CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

QATAR FIRST BANK L.L.C (Public)

30 June 2018

CONTENTS

KPMG L.L.C
(QFC No 00051)
25 C Ring Road
PO Box 4473, Doha
State of Qatar
Telephone: +974 4457 6444
Fax: 974 4442 5626
Website: www.kpmg.com.qa

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR FIRST BANK L.L.C (PUBLIC)

Introduction

We have reviewed the accompanying 30 June 2018 condensed consolidated interim financial statements of Qatar First Bank L.L.C (Public) ('the Bank') and its subsidiaries (together referred to as the 'Group'), which comprise:

- the condensed consolidated statement of financial position as at 30 June 2018;
- the condensed consolidated income statement for the three and six-month period ended 30 June 2018;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2018;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2018; and
- notes to the condensed consolidated interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with FAS issued by AAOIFI.

30 July 2018
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251
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Auditor's License No. 120153

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018 (expressed in QAR'000)

	Notes	30 June 2018 (Reviewed)	31 December 2017 (Audited)
ASSETS			
Cash and cash equivalents		527,139	372,029
Due from banks		-	477,218
Investments carried at amortised cost	4	164,001	156,205
Financing assets	5	1,348,435	1,490,186
Accounts receivable		330,510	315,272
Inventories		77,398	75,534
Equity investments	6	472,294	923,454
Investments in real estate		240,471	243,710
Fixed assets		186,447	189,483
Intangible assets		19,683	18,206
Assets classified as held-for-sale	7	760,160	570,866
Other assets		141,861	126,346
TOTAL ASSETS		4,268,399	4,958,509
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY			
Liabilities			
Financing liabilities	8	873,753	812,975
Customers' balances		43,887	99,976
Liabilities of disposal group classified as held-for-sale		391,571	362,132
Other liabilities		292,424	272,762
Total Liabilities		1,601,635	1,547,845
Equity of Unrestricted Investment Account Holders	9	1,440,469	1,713,793
Equity			
Share capital	10	2,000,000	2,000,000
Accumulated losses		(870,425)	(470,014)
Total Equity Attributable to Shareholders of the Bank		1,129,575	1,529,986
Non-controlling interest		96,720	166,885
Total Equity		1,226,295	1,696,871
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY		4,268,399	4,958,509

These condensed consolidated interim financial statements were authorised for issuance by the Board of Directors on 30 July 2018 and signed on its behalf by:

Abdulla bin Fahad bin Ghorab Al Marri
Chairman

Ibrahim Mohamed Jaidah
Board Member

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

QATAR FIRST BANK L.L.C (Public)

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three and six-month periods ended 30 June 2018 (expressed in QAR'000)

	Notes	For the three-month period ended 30 June 2018 (Reviewed)	For the three-month period ended 30 June 2017 (Reviewed)	For the six-month period ended 30 June 2018 (Reviewed)	For the six-month period ended 30 June 2017 (Reviewed)
CONTINUING OPERATIONS					
INCOME					
Revenue from non-banking activities	11	90,233	92,214	173,885	181,943
Loss on re-measurement ofinvestments at fair value through income statement	6.2	(290,711)	(20,774)	(290,447)	(19,186)
Dividend income		448	2,615	448	7,486
Profit on investments carried at amortised cost		2,082	5,997	3,858	13,588
Gain on disposal of investments carried at amortised cost		-	683	362	246
Gain on disposal of equity investments		-	-	-	1,749
Income from financing assets		15,664	20,165	35,921	41,212
Income from placements with financial institutions		3,614	7,572	9,818	16,351
Other income / (loss)		30,999	(22,329)	27,890	(13,987)
Total Income Before Return To Unrestricted Investment Account Holders		(147,671)	86,143	(38,265)	229,402
Return to unrestricted investment account holders		(13,815)	(22,836)	(30,851)	(44,610)
TOTAL INCOME		(161,486)	63,307	(69,116)	184,792
EXPENSES					
Expenses from non-banking activities	11	(112,429)	(91,078)	(206,580)	(180,421)
Staff costs		(13,672)	(22,232)	(26,187)	(39,808)
Other operating expenses		(10,717)	(11,011)	(20,157)	(24,383)
Financing costs		(4,547)	(5,519)	(9,885)	(11,259)
Depreciation and amortisation		(2,406)	(2,454)	(4,819)	(5,576)
TOTAL EXPENSES		(143,771)	(132,294)	(267,628)	(261,447)
Provision for impairment on financing assets, net of recoveries	3.1.3	(29,660)	2,010	(35,447)	(70)
Recovery of provision for impairment on other financial assets	3.1.3	2,123	-	2,123	-
NET LOSS BEFORE INCOME TAX		(332,794)	(66,977)	(370,068)	(76,725)
Income tax expense		-	-	-	-
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(332,794)	(66,977)	(370,068)	(76,725)
DISCONTINUED OPERATIONS					
Profit from discontinued operations, net of tax		1,391	-	3,820	-
NET LOSS FOR THE PERIOD		(331,403)	(66,977)	(366,248)	(76,725)
Attributable to:					
Equity holders of the Bank		(325,231)	(67,114)	(353,871)	(76,675)
Non-controlling interest		(6,172)	137	(12,377)	(50)
		(331,403)	(66,977)	(366,248)	(76,725)
Basic / diluted loss per share - QAR	12	(1.63)	(0.33)	(1.77)	(0.38)

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

For the six-month period ended 30 June 2018 (expressed in QAR'000)

	Notes	Share capital	Fair value reserves: Investment fair value reserve	Fair value reserves: Property fair value reserve	Accumulated losses	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2017		2,000,000	(5,079)	4,518	(200,754)	1,798,685	76,366	1,875,051
Fair value adjustment		-	18,708	-	-	18,708	-	18,708
Net loss for the period		-	-	-	(76,675)	(76,675)	(50)	(76,725)
Increase in non-controlling interests due to:								
- Real Estate Structures		-	-	-	-	-	45,666	45,666
Balance at 30 June 2017 (Reviewed)		2,000,000	13,629	4,518	(277,429)	1,740,718	121,982	1,862,700
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	3.1	-	-	-	(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 period (Reviewed)		-	-	-	(353,871)	(353,871)	(12,377)	(366,248)
Increase in non-controlling interests due to:								
- Real Estate Structures	7	-	-	-	-	-	(55,469)	(55,469)
Balance at 30 June 2018 (Reviewed)		2,000,000	-	-	(870,425)	1,129,575	96,720	1,226,295

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

For the six-month period ended 30 June 2018 (expressed in QAR'000)

	Notes	For the six-month period ended 30 June 2018 (Reviewed)	30 June 2017 (Reviewed)
OPERATING ACTIVITIES			
Net loss for the period		(366,248)	(76,725)
Adjustments for non-cash items in net loss			-
Depreciation and amortisation		13,996	15,916
Unrealised loss on equity investments	*6.2*	290,447	19,186
Unrealised profit on Sharia-compliant risk management instruments, net		(14,856)	11,547
Provision for impairment on financing assets	*5*	35,447	70
Recovery of provision for impairment on other financial assets		(2,254)	-
Other (recovery) / provisions, net		7,474	15,567
		(35,994)	(14,439)
Changes in:			
Due from banks		477,218	245,000
Investments carried at amortised cost		(8,442)	211,904
Financing assets		75,979	(38,852)
Accounts receivable		(35,323)	(70,004)
Inventories		(1,864)	(28,915)
Equity investments		(4,907)	63,752
Investments in real estate		3,239	2,597
Assets classified as held-for-sale		(23,674)	(276,573)
Other assets		(15,515)	(40,827)
Customers' balances		(56,089)	93,326
Liabilities of disposal group classified as held-for-sale		29,439	188,909
Other liabilities		31,495	13,415
Net cash from operating activities		435,562	349,293
INVESTING ACTIVITIES			
Purchase of fixed and intangible assets		(12,438)	(29,761)
Net cash used in investing activities		(12,438)	(29,761)
FINANCING ACTIVITIES			
Net change in financing liabilities		60,778	(511,064)
Net change in equity of unrestricted investment account holders		(273,324)	(112,254)
Net change in non-controlling interest		(55,469)	45,666
Net cash used in financing activities		(268,015)	(577,652)
Net increase / (decrease) in cash and cash equivalents		155,109	(258,120)
Cash and cash equivalents at the beginning of the period		372,029	1,113,796
Cash and cash equivalents at the end of the period		527,138	855,676

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

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 condensed consolidated interim financial statements of the Bank for the six-month period ended 30 June 2018 comprise of the Bank's and its subsidiaries' (together referred to as "the Group" and individually as "Group entities") results. 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 30 June 2018 and 31 December 2017:

Subsidiaries	Activity	Effective ownership as 30 June 2018	31 December 2017	Year of incorpo-ration	Country
Al Wasita Emirates for Catering Services LLC	Catering	81.9%	81.9%	2008	UAE
Future Card Industries LLC	Manufacturing	71.3%	71.3%	2012	UAE
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	49.2%	63.7%	2017	Jersey
Astor Properties Holdings Limited.	Holding company	49.2%	63.7%	2017	Jersey
Umm Slal for Accommodation LLC	Construction	70.0%	70.0%	2017	Qatar
Kennedy Flats Property Corp.	Owning and leasing real estate	99.1%	-	2018	USA
LEI-BFQ Kennedy Flats LLC	Leasing real estate	99.1%	-	2018	USA

2. BASIS OF PREPARATION

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

The condensed consolidated interim financial statements do not contain all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017. In addition, results for the six-month period ended 30 June 2018 are not necessarily indicative of results that may be expected for the financial year ending 31 December 2018.

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

The condensed consolidated interim 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.

Judgement and estimates

The preparation of the condensed consolidated interim 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.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the annual consolidated financial statements as at 31 December 2017 except for early adoption of FAS 30 as disclosed in Note 3.1.1.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for following:

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. 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.

For the purpose of this standard, the assets and exposures shall be categorized, as under:

a) Assets and exposures subject to credit risk (subject to credit losses approach):
   (i) Receivables; and
   (ii) Off-balance sheet exposures;
b) Inventories (subject to net realizable value approach);
c) Other financing and investment assets and exposures subject to risks other than credit risk (subject to impairment approach), excluding inventories.

Credit losses approach for receivables and off balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss.

FAS 30 introduces the credit losses approach with a forward-looking 'expected credit loss' model. The new impairment model will apply to financial assets which are subject to credit risk. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

Inventories are measured at lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, considering the factors specific to the institution.

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.1.1. Impact of early adoption FAS 30

As permitted by transitional provision of FAS 30, the Group elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets at the date of transition were recognized in opening accumulated losses and non-controlling interest of the current period.

The impact of early adoption of FAS 30 is illustrated in below table:

		FAS 30 impact		
	Balance at 1 January 2018	Accumu-lated losses	Non-controlling interest	Balance at 1 January 2018 (Restated)
Provision for on-balance sheet				
Cash and cash equivalents	372,029	(90)	-	371,939
Due from banks	477,218	(25)	-	477,193
Investments carried at amortised cost	156,205	(295)	-	155,910
Financing assets	1,490,186	(30,325)	-	1,459,861
Accounts receivable	315,272	(10,292)	(2,319)	302,661
Total	2,810,910	(41,027)	(2,319)	2,767,564
Provision for off-balance sheet instruments				
Letters of guarantee	-	(4,792)	-	(4,792)
Unutilised credit facilities	-	(721)	-	(721)
Total	-	(5,513)	-	(5,513)
TOTAL PROVISION FOR FINANCIAL INSTRUMENTS	2,810,910	(46,540)	(2,319)	2,762,051

3.1.2. Changes in Accounting Policies and Significant Estimates and Judgments

Key changes in the Group's accounting policy for impairment of financial assets and off balance sheet instruments bearing credit risks are listed below:

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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stage 1: 12 months expected credit losses ("ECL")

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognized for financial assets not meeting the criteria of 30 days delay in contractual payments through collective allowance.

Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired and having equal to or more than 30 days delay but less than 90 days delay in contractual payments or meeting other qualitative indicators like significant deterioration of credit rating or breach of covenants a lifetime ECL is recognised through collective allowance.

Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred and having equal to or more than 90-day delay in contractual payments. As this uses the same criteria as under FAS 11, the Group's methodology for specific provisions remains largely unchanged.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

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

- Any facility that is overdue by more than 30 days;
- Any obligor that is downgraded to a credit rating equivalent to CCC+ or below; and
- Any facility that has been restructured in the previous 12 months

Credit risk grades

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

Generating the term structure of Probability of Default (PD)

The Group employs Standard & Poor's statistical models to 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 taken exposures.

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1.3. Expected credit loss / Impairment allowances

Exposure subject to ECL	Stage 1	Stage 2	Stage 3	Total
Cash equivalents	521,671	-	-	521,671
Investments carried at amortised cost	164,001	-	-	164,001
Financing assets	667,232	642,395	175,157	1,484,784
Accounts receivable	-	-	330,510	330,510
Off balance sheet exposures subject to credit risk	12,007	28,315	1,391	41,713
Total	1,364,911	670,710	507,058	2,542,679

	Stage 1	Stage 2	Stage 3	Total
Expected credit loss / Impairment allowances				
Opening Balance - as at 1 January 2018*				
Cash and cash equivalents	90	-	-	90
Due from banks	25	-	-	25
Investments carried at amortised cost	295	-	-	295
Financing assets	908	24,032	75,962	100,902
Accounts receivable	-	-	28,413	28,413
Off balance sheet exposures subject to credit risk	2,296	1,740	1,477	5,513
	3,614	25,772	105,852	135,238
Charge for the period (net)				
Cash and cash equivalents	131	-	-	131
Due from banks	(25)	-	-	(25)
Investments carried at amortised cost	351	-	-	351
Financing assets	1,994	13,403	20,050	35,447
Accounts receivable	-	-	7,474	7,474
Off balance sheet exposures subject to credit risk	(2,215)	279	(644)	(2,580)
	236	13,682	26,880	40,798
Expected credit loss / Impairment allowances				
Closing Balance - as at 30 June 2018				
Cash and cash equivalents	221	-	-	221
Due from banks	-	-	-	-
Investments carried at amortised cost	646	-	-	646
Financing assets	2,902	37,435	96,012	136,349
Accounts receivable	-	-	35,887	35,887
Off balance sheet exposures subject to credit risk	81	2,019	833	2,933
	3,850	39,454	132,732	176,036

**The Bank had specific and collective provisions of QAR 79.8 million and QAR 5.7 million, respectively, as at 31 December 2017.*

Had the Bank implemented FAS 30 during the period ended 31 March 2018, the net loss for the period ended 31 March 2018 as reported in the condensed consolidated interim financial statements would have been higher by QAR 20 million.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. New standards, amendments and interpretations

3.2.1. New accounting standards, amendments and interpretations that are issued and effective from 1 January 2018

There were no new accounting standards, amendments and interpretations that are issued and effective from 1 January 2018.

3.2.2. New accounting standards, amendments and interpretations that are issued but not yet effective

FAS 28 - Murabaha and other deferred payment sales

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures to apply in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers for such transactions. This standard supersedes the earlier FAS No. 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS No. 20 "Deferred Payment Sale". This standard applies to accounting for Murabaha and other deferred payment sales transaction carried out under Shari'ah principles, excluding Tawarruq and commodity murabaha transactions.

This standard shall be effective for the financial periods beginning on or after 1 January 2019. Early adoption of the standard is permitted.

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.

FAS 30 – Impairment, credit losses and onerous commitments

AAOIFI has issued FAS 30 Impairment, Credit losses and onerous commitments in 2017, which effective from the financial periods beginning on or after 1 January 2020. As mentioned in Note 3.1, the Group has early adopted FAS 30.

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

4. INVESTMENTS CARRIED AT AMORTISED COST

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Investments in sukuk	165,620	156,520
Unamortised (discounts) / premiums, net	(973)	(315)
Provision for impairment	(646)	-
	164,001	156,205

As at 30 June 2018, QAR 164 million investments in sukuk were pledged against certain murabaha financing liabilities (31 December 2017: nil). For details on provision for impairment refer to Note 3.1.3.

5. FINANCING ASSETS

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Murabaha financing	1,648,240	1,722,919
Ijarah receivable	25,977	38,857
Others	-	194
Total financing assets	1,674,217	1,761,970
Deferred profit	(189,433)	(201,207)
Provision for impairment on financing assets	(136,349)	(70,577)
Net financing assets	1,348,435	1,490,186

For details on provision for impairment refer to Note 3.1.3.

6. EQUITY INVESTMENTS

	Notes	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Investments at fair value through equity	*6.1*	31,195	26,288
Investments at fair value through income statement	*6.2*	441,099	897,166
		472,294	923,454

As at 30 June 2018, equity investments with a carrying amount of QAR 40 million were pledged against certain murabaha financing liabilities.

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

6 EQUITY INVESTMENTS (Continued)

6.1. Investments at fair value through equity

Investments at fair value through equity comprise of only unquoted equity securities of QAR 31.2 million as at 30 June 2018 (31 December 2017: QAR 26.3 million) that are carried at cost less impairment in the absence of reliable measure of fair value.

6.2. Investments at fair value through income statement

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

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Investment type		
Venture capital investments	279,149	734,140
Other investments at fair value through income statement	161,950	163,026
	441,099	897,166

Movements in equity investments are as follows:

	30 June 2018			31 December 2017		
	Investments at fair value through equity (Reviewed)	Investments at fair value through income statement (Reviewed)	Total (Reviewed)	Investments at fair value through equity (Audited)	Investments at fair value through income statement (Audited)	Total (Audited)
At the beginning of period/year	26,288	897,166	923,454	147,580	1,028,580	1,176,160
Additions	4,907		4,907	-	5,394	5,394
Disposal		-	-	(121,292)	(80,642)	(201,934)
Transfer	-	(165,620)	(165,620)	-	86,253	86,253
Fair value adjustments	-	(290,447)	(290,447)	-	(142,419)	(142,419)
At the end of the period/year	31,195	441,099	472,294	26,288	897,166	923,454

Loss on remeasurement of investments at fair value through income statement for the six-month period ended 30 June 2018 was a loss of QAR 290 million (for the six-month period ended 30 June 2017: a loss of QAR 19 million).

7. ASSETS CLASSIFIED AS HELD-FOR-SALE

7.1. 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.

7.1.1. US Real Estate Structures

During 2017 the Bank entered into a structure to invest indirectly to acquire 95% in real estate property in the United States of America (the "Jefferson flats") and during the second quarter of 2018, the Bank entered into another structure to acquire 99.1% stake in real estate (the "Kennedy flats") (together referred as "US Real Estate Structures"). These US real estate properties thereafter are leased under Ijara terms.

During the period, the Bank sold a 90% stake out of 95% in the Jefferson flats to its investors. As a result of ceasing its control over Jefferson flats, the Bank de-consolidated Jefferson flats in condensed consolidated interim financial statements

7.1.2. 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 option to acquire the underlying real estate.

During the period, the Bank sold a 50.8% stake out of 100% in the UK Real Estate Structure to its investors.

Real estate properties with a carrying value of QAR 573 million and related financing of QAR 380 million related to Kennedy flats and UK Real Estate Structure have been recorded on the Bank's condensed consolidated statement of financial position. The financings of these SPVs related to the real estate property have no recourse to the Bank.

7.2. Equity investment held-for-sale

During July 2018, the Bank signed a sale purchase agreement subject to conditions precedent to sell its investments in Turkey for a series of installments, accordingly the Bank had classified and presented these investments having fair value of QAR 166 million in assets held-for-sale in the condensed consolidated interim financial statements for the year ended 30 June 2018.

As at 30 June 2018, equity investments held-for-sale with a carrying amount of QAR 66 million were pledged against certain murabaha financing liabilities.

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

8. FINANCING LIABILITIES

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Accepted wakala deposits	275,119	305,393
Murabaha finance	578,866	487,351
Ijara financing	19,768	20,231
	873,753	812,975

The Group has breached certain debt covenants stipulated in their financing liabilities contracts, whose carrying amount was QAR 460 million as at 30 June 2018. The Group management is currently discussing with the related banks to renegotiate terms.

9. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Term accounts	1,430,873	1,702,980
Profit payable to unrestricted equity of investment account holders	9,596	10,813
	1,440,469	1,713,793

10. SHARE CAPITAL

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Authorized		
250,000,000 ordinary shares (2017: 250,000,000 ordinary shares) of QAR 10 each	2,500,000	2,500,000
Issued and paid		
200,000,000 ordinary shares (2017: 200,000,000 ordinary shares) of QAR 10 each	2,000,000	2,000,000

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

11. REVENUE AND EXPENSES FROM NON-BANKING ACTIVITIES

	30 June 2018 (Reviewed)	30 June 2017 (Reviewed)
Sales	173,932	181,010
Other income	(47)	933
Revenue from non-banking activities	173,885	181,943
Cost of sales	(155,049)	(142,919)
Other expenses	(38,810)	(26,749)
Finance costs	(12,721)	(10,753)
Expenses from non-banking activities	(206,580)	(180,421)
Net (loss) / income from non-banking activities	(32,695)	1,522

12. BASIC / DILUTED LOSS PER SHARE

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

	30 June 2018 (Reviewed)	30 June 2017 (Reviewed)
Basic loss per share		
Net loss attributable to the equity holders of the Bank	(353,871)	(76,675)
Total weighted average number of shares	200,000	200,000
Basic loss per share (QAR)	(1.77)	(0.38)

Since there is no significant dilutive impact, basic loss per share equal the dilutive loss per share.

13. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the period / year end:

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Letters of guarantee	37,802	202,601
Unutilised credit facilities	3,911	40,589
	41,713	243,190

For details on provision for impairment refer to Note 3.1.3. Contingent liabilities related to Sharia-compliant-risk-management instruments, representing notional amounts, amounted to QAR 709 million (31 December 2017: QAR 1,061 million).

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

14. COMMITMENTS

	30 June 2018 (Reviewed)	31 December 2017 (Audited)
Commitment for operating lease		
Later than one year	23,625	50,335
No later than one year	24,473	26,547
	48,098	76,882
Investment related commitment	-	48,206
Commitment for operating and capital expenditure	1,602	2,851
	49,700	127,939

15. 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:

	30 June 2018 (Reviewed)		
	Affiliated entities/ directors	Associates	Total
a) Condensed consolidated statement of financial position			
Financing assets	7,344	82,745	90,089
Other assets	6,713	-	6,713
b) Condensed consolidated income statement			
Income from financing assets	328	3,722	4,050

The balances of related parties as at 31 December 2017 are as follows:

	31 December 2017 (Audited)		
	Affiliated entities/ directors	Associates	Total
a) Condensed consolidated statement of financial position			
Financing assets	7,021	121,728	128,749
Other assets	12,424	-	12,424
Other liabilities	13,723	-	13,723

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

15. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

Transactions with related parties for the corresponding period of six-month period ended 30 June 2017 are as follows:

	30 June 2017 (Reviewed)		
	Affiliated entities/ directors	Associates	Total
b) Condensed consolidated income statement			
Income from financing assets	72	3,461	3,533
Dividend income	-	4,871	4,871
Other income	3,517	-	3,517

Key management compensation is presented below:

	30 June 2018	30 June 2017
c) Compensation of key management personnel	**(Reviewed)**	(Reviewed)
Senior management personnel	**10,369**	17,236
Directors' remuneration	**-**	-
Shari'a Supervisory Board remuneration	**240**	268
	10,609	17,504

16. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value profit rate risk, cash flow profit rate risk and price risk), credit risk and liquidity risk. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017. There have been no significant changes, except for below:

16.1. Changes to Groups financial risk management objectives and policies

Credit Risk Measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under the FAS 30 as detailed in note 3.1.2.

Credit risk grading

The Group uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

16. FINANCIAL RISK MANAGEMENT (Continued)

Credit quality assessments

Pursuant to the adoption of the FAS 30, the Group has mapped its internal credit rating scale to Standard and Poor's rating scale, the table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on Standard and Poor's s ratings (or their equivalent) as at 30 June 2018:

Rating grade	Cash and cash equiva-lents	Invest-ments carried at amortised cost	Financing assets	Accounts receivab-le	Other financial assets	Total
AAA to A-	526,944	30,748	-	-	-	557,692
BBB to B+	195	133,253	664,331	-	12,003	809,782
CCC+ to CCC-	-	-	678,839	-	29,710	708,549
D	-	-	5,265	-	-	5,265
Unrated	-	-	-	330,510	-	330,510
Total	527,139	164,001	1,348,435	330,510	41,713	2,411,798

17. 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. Set out below is a comparison of the carrying amounts and fair values of financial instruments:

		30 June 2018	
	Notes	Carrying Amount	Fair Value
Financial Assets:			
Cash and cash equivalents		527,139	527,139
Investments carried at amortised cost	*4*	164,001	142,135
Financing assets	*5*	1,348,435	1,348,435
Accounts receivable		330,510	330,510
Equity investments	*6*	472,294	472,294
Other assets		141,861	141,861
		2,984,240	2,962,374
Financial Liabilities:			
Financing liabilities	*8*	873,753	873,753
Customers' balances		43,887	43,887
Other liabilities		292,424	292,424
Equity of unrestricted investment account holders	*9*	1,440,469	1,440,469
		2,650,533	2,650,533

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Notes	31 December 2017 Carrying Amount	31 December 2017 Fair Value
Financial Assets:			
Cash and cash equivalents		372,029	372,029
Due from banks		477,218	477,218
Investments carried at amortised cost	*4*	156,205	146,224
Financing assets	*5*	1,490,186	1,490,186
Accounts receivable		315,272	315,272
Equity investments	*6*	923,454	923,454
Other financial assets		58,401	58,401
		3,792,765	3,782,784
Financial Liabilities:			
Financing liabilities	*8*	812,975	812,975
Customers' balances		99,976	99,976
Other liabilities		241,438	241,438
Equity of unrestricted investment account holders	*9*	1,713,793	1,713,793
		2,868,182	2,868,182

17.1. 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
30 June 2018 (Reviewed)					
Equity investments					
- at fair value through equity	*6.1*	-	-	31,195	31,195
- at fair value through income statement	*6.2*	-	-	441,099	441,099
Net gains and losses, recognized through condensed consolidated income statement		-	-	(290,447)	(290,447)

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Note	Level 1	Level 2	Level 3	Total
31 December 2017 (Audited)					
Equity investments					
- at fair value through equity	*6.1*	-	-	26,288	26,288
- at fair value through income statement	*6.2*	3,038	-	894,128	897,166
30 June 2017 (Reviewed)					
Net gains and losses included in the condensed consolidated statement of changes in equity		18,708	-	-	18,708
Net gains and losses, recognized through condensed consolidated income statement		-	-	(19,186)	(19,186)

Sharia-compliant-risk management instruments for which fair value amounts to QAR 11.6 million (31 December 2017: negative QAR 2.9 million) is derived using Level 2 fair value hierarchy. The valuation techniques and key assumptions have remained consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2017.

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table. However, investments carried at amortised cost for which the fair value amounts to QAR 142 million (31 December 2017: QAR 146 million) is derived using Level 1 fair value hierarchy.

18. SEGMENT INFORMATION

For management purposes, the Group has three reportable segments, as described below:

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.

18. SEGMENT INFORMATION (Continued)

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 and specialized financing. 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.

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 condensed consolidated interim financial statements.

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

18. SEGMENT INFORMATION (Continued)

Below is the information about operating segments:

For the period ended 30 June 2018 (Reviewed)	Alternative Invest-ments	Private Bank	Other	Total
INCOME				
Revenue from non-banking activities	173,885	-	-	173,885
Loss on re-measurement of investments at fair value through income statement	(290,447)	-	-	(290,447)
Dividend income	448	-	-	448
Profit on investments carried at amortised cost	-	3,858	-	3,858
Gain on disposal of investments carried at amortised cost	-	362	-	362
Income from financing assets	3,722	32,199	-	35,921
Income from placements with financial institutions	-	9,818	-	9,818
Other income / (loss)	-	27,976	(86)	27,890
Total Income Before Return To Unrestricted Investment Account Holders	(112,392)	74,213	(86)	(38,265)
Return to unrestricted investment account holders	-	(30,851)	-	(30,851)
TOTAL INCOME	(112,392)	43,362	(86)	(69,116)
EXPENSES				
Expenses from non-banking activities	(206,580)	-	-	(206,580)
Staff costs	(3,167)	(8,201)	(14,819)	(26,187)
Other operating expenses	(1,295)	(4,377)	(14,485)	(20,157)
Financing costs	(5,214)	(4,671)	-	(9,885)
Depreciation and amortization	(155)	(3,165)	(1,499)	(4,819)
TOTAL EXPENSES	(216,411)	(20,414)	(30,803)	(267,628)
Recovery / (Provision) for impairment on financing assets, net of recoveries	799	(36,246)	-	(35,447)
Provision for impairment on other financial assets	-	2,123	-	2,123
NET LOSS BEFORE INCOME TAX	(328,004)	(11,175)	(30,889)	(370,068)
Income tax expense	-	-	-	-
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS	(328,004)	(11,175)	(30,889)	(370,068)
DISCONTINUED OPERATIONS				
Profit from discontinued operations, net of tax	-	3,820	-	3,820
NET LOSS FOR THE PERIOD	(328,004)	(7,355)	(30,889)	(366,248)

As at and for the six-month period ended 30 June 2018 (expressed in QAR'000)

18. SEGMENT INFORMATION (Continued)

For the period ended 30 June 2017 (Reviewed)	Alternative Investments	Private Bank	Other	Total
INCOME				
Revenue from non-banking activities	181,943	-	-	181,943
Loss on re-measurement of investments at fair value through income statement	(19,186)	-	-	(19,186)
Dividend income	7,486	-	-	7,486
Profit on investments carried at amortised cost	-	13,588	-	13,588
Gain on disposal of investments carried at amortised cost	-	246	-	246
Gain on disposal of equity investments	1,749	-	-	1,749
Income from financing assets	3,461	37,751	-	41,212
Income from placements with financial institutions	-	16,351	-	16,351
Other (loss) / income	(24,277)	5,580	4,710	(13,987)
Total Income Before Return To Unrestricted Investment Account Holders	151,176	73,516	4,710	229,402
Return to unrestricted investment account holders	-	(44,610)	-	(44,610)
TOTAL INCOME	151,176	28,906	4,710	184,792
EXPENSES				
Expenses from non-banking activities	(180,421)	-	-	(180,421)
Staff costs	(8,728)	(9,086)	(21,994)	(39,808)
Other operating expenses	(3,958)	(6,389)	(14,036)	(24,383)
Financing costs	(4,619)	(6,640)	-	(11,259)
Depreciation and amortization	(169)	(3,295)	(2,112)	(5,576)
TOTAL EXPENSES	(197,895)	(25,410)	(38,142)	(261,447)
Provision for impairment on financing assets	(616)	546	-	(70)
NET PROFIT/(LOSS) BEFORE INCOME TAX	(47,335)	4,042	(33,432)	(76,725)
Income tax expense	-	-	-	-
NET PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	(47,335)	4,042	(33,432)	(76,725)

19. COMPARATIVE FIGURES

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