CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

QATAR FIRST BANK L.L.C (Public)

31 March 2018

CONTENTS

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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 31 March 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 31 March 2018;
- the condensed consolidated income statement for the three-month period ended 31 March 2018;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2018;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 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 31 March 2018 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with FAS issued by AAOIFI.

29 April 2018
Doha
State of Qatar

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

As at 31 March 2018 (expressed in QAR'000)

بنك قطر الأول
QFB

	Notes	31 March 2018 (Reviewed)	31 December 2017 (Audited)
ASSETS			
Cash and cash equivalents		736,348	372,029
Due from banks		287,564	477,218
Investments carried at amortised cost	4	119,682	156,205
Financing assets	5	1,469,204	1,490,186
Accounts receivable		327,195	315,272
Inventories		80,218	75,534
Equity investments	6	928,625	923,454
Investments in real estate		240,342	243,710
Fixed assets		183,976	189,483
Intangible assets		20,764	18,206
Assets of disposal group classified as held-for-sale	7	290,902	570,866
Other assets		141,015	126,346
TOTAL ASSETS		4,825,835	4,958,509
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY			
Liabilities			
Financing liabilities	8	780,729	812,975
Customers' balances		34,464	99,976
Liabilities of disposal group classified as held-for-sale		225,448	362,132
Other liabilities		251,472	272,762
Total Liabilities		1,292,113	1,547,845
Equity of Unrestricted Investment Account Holders	9	1,927,632	1,713,793
Equity			
Share capital	10	2,000,000	2,000,000
Accumulated losses		(498,654)	(470,014)
Total Equity Attributable to Shareholders of the Bank		1,501,346	1,529,986
Non-controlling interest		104,744	166,885
Total Equity		1,606,090	1,696,871
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY		4,825,835	4,958,509

These condensed consolidated interim financial statements were authorised for issuance by the Board of Directors on 29 April 2018 and signed on its behalf by:

Abdulla bin Fahad bin Ghorab Al Marri
Chairman

Jassim Mohammad Al-Kaabi
Board Member

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

For the three-month period ended 31 March 2018 (expressed in QAR'000)

QFB

	Notes	For the three-month period ended 31 March 2018 (Reviewed)	31 March 2017 (Reviewed)
CONTINUING OPERATIONS			
INCOME			
Revenue from non-banking activities	*11*	83,652	89,729
Gain on re-measurement of investments at fair value through income statement	*6.2*	264	1,588
Dividend income		-	4,871
Profit on investments carried at amortised cost		1,776	7,591
Gain / (loss) on disposal of investments carried at amortised cost		362	(437)
Gain on disposal of equity investments		-	1,749
Income from financing assets		20,257	21,047
Income from placements with financial institutions		6,204	8,779
Other (loss) / income		(3,109)	8,342
Total Income Before Return To Unrestricted Investment Account Holders		109,406	143,259
Return to unrestricted investment account holders		(17,036)	(21,774)
TOTAL INCOME		92,370	121,485
EXPENSES			
Expenses from non-banking activities	*11*	(94,151)	(89,343)
Staff costs		(12,515)	(17,576)
Other operating expenses		(9,440)	(13,372)
Financing costs		(5,338)	(5,740)
Depreciation and amortisation		(2,413)	(3,122)
TOTAL EXPENSES		(123,857)	(129,153)
Provision for impairment on financing assets, net of recoveries	*5*	(5,787)	(2,080)
NET LOSS BEFORE INCOME TAX		(37,274)	(9,748)
Income tax expense		-	-
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(37,274)	(9,748)
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of tax		2,429	-
NET LOSS FOR THE PERIOD		(34,845)	(9,748)
Attributable to:			
Equity holders of the Bank		(28,640)	(9,561)
Non-controlling interest		(6,205)	(187)
		(34,845)	(9,748)
Basic / diluted loss per share - QAR	*12*	(0.14)	(0.05)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three-month period ended 31 March 2018 (expressed in QAR'000)

	Note	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 (Audited)		2,000,000	(5,079)	4,518	(200,754)	1,798,685	76,366	1,875,051
Fair value adjustment		-	14,991	-	-	14,991	-	14,991
Net loss for the period (Reviewed)		-	-	-	(9,561)	(9,561)	(187)	(9,748)
Balance at 31 March 2017 (Reviewed)		2,000,000	9,912	4,518	(210,315)	1,804,115	76,179	1,880,294
Balance at 31 December 2017 (Audited)		2,000,000	-	-	(470,014)	1,529,986	166,885	1,696,871
Net loss for the period (Reviewed)		-	-	-	(28,640)	(28,640)	(6,205)	(34,845)
Non-controlling interests change due to:								
- Real Estate Structures	7	-	-	-	-	-	(55,936)	(55,936)
Balance at 31 March 2018 (Reviewed)		2,000,000	-	-	(498,654)	1,501,346	104,744	1,606,090

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

For the three-month period ended 31 March 2018 (expressed in QAR'000)

QFB

	Notes	For the three-month period ended 31 March 2018 (Reviewed)	31 March 2017 (Reviewed)
OPERATING ACTIVITIES			
Net loss for the period		(34,845)	(9,748)
Adjustments for non-cash items in net loss			
Depreciation and amortisation		6,874	8,439
Unrealised gains on equity investments	*6.2*	(264)	(1,588)
Unrealised profit on Sharia-compliant risk management instruments, net		(1,653)	(944)
Provision for impairment on financing assets	*5*	5,787	2,080
Other provisions, net		-	4,592
		(24,101)	2,831
Changes in:			
Due from banks		189,654	200,000
Investments carried at amortised cost		36,523	103,313
Financing assets		15,195	(96,236)
Accounts receivable		(11,923)	(41,032)
Inventories		(4,684)	(6,034)
Equity investments		-	60,188
Investments in real estate		3,368	2,915
Assets of disposal group classified as held-for-sale		275,057	16,462
Other assets		(14,669)	(769)
Customers' balances		(65,512)	(37,276)
Liabilities of disposal group classified as held-for-sale		(136,684)	-
Other liabilities		(19,637)	(1,457)
Net cash from operating activities		242,587	202,905
INVESTING ACTIVITIES			
Purchase of fixed and intangible assets		(3,925)	(11,707)
Net cash used in investing activities		(3,925)	(11,707)
FINANCING ACTIVITIES			
Net change in financing liabilities		(32,246)	(20,713)
Net change in equity of unrestricted investment account holders		213,839	(109,523)
Decrease in non-controlling interest		(55,936)	-
Net cash from / (used in) financing activities		125,657	(130,236)
Net increase in cash and cash equivalents		364,319	60,962
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		736,348	1,174,758

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

As at and for the three-month period ended 31 March 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 three-month period ended 31 March 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 31 March 2018 and 31 December 2017:

Subsidiaries	Activity	Effective ownership as 31 March 2018	Effective ownership as 31 December 2017	Year of incorporation	Country
Future Card Industries LLC	Manufacturing	71.3%	71.3%	2012	UAE
Al Wasita Emirates for Catering Services LLC	Catering	81.9%	81.9%	2008	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
North Wolfe Property Corp.*	Owning and leasing real estate	5.0%	34.6%	2017	USA
North Wolfe Operating Company LLC*	Leasing real estate	5.0%	34.6%	2017	USA
LEI-BFQ North Wolfe Venture LLC*	Leasing real estate	5.0%	34.6%	2017	USA
Astor Properties Finance Limited.	Financing	53.5%	63.7%	2017	Jersey
Astor Properties Holdings Limited.	Holding company	53.5%	63.7%	2017	Jersey
Umm Slal for Accommodation LLC	Construction	70.0%	70.0%	2017	Qatar

*During the period the Bank ceased control over the US Real Estate Structure, as described in Note 7.

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 three-month period ended 31 March 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.

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.

3.1. New standards, amendments and interpretations issued but not yet effective

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of 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 Banks 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. 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 is in the process of assessing the estimated impact of the initial application of FAS 30 will have on its condensed consolidated interim financial statements.

3.2. New standards, amendments and interpretations 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.

As at and for the three-month period ended 31 March 2018 (expressed in QAR'000)

4. INVESTMENTS CARRIED AT AMORTISED COST

	31 March 2018 (Reviewed)	31 December 2017 (Audited)
Investments in sukuk	120,120	156,520
Unamortised discounts	(438)	(315)
	119,682	156,205

5. FINANCING ASSETS

	31 March 2018 (Reviewed)	31 December 2017 (Audited)
Murabaha financing	1,691,175	1,722,919
Ijarah receivable	32,494	38,857
Others	-	194
Total financing assets	1,723,669	1,761,970
Deferred profit	(178,101)	(201,207)
Provision for impairment on financing assets	(76,364)	(70,577)
Net financing assets	1,469,204	1,490,186

Movements in the provision for impairment on financing assets are as follows:

	31 March 2018			31 December 2017		
	Specific provision	Collective provision	Total	Specific provision	Collective provision	Total
At the beginning of the period/year	64,821	5,756	70,577	21,723	6,906	28,629
Provision during the period / year, net of recoveries	6,100	(313)	5,787	43,098	(1,150)	41,948
At the end of the period / year	70,921	5,443	76,364	64,821	5,756	70,577

Provision for impairment for financing assets, net of recoveries for the three-month period ended 31 March 2018 was QAR 5.8 million (for the three-month period ended 31 March 2017: QAR 2.1 million).

6. EQUITY INVESTMENTS

	Notes	31 March 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*	897,430	897,166
		928,625	923,454

As at and for the three-month period ended 31 March 2018 (expressed in QAR'000)

6 EQUITY INVESTMENTS (Continued)

As at 31 March 2018, equity investments with a carrying amount of QAR 243 million were pledged against certain murabaha financing liabilities (31 December 2017: QAR 252 million).

6.1. Investments at fair value through equity

Investments at fair value through equity comprise of only unquoted equity securities of QAR 31.1 million as at 31 March 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:

	31 March 2018 (Reviewed)	31 December 2017 (Audited)
Investment type		
Venture capital investments	734,418	734,140
Other investments at fair value through income statement	163,012	163,026
	897,430	897,166

Movements in equity investments are as follows:

	31 March 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	-	-	-	-	5,394	5,394
Disposal	-	-	-	(121,292)	(80,642)	(201,934)
Transfer	4,907	-	4,907	-	86,253	86,253
Fair value adjustments	-	264	264	-	(142,419)	(142,419)
At the end of the period/year	31,195	897,430	928,625	26,288	897,166	923,454

Gain on remeasurement of investments at fair value through income statement for the three-month period ended 31 March 2018 was a gain of QAR 0.3 million (for the three-month period ended 31 March 2017: a gain of QAR 1.6 million).

As at and for the three-month period ended 31 March 2018 (expressed in QAR'000)

7. ASSETS CLASSIFIED AS HELD-FOR-SALE

7.1. Assets and liabilities of Real Estate Structures

During 2017, the Bank entered into structures to invest indirectly in real estate property in the United States of America (the "US Real Estate Structure") and in the United Kingdom (the "UK Real Estate Structure") using special purpose vehicles (together referred as "Real Estate Structures"). The US real estate property thereafter is leased under Ijara terms and whereas UK real estate was financed partly by the Bank through a murabaha contract with option to acquire the underlying real estate.

The Bank had indirectly acquired a 95% and 100% stake in the US Real Estate Structure and UK Real Estate Structure, respectively, with an intention to sell substantial part of it to investors, and is currently in the process of marketing the structured products. As at 31 March 2018, the Bank sold a 90% stake out of 95% in the US Real State Structure and 46.5% stake out of 100% in the UK Real Estate structure to its 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.

As a result of ceasing its control over US real Estate Structure, the Bank de-consolidated US Real Estate Structure in condensed consolidated interim financial statements and transferred remaining balance to investment at fair value through equity.

Real estate properties with a carrying value of QAR 278.5 million and related financing of QAR 168.2 million related to UK Real Estate Structure have been recorded on the Bank's condensed consolidated statement of financial position, as held-for-sale, due to the consolidation of Real Estate Structures. The financings of these SPVs related to the real estate property have no recourse to the Bank.

8. FINANCING LIABILITIES

	31 March 2018 (Reviewed)	31 December 2017 (Audited)
Accepted wakala deposits	276,948	305,393
Murabaha finance	484,013	487,351
Ijara financing	19,768	20,231
	780,729	812,975

9. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	31 March 2018 (Reviewed)	31 December 2017 (Audited)
Term accounts	1,916,037	1,702,980
Profit payable to equity of unrestricted investment account holders	11,595	10,813
	1,927,632	1,713,793

As at and for the three-month period ended 31 March 2018 (expressed in QAR'000)

10. SHARE CAPITAL

	31 March 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

11. REVENUE AND EXPENSES FROM NON-BANKING ACTIVITIES

	31 March 2018 (Reviewed)	31 March 2017 (Reviewed)
Sales	83,470	89,101
Other income	182	628
Revenue from non-banking activities	83,652	89,729
Cost of sales	(70,700)	(67,576)
Other expenses	(16,886)	(15,825)
Finance costs	(6,565)	(5,942)
Expenses from non-banking activities	(94,151)	(89,343)
Net (loss) / income from non-banking activities	(10,499)	386

12. BASIC / DILUTED LOSS PER SHARE

The calculation of 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.

	31 March 2018 (Reviewed)	31 March 2017 (Reviewed)
Basic loss per share		
Net loss attributable to the equity holders of the Bank	(28,640)	(9,561)
Total weighted average number of shares	200,000	200,000
Basic loss per share (QAR)	(0.14)	(0.05)

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

As at and for the three-month period ended 31 March 2018 (expressed in QAR'000)

13. CONTINGENT LIABILITIES

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

	31 March 2018 (Reviewed)	31 December 2017 (Audited)
Letters of guarantee	202,624	202,601
Unutilised credit facilities	22,022	40,589
	224,646	243,190

Contingent liabilities related to Sharia-compliant-risk-management instruments, representing notional amounts, amounted to QAR 732 million (31 December 2017: QAR 1,061 million).

14. COMMITMENTS

	31 March 2018 (Reviewed)	31 December 2017 (Audited)
Commitment for operating lease		
Later than one year	34,875	50,335
No later than one year	23,833	26,547
	58,708	76,882
Investment related commitment	22,306	48,206
Commitment for operating and capital expenditure	336	2,851
	81,350	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:

	31 March 2018 (Reviewed)		
	Affiliated entities/ directors	Associates	Total
a) Condensed consolidated statement of financial position			
Financing assets	7,180	112,839	120,019
Other assets	5,260	-	5,260
b) Condensed consolidated income statement			
Income from financing assets	164	2,117	2,281

As at and for the three-month period ended 31 March 2018 (expressed in QAR'000)

15. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

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

Transactions with related parties for the corresponding period of three-month period ended 31 March 2017 are as follows:

	31 March 2017 (Reviewed)		
	Affiliated entities/ directors	Associates	Total
b) Condensed consolidated income statement			
Income from financing assets	66	1,685	1,751
Dividend income	-	4,871	4,871

Key management compensation is presented below:

c) Compensation of key management personnel	31 March 2018 (Reviewed)	31 March 2017 (Reviewed)
Senior management personnel	5,384	7,005
Shari'a Supervisory Board remuneration	120	148
	5,504	7,153

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.

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.

As at and for the three-month period ended 31 March 2018 (expressed in QAR'000)

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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:

		31 March 2018 (Reviewed)	
	Notes	Carrying Amount	Fair Value
Financial Assets:			
Cash and cash equivalents		736,348	736,348
Due from banks		287,564	287,564
Investments carried at amortised cost	*4*	119,682	107,743
Financing assets	*5*	1,469,204	1,469,204
Accounts receivable		327,195	327,195
Equity investments	*6*	928,625	928,625
Other assets		141,015	141,015
		4,009,633	3,997,694
Financial Liabilities:			
Financing liabilities	*8*	780,729	780,729
Customers' balances		34,464	34,464
Other liabilities		251,472	251,472
Equity of unrestricted investment account holders	*9*	1,927,632	1,927,632
		2,994,297	2,994,297

		31 December 2017 (Audited)	
	Notes	Carrying Amount	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		235,925	235,925
Equity of unrestricted investment account holders	*9*	1,713,793	1,713,793
		2,862,669	2,862,669

As at and for the three-month period ended 31 March 2018 (expressed in QAR'000)

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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
31 March 2018 (Reviewed)					
Equity investments					
- at fair value through equity	*6.1*	-	-	31,195	31,195
- at fair value through income statement	*6.2*	3,023	-	894,407	897,430
Net gains and losses included in the condensed consolidated statement of changes in equity		-	-	-	-
Net gains and losses, recognized through condensed consolidated income statement		(15)	-	279	264

	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
31 March 2017 (Reviewed)					
Net gains and losses included in the condensed consolidated statement of changes in equity		14,991	-	-	14,991
Net gains and losses, recognized through condensed consolidated income statement		-	-	1,588	1,588

Sharia-compliant-risk management instruments for which fair value amounts to negative QAR 1.7 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.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

17.1 Fair value hierarchy (Continued)

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 108 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.

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 three-month period ended 31 March 2018 (expressed in QAR'000)

18. SEGMENT INFORMATION (Continued)

Below is the information about operating segments:

For the period ended 31 March 2018 (Reviewed)	Alternative Invest-ments	Private Bank	Other	Total
INCOME				
Revenue from non-banking activities	83,652	-	-	83,652
Gain on re-measurement of investments at fair value through income statement	264	-	-	264
Profit on investments carried at amortised cost	-	1,776	-	1,776
Gain on disposal of investments carried at amortised cost	-	362	-	362
Income from financing assets	2,117	18,140	-	20,257
Income from placements with financial institutions	-	6,204	-	6,204
Other loss	-	(3,109)	-	(3,109)
Total Income Before Return To Unrestricted Investment Account Holders	86,033	23,373	-	109,406
Return to unrestricted investment account holders	-	(17,036)	-	(17,036)
TOTAL INCOME	86,033	6,337	-	92,370
EXPENSES				
Expenses from non-banking activities	(94,151)	-	-	(94,151)
Staff costs	(1,791)	(3,647)	(7,077)	(12,515)
Other operating expenses	(844)	(2,121)	(6,475)	(9,440)
Financing costs	(4,656)	(682)	-	(5,338)
Depreciation and amortization	(77)	(1,583)	(753)	(2,413)
TOTAL EXPENSES	(101,519)	(8,033)	(14,305)	(123,857)
Provision for impairment on financing assets	(645)	(5,142)	-	(5,787)
NET LOSS BEFORE INCOME TAX	(16,131)	(6,838)	(14,305)	(37,274)
Income tax expense	-	-	-	-
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS	(16,131)	(6,838)	(14,305)	(37,274)
DISCONTINUED OPERATIONS				
Profit from discontinued operations, net of tax	-	2,429	-	2,429
NET LOSS FOR THE PERIOD	(16,131)	(4,409)	(14,305)	(34,845)

As at and for the three-month period ended 31 March 2018 (expressed in QAR'000)

18. SEGMENT INFORMATION (Continued)

For the period ended 31 March 2017 (Reviewed)	Alternative Investments	Private Bank	Other	Total
INCOME				
Revenue from non-banking activities	89,729	-	-	89,729
Gain on re-measurement of investments at fair value through income statement	1,588	-	-	1,588
Dividend income	4,871	-	-	4,871
Profit on investments carried at amortised cost	-	7,591	-	7,591
Loss on disposal of investments carried at amortised cost	-	(437)	-	(437)
Gain on disposal of equity investments	1,749	-	-	1,749
Income from financing assets	1,685	19,362	-	21,047
Income from placements with financial institutions	-	8,779	-	8,779
Other income	1,241	4,760	2,341	8,342
Total Income Before Return To Unrestricted Investment Account Holders	100,863	40,055	2,341	143,259
Return to unrestricted investment account holders	-	(21,774)	-	(21,774)
TOTAL INCOME	100,863	18,281	2,341	121,485
EXPENSES				
Expenses from non-banking activities	(89,343)	-	-	(89,343)
Staff costs	(3,666)	(4,485)	(9,425)	(17,576)
Other operating expenses	(3,448)	(3,117)	(6,807)	(13,372)
Financing costs	(2,363)	(3,377)	-	(5,740)
Depreciation and amortization	(83)	(1,634)	(1,405)	(3,122)
TOTAL EXPENSES	(98,903)	(12,613)	(17,637)	(129,153)
Provision for impairment on financing assets	(181)	(1,899)	-	(2,080)
NET PROFIT/(LOSS) BEFORE INCOME TAX	1,779	3,769	(15,296)	(9,748)
Income tax expense	-	-	-	-
NET PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	1,779	3,769	(15,296)	(9,748)

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.