Investments	Private Bank	Other	Total
<i>For the year ended 31 December 2019</i>				
INCOME				
Income from financing assets	18,284	61,847	–	80,131
Fee income	10,192	22,128	–	32,320
Loss on re-measurement of investments at fair value through income statement	(34,360)	348	–	(34,012)
Dividend income	2,069	–	–	2,069
Profit on investments carried at amortised cost	–	9,223	–	9,223
Income from placements with financial institutions	–	7,121	–	7,121
Gain on disposal of investments carried at amortised cost	–	2,040	–	2,040
(Loss) / gain on disposal of equity investments	(805)	11,253	–	10,448
Gain on disposal of subsidiaries	1,255	–	–	1,255
Loss on early settlement of financing assets	–	(12,920)	–	(12,920)
Other income, net	(2,678)	(1,665)	8,878	4,535
Total Income Before Return To Unrestricted Investment Account Holders	(6,043)	99,375	8,878	102,210
Return to unrestricted investment account holders	–	(54,468)	–	(54,468)
TOTAL INCOME	(6,043)	44,907	8,878	47,742
EXPENSES				
Staff costs	(842)	(2,027)	(36,846)	(39,715)
Financing costs	(6,669)	(6,928)	–	(13,597)
Depreciation and amortization	(288)	(6,137)	(1,225)	(7,650)
Other operating expenses	(12,827)	(7,926)	(28,694)	(49,447)
TOTAL EXPENSES	(20,626)	(23,018)	(66,765)	(110,409)
Provision for impairment on financing assets, net	(94,429)	(83,785)	–	(178,214)
Provision for impairment on other financial assets, net	–	(28,964)	–	(28,964)
NET LOSS BEFORE INCOME TAX	(121,098)	(90,860)	(57,887)	(269,845)
Income tax expense	–	–	–	–
NET LOSS FROM CONTINUING OPERATIONS				
	(121,098)	(90,860)	(57,887)	(269,845)
DISCONTINUED OPERATIONS				
(Loss) / profit from discontinued operations, net of tax	(50,567)	19,711	–	(30,856)
NET LOSS	(171,665)	(71,149)	(57,887)	(300,701)

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AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

29. SEGMENT INFORMATION (Continued)

	Alternative Investments	Private Bank	Other	Total
<i>For the year ended 31 December 2018</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>
INCOME				
Income from financing assets	7,128	71,903	-	79,031
Fee income	-	15,899	-	15,899
Loss on re-measurement of investments at fair value through income statement	(210,828)	(603)	-	(211,431)
Dividend income	448	934	-	1,382
Profit on investments carried at amortised cost	-	8,897	-	8,897
Income from placements with financial institutions	-	14,791	-	14,791
Gain on disposal of investments carried at amortised cost	-	-	-	-
Loss on disposal of equity investments	(119,290)	-	-	(119,290)
Gain on disposal of subsidiaries	16,545	-	-	16,545
Other income	12,118	12,366	9,232	33,716
Total Income Before Return To Unrestricted Investment Account Holders	(293,879)	124,187	9,232	(160,460)
Return to unrestricted investment account holders	-	(58,929)	-	(58,929)
TOTAL INCOME	(293,879)	65,258	9,232	(219,389)
EXPENSES				
Staff costs	(4,600)	(14,474)	(39,486)	(58,560)
Other operating expenses	(10,585)	(8,579)	-	(19,164)
Financing costs	(321)	(6,429)	(2,971)	(9,721)
Depreciation and amortization	(3,560)	(8,553)	(33,791)	(45,904)
TOTAL EXPENSES	(19,066)	(38,035)	(76,248)	(133,349)
Provision for impairment on financing assets, net	(2,329)	(42,927)	-	(45,256)
Recovery of impairment on other financial assets, net	(2,792)	(10,386)	-	(13,178)
NET LOSS BEFORE INCOME TAX	(318,066)	(26,090)	(67,016)	(411,172)
Income tax expense	-	-	-	-
NET LOSS FROM CONTINUING OPERATIONS	(318,066)	(26,090)	(67,016)	(411,172)
DISCONTINUED OPERATIONS				
(Loss) / profit from discontinued operations, net of tax	(106,062)	7,142	-	(98,920)
NET LOSS	(424,128)	(18,948)	(67,016)	(510,092)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in QAR thousands unless otherwise stated)

29. SEGMENT INFORMATION (Continued)

Geographical segment information

The Group currently operates in two geographic markets namely Qatar and other countries. The following tables show the distribution of the Group's net income by geographical segments, based on the location in which the transactions are recorded during the year.

	Qatar	Others	Total
<i>For the year ended 31 December 2019</i>			
INCOME			
Income from financing assets	61,847	18,284	80,131
Fee income	22,128	10,192	32,320
Loss on re-measurement of investments at fair value through income statement	(26,132)	(7,880)	(34,012)
Dividend income	1,069	1,000	2,069
Profit on investments carried at amortised cost	5,262	3,961	9,223
Income from placements with financial institutions	7,121	-	7,121
Gain on disposal of investments carried at	-	2,040	2,040
(Loss) / gain on disposal of equity investments	11,253	(805)	10,448
Gain on disposal of subsidiaries	-	1,255	1,255
Loss on early settlement of financing assets	(12,920)	-	(12,920)
Other income, net	4,535	-	4,535
Total Income Before Return To Investment Account Holders	74,163	28,047	102,210
Return to unrestricted investment account holders	(54,468)	-	(54,468)
TOTAL INCOME	19,695	28,047	47,742
EXPENSES			
Staff costs	(39,715)	-	(39,715)
Financing costs	(6,928)	(6,669)	(13,597)
Depreciation and amortization	(7,650)	-	(7,650)
Other operating expenses	(49,447)	-	(49,447)
TOTAL EXPENSES	(103,740)	(6,669)	(110,409)
Provision for impairment on financing assets	(178,214)	-	(178,214)
Provision for impairment on other financial assets	(28,964)	-	(28,964)
NET LOSS FROM CONTINUING OPERATIONS	(291,223)	21,378	(269,845)
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of tax	(210)	(30,646)	(30,856)
NET LOSS	(291,433)	(9,268)	(300,701)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

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29. SEGMENT INFORMATION (Continued)

	Qatar	Others	Total
<i>For the year ended 31 December 2018</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>
INCOME			
Income from financing assets	71,903	7,128	79,031
Fee income	15,899	-	15,899
Loss on re-measurement of investments at fair value through income statement	(29,572)	(181,859)	(211,431)
Dividend income	448	934	1,382
Profit on investments carried at amortised cost	5,255	3,642	8,897
Income from placements with financial institutions	14,791	-	14,791
Gain on disposal of investments carried at amortised cost	-	(119,290)	(119,290)
Loss on disposal of equity investments	-	16,545	16,545
Gain on disposal of subsidiaries	-	-	-
Other income, net	33,689	27	33,716
Total Income Before Return To Investment Account Holders	112,413	(272,873)	(160,460)
Return to unrestricted investment account holders	(58,929)	-	(58,929)
TOTAL INCOME	53,484	(272,873)	(219,389)
EXPENSES			
Staff costs	(58,560)	-	(58,560)
Financing costs	(8,579)	(10,585)	(19,164)
Depreciation and amortization	(9,721)	-	(9,721)
Other operating expenses	(45,904)	-	(45,904)
TOTAL EXPENSES	(122,764)	(10,585)	(133,349)
Provision for impairment on financing assets	(42,927)	(2,329)	(45,256)
Provision for impairment on other financial assets	(13,178)	-	(13,178)
NET LOSS FROM CONTINUING OPERATIONS	(125,385)	(285,787)	(411,172)
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of tax	(50,535)	(48,385)	(98,920)
NET LOSS FOR THE YEAR	(175,920)	(334,172)	(510,092)

30. COMPARATIVES

30.1. Other reclassifications

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

30.2. Discontinued operations

As stated in Note 12.3 , the comparative figures presented have been reclassified due to subsidiary disposed during 2019. The impact of reclassification for year ended 31 December 2018 is presented below:

	As previously reported	Re classification	As reclassified
Revenue from non-banking activities	110,364	(110,364)	-
Expenses from non-banking activities	(145,356)	145,356	-
Gain / (loss) from discontinued operations, net of tax	(63,928)	(34,992)	(98,920)