



Consolidated Financial Statements

As at and For the Year Ended

31 December 2019



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Qatar National Bank (Q.P.S.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Qatar National Bank (Q.P.S.C.) (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, comprehensive income, changes in 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 International Financial Reporting Standards ('IFRS') and the applicable provisions of Qatar Central Bank regulations ('QCB regulations').

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 in this audit 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 for 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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

Description of key audit matters	How the matter was addressed in our audit
<p>Impairment of financial assets - refer to notes 4(b), 8, 9, 10, 11, 15 and 20 in the consolidated financial statements</p>	
<p>We focused on this area because:</p> <ul style="list-style-type: none"> • Impairment of financial assets involves: <ul style="list-style-type: none"> - complex accounting requirements, including assumptions, estimates and judgements underlying the determination of impairment; - ECL modelling risk over methodology and design decisions; - susceptibility to management bias when making judgements to determine expected credit loss outcomes; and - complex disclosure requirements. • The Group's financial assets, both on and off-balance sheet, subject to credit risk were QAR 1,131,488 million, as at 31 December 2019 (2018: QAR 1,042,044 million) hence a material portion of the consolidated statement of financial position. Furthermore the total impairment recognized by the Group on these financial assets amounted to QAR 3,290 million, in the year ended 31 December 2019 (2018: QAR 3,007 million), which represents 23% of the net profit of the Group, hence a material portion of the consolidated statement of income. 	<p>Our audit procedures in this area included the following, among others:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the accounting policies adopted based on the requirements of IFRS 9, our business understanding, and industry practice. • Confirming our understanding of management's processes, systems and controls implemented, including controls over ECL model development. • Identifying and testing 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 ECL calculations, including selection of methods, models, assumptions and data sources. • Involving Financial Risk Management (FRM) specialists <ul style="list-style-type: none"> ○ 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. ○ 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 real estate collateral, relating to the determination of ECL. • Assessing the completeness, accuracy and relevance of the input data used.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

	<ul style="list-style-type: none">• Evaluating the reasonableness of and testing the post-model adjustments.• Performing detailed credit risk assessment of a sample of performing and non-performing loans and advances in line with QCB regulations.• Assessing the adequacy of the Group's disclosures in relation to IFRS 9 by reference to the requirements of the relevant accounting standards and QCB regulations.
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Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's annual report (the "Annual Report"), but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors which forms part of the Annual Report, and the remaining sections of the Annual Report are expected to be made available to us after the date of this auditor's 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.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

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 IFRS and QCB regulations, 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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have read the report of the Board of Directors to be included in the Annual Report and the financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the applicable provisions of the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Bank's Articles 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 the year ended 31 December 2019.

16 January 2020
Doha
State of Qatar



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

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	2019 QR000	2018 QR000
ASSETS			
Cash and Balances with Central Banks	8	62,155,228	64,691,667
Due from Banks	9	79,316,258	61,748,844
Loans and Advances to Customers	10	678,681,835	617,125,304
Investment Securities	11	95,899,182	87,387,823
Investments in Associates	12	7,116,602	7,682,698
Property and Equipment	13	5,377,742	4,697,205
Intangible Assets	14	3,993,218	3,880,970
Other Assets	15	12,157,626	14,983,088
Total Assets		<u>944,697,691</u>	<u>862,197,599</u>
LIABILITIES			
Due to Banks	16	78,383,845	74,137,901
Customer Deposits	17	684,488,921	620,587,594
Debt Securities	18	33,778,250	26,209,791
Other Borrowings	19	25,266,611	25,109,644
Other Liabilities	20	28,060,896	27,877,948
Total Liabilities		<u>849,978,523</u>	<u>773,922,878</u>
EQUITY			
Issued Capital	22	9,236,429	9,236,429
Legal Reserve	22	25,326,037	25,326,037
Risk Reserve	22	8,500,000	8,000,000
Fair Value Reserve	22	(1,347,274)	(973,557)
Foreign Currency Translation Reserve	22	(16,439,210)	(16,209,852)
Other Reserves	22	263,729	683,722
Retained Earnings	22	48,059,481	41,206,855
Total Equity Attributable to Equity Holders of the Bank		<u>73,599,192</u>	<u>67,269,634</u>
Non - Controlling Interests	23	1,119,976	1,005,087
Instruments Eligible for Additional Tier 1 Capital	24	20,000,000	20,000,000
Total Equity		<u>94,719,168</u>	<u>88,274,721</u>
Total Liabilities and Equity		<u>944,697,691</u>	<u>862,197,599</u>

These consolidated financial statements were approved by the Board of Directors on 14 January 2020 and were signed on its behalf by:



Ali Shareef Al-Emadi
Chairman of the Board of Directors



Abdulla Mubarak Al-Khalifa
Group Chief Executive Officer

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Income Statement
For the Year Ended 31 December 2019

	Notes	2019 QR000	2018 QR000
Interest Income	25	53,078,766	50,744,709
Interest Expense	26	(32,882,296)	(31,711,804)
Net Interest Income		20,196,470	19,032,905
Fee and Commission Income	27	4,840,852	4,608,417
Fee and Commission Expense		(1,127,815)	(965,929)
Net Fee and Commission Income		3,713,037	3,642,488
Net Foreign Exchange Gain	28	1,097,998	1,189,480
Income from Investment Securities	29	98,926	122,051
Other Operating Income		129,024	77,772
Operating Income		25,235,455	24,064,696
Staff Expenses	30	(3,495,149)	(3,321,504)
Depreciation	13	(706,563)	(440,822)
Other Expenses	31	(2,434,785)	(2,581,815)
Net ECL / Impairment Losses on Loans and Advances to Customers	10	(3,176,853)	(3,040,565)
Net ECL / Impairment Recoveries / (Losses) on Investment Securities	11	26,997	(14,646)
Net ECL / Impairment Recoveries / (Losses) on Other Financial Assets		(139,944)	48,057
Amortisation of Intangible Assets		(73,958)	(70,562)
Other Provisions / (Recoveries)		7,109	(109,587)
		(9,993,146)	(9,531,444)
Share of Results of Associates	12	400,826	485,215
Profit Before Income Taxes		15,643,135	15,018,467
Income Tax Expense	32	(1,182,335)	(1,135,130)
Profit for the Year		14,460,800	13,883,337
Attributable to:			
Equity Holders of the Bank		14,350,860	13,788,131
Non - Controlling Interests		109,940	95,206
Profit for the Year		14,460,800	13,883,337
Basic and Diluted Earnings Per Share (QR)	33	1.45	1.44

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2019

	2019	2018
	QR000	QR000
Profit for the Year	14,460,800	13,883,337
Other Comprehensive Income that is or may be Reclassified to the Consolidated Income Statement in Subsequent Periods:		
Foreign Currency Translation Differences for Foreign Operations	(183,895)	(3,982,990)
Share of Other Comprehensive Income of Associates	(420,538)	(146,931)
Effective Portion of Changes in Fair Value of Cash Flow Hedges	(1,030,336)	(193,623)
Effective Portion of Changes in Fair Value of Net Investment in Foreign Operation	202,567	478,830
Investments in Debt Instruments Measured at FVOCI		
Net Change in Fair Value	310,994	(415,949)
Net Amount Transferred to Income Statement	(18,635)	(14,462)
Other Comprehensive Income that will not be Reclassified to the Consolidated Income Statement in Subsequent Periods:		
Net Change in Fair Value of Investments in Equity Instruments Designated at FVOCI	166,368	222,247
Total Other Comprehensive Income for the Year, net of Income Tax	<u>(973,475)</u>	<u>(4,052,878)</u>
Total Comprehensive Income for the Year	<u>13,487,325</u>	<u>9,830,459</u>
Attributable to:		
Equity Holders of the Bank	13,333,554	9,791,351
Non - Controlling Interests	153,771	39,108
Total Comprehensive Income for the Year	<u>13,487,325</u>	<u>9,830,459</u>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2019

	Notes	2019 QR000	2018 QR000
Cash Flows from Operating Activities			
Profit Before Income Taxes		15,643,135	15,018,467
Adjustments for:			
Interest Income		(53,078,766)	(50,744,709)
Interest Expense		32,882,296	31,711,804
Depreciation	13	706,563	440,822
Net ECL / Impairment Losses on Loans and Advances to Customers	10	3,176,853	3,040,565
Net ECL / Impairment Recoveries / (Losses) on Investment Securities		(26,997)	14,646
Net ECL / Impairment Recoveries / (Losses) on Other Financial Assets		139,944	(48,057)
Other Provisions		64,421	104,188
Dividend Income	29	(59,453)	(105,392)
Net Gain on Sale of Property and Equipment		(1,601)	(11,057)
Net Gain on Sale of Investment Securities	29	(26,469)	(13,954)
Amortisation of Intangible Assets		73,958	70,562
Net Amortisation of Premium or Discount on Investments		(270,579)	(19,952)
Net Share of Results of Associates		(289,376)	(335,937)
		(1,066,071)	(878,004)
Changes in:			
Due from Banks		(3,042,785)	487,869
Loans and Advances to Customers		(95,666,699)	(70,738,714)
Other Assets		(22,659,757)	(4,390,693)
Due to Banks		8,562,002	12,378,475
Customer Deposits		105,825,967	55,574,804
Other Liabilities		5,007,536	10,941,414
Cash (used in) / from Operations		(3,039,807)	3,375,151
Interest Received		51,551,246	49,843,084
Interest Paid		(33,048,128)	(31,034,032)
Dividends Received		59,453	105,392
Income Tax Paid		(701,655)	(868,474)
Other Provisions Paid		(10,129)	(49,634)
Net Cash from Operating Activities		14,810,980	21,371,487
Cash Flows from Investing Activities			
Acquisition of Investment Securities		(45,576,479)	(65,880,410)
Proceeds from Sale / Redemption of Investment Securities		41,752,268	75,013,056
Additions to Property and Equipment	13	(928,273)	(1,221,108)
Proceeds from Disposal of Property and Equipment		4,669	11,722
Net Cash (used in) / from Investing Activities		(4,747,815)	7,923,260
Cash Flows from Financing Activities			
Proceeds from Issuance of Instrument Eligible for Additional Tier 1 Capital	24	-	10,000,000
Payment of Coupon on Instrument Eligible for Additional Tier 1 Capital		(532,500)	(450,000)
Proceeds from Issuance of Debt Securities	18	9,764,304	11,591,005
Repayment of Debt Securities	18	(1,842,580)	(10,418,447)
Proceeds from Issuance of Other Borrowings	19	12,314,000	15,260,224
Repayment of Other Borrowings	19	(11,732,186)	(13,528,893)
Payment of Lease Liabilities		(313,349)	-
Dividends Paid		(5,538,478)	(5,546,000)
Net Cash from Financing Activities		2,119,211	6,907,889
Net Increase in Cash and Cash Equivalents		12,182,376	36,202,636
Effects of Exchange Rate Fluctuations on Cash Held		(1,266,393)	(1,880,649)
Cash and Cash Equivalents at 1 January		91,811,862	57,489,875
Cash and Cash Equivalents at 31 December	39	102,727,845	91,811,862

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2019

	Equity Attributable to Equity Holders of the Bank										Total
	Issued Capital	Legal Reserve	Risk Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Attributable to Equity Holders of the Bank	Non Controlling Interests	Instruments Eligible for Additional Tier 1 Capital	
	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	QR000	
Balance at 1 January 2019	9,236,429	25,326,037	8,000,000	(973,557)	(16,209,852)	683,722	41,206,855	67,269,634	1,005,087	20,000,000	88,274,721
Total Comprehensive Income for the Year											
Profit for the Year	-	-	-	-	-	-	14,350,860	14,350,860	109,940	-	14,460,800
Total Other Comprehensive Income	-	-	-	(372,729)	(224,584)	(419,993)	-	(1,017,306)	43,831	-	(973,475)
Total Comprehensive Income for the Year	-	-	-	(372,729)	(224,584)	(419,993)	14,350,860	13,333,554	153,771	-	13,487,325
Reclassification of Net Change in Fair Value of Equity Instrument upon Derecognition	-	-	-	(988)	-	-	988	-	-	-	-
Transfer to Risk Reserve	-	-	500,000	-	-	-	(500,000)	-	-	-	-
Transfer to Social and Sports Fund	-	-	-	-	-	-	(234,947)	(234,947)	-	-	(234,947)
Transactions Recognised Directly in Equity											
Dividend for the Year 2018 (Note 22)	-	-	-	-	-	-	(5,541,857)	(5,541,857)	-	-	(5,541,857)
Dividend Appropriation for Instruments Eligible for Additional Capital	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	-	(1,000,000)
Net Movement in Non-controlling Interests	-	-	-	-	(4,774)	-	7,283	2,509	(2,509)	-	-
Other Movements	-	-	-	-	-	-	(229,701)	(229,701)	(36,373)	-	(266,074)
Total Transactions Recognised Directly in Equity	-	-	-	-	(4,774)	-	(6,764,275)	(6,769,049)	(38,882)	-	(6,807,931)
Balance at 31 December 2019	9,236,429	25,326,037	8,500,000	(1,347,274)	(16,439,210)	263,729	48,059,481	73,599,192	1,119,976	20,000,000	94,719,168
Balance at 1 January 2018	9,236,429	25,326,037	7,500,000	(1,169,875)	(12,369,012)	832,429	38,397,772	67,753,780	992,560	10,000,000	78,746,340
Impact of Adopting IFRS 9, net of tax	-	-	-	120,537	-	-	(4,059,280)	(3,938,743)	(23,396)	-	(3,962,139)
Restated Balance at 1 January 2018	9,236,429	25,326,037	7,500,000	(1,049,338)	(12,369,012)	832,429	34,338,492	63,815,037	969,164	10,000,000	74,784,201
Total Comprehensive Income for the Year											
Profit for the Year	-	-	-	-	-	-	13,788,131	13,788,131	95,206	-	13,883,337
Total Other Comprehensive Income	-	-	-	76,647	(3,924,801)	(148,626)	-	(3,996,780)	(56,098)	-	(4,052,878)
Total Comprehensive Income for the Year	-	-	-	76,647	(3,924,801)	(148,626)	13,788,131	9,791,351	39,108	-	9,830,459
Reclassification of Net Change in Fair Value of Equity Instrument upon Derecognition	-	-	-	-	-	-	820	820	-	-	820
Transfer to Risk Reserve	-	-	500,000	-	-	-	(500,000)	-	-	-	-
Transfer to Social and Sports Fund	-	-	-	-	-	-	(218,327)	(218,327)	-	-	(218,327)
Transactions Recognised Directly in Equity											
Dividend for the Year 2017 (Note 22)	-	-	-	-	-	-	(5,541,857)	(5,541,857)	-	-	(5,541,857)
Issuance of Instrument Eligible for Additional Capital (Note 24)	-	-	-	-	-	-	-	-	-	10,000,000	10,000,000
Dividend Appropriation for Instruments Eligible for Additional Capital	-	-	-	-	-	-	(532,500)	(532,500)	-	-	(532,500)
Net Movement in Non-controlling Interests	-	-	-	(866)	83,961	(81)	84,563	167,577	(3,185)	-	164,392
Other Movements	-	-	-	-	-	-	(212,467)	(212,467)	-	-	(212,467)
Total Transactions Recognised Directly in Equity	-	-	-	(866)	83,961	(81)	(6,202,261)	(6,119,247)	(3,185)	10,000,000	3,877,568
Balance at 31 December 2018	9,236,429	25,326,037	8,000,000	(973,557)	(16,209,852)	683,722	41,206,855	67,269,634	1,005,087	20,000,000	88,274,721

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
As at and For the Year Ended 31 December 2019

1. REPORTING ENTITY

Qatar National Bank (Q.P.S.C.) ('QNB' or 'the Bank' or 'the Parent Bank') was incorporated in the State of Qatar on 6 June 1964 as a Joint Stock Company under Amiri Decree No. 7 issued in 1964. The registered office of the Bank is in Doha, State of Qatar.

The Bank together with its subsidiaries (together referred to as the 'Group') is engaged in conventional and Islamic banking activities operating through its branches, associates and subsidiaries.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of Incorporation	Year of Incorporation/ Acquisition	Ownership %
QNB International Holdings Limited	Luxembourg	2004	100%
CSI QNB Property	France	2008	100%
QNB Capital LLC	Qatar	2008	100%
QNB Suisse S.A.	Switzerland	2009	100%
QNB Syria	Syria	2009	50.8%
QNB Finance Ltd.	Cayman Islands	2010	100%
QNB Indonesia	Indonesia	2011	92.5%
QNB Financial Services	Qatar	2011	100%
Al-Mansour Investment Bank	Iraq	2012	54.2%
QNB India Private Limited	India	2013	100%
QNB Tunisia	Tunisia	2013	99.99%
QNB ALAHLI	Egypt	2013	95.0%
QNB Finansbank	Turkey	2016	99.88%
QNB (Derivatives) Limited	Cayman Islands	2017	100%

2. BASIS OF PREPARATION

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the applicable provisions of Qatar Central Bank ('QCB') regulations.

b) Basis of Measurements

The consolidated financial statements have been prepared on the historical cost basis, except for the following items, which are measured at fair value:

- Derivative Financial instruments
- Investments measured at fair value through profit or loss ('FVPL')
- Other Financial assets designated at fair value through profit or loss ('FVPL')
- Financial investment measured at fair value through other comprehensive income ('FVOCI')
- Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships to the extent of risks being hedged.

c) Functional and Presentation Currency

These consolidated financial statements are presented in Qatari Riyals ('QR'), which is the Bank's functional and presentation currency. Except as otherwise indicated, financial information presented in QR has been rounded to the nearest thousands.

d) Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual figures 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
As at and For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the effects of adoption of IFRS 16 on 1 January 2019, as described in note 3(ab).

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the end of the reporting period.

(i) Business Combinations

For acquisitions meeting the definition of a business under IFRS 3, the acquisition method of accounting is used as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the total of:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of The identifiable assets acquired, including any assets which the acquiree has not previously recognized, and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the consolidated income statement.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date at fair value and any resulting gain or loss is recognised in the consolidated income statement. It is then considered in the determination of goodwill.

(ii) Subsidiaries

Subsidiaries are all entities (including structured entities) controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The accounting policies of subsidiaries have been aligned to the Group accounting policies.

(iii) Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated income statement. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments, depending on the level of influence retained.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
As at and For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of Consolidation (continued)

(iv) Non-Controlling Interests and Transactions therewith

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Interests in the equity of subsidiaries not attributable to the Bank are reported in the consolidated equity as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as profit or loss attributable to non-controlling interests. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity holders 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 equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are transferred to the consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is transferred to the consolidated income statement where appropriate.

(v) Transactions Eliminated on Consolidation

Intra-group balances, transactions and unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated only to the extent that there is no Expected Credit Loss (ECL) or impairment.

(vi) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted using the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in the associate). The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, its share of post-acquisition movements in other comprehensive income of the associate is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Dilution gains and losses in associates are recognised in the consolidated income statement.

For preparation of the consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used.

The Group's share of the results of associates is based on the financial statements made up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform with the accounting policies of the Group. Intergroup gains on transactions are eliminated to the extent of the Group's interest in the investee.

(vii) Funds Management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in Note 37.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Foreign Currency

(i) Foreign Currency Transactions and Balances

Foreign currency transactions are transactions denominated, or that require settlement, in a foreign currency and are translated into the respective functional currencies of the operations at the spot exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated into the functional currency at the spot exchange rate on the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of investment securities denominated in a foreign currency classified as measured at FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equity instruments classified as measured at FVOCI are included in other comprehensive income.

(ii) Foreign Operations

The results and financial position of all the Group's entities, that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- 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 dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as 'foreign currency translation reserve'.

When a foreign operation is disposed of, or partially disposed of when control is not retained, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

c) Financial Assets and Financial Liabilities

(i) Recognition

The Group initially recognises loans and advances to customers, due from / to banks, customer deposits, debt securities and other borrowings on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification and Initial Measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVPL.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
As at and For the Year Ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

(ii) Classification and Initial Measurement (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets and features that modify consideration of the time value of money.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

(ii) Classification and Initial Measurement (continued)

Financial Liabilities

The Group has classified and measured its financial liabilities at amortised cost.

(iii) Derecognition

Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in the consolidated income statement, except in case of equity investment securities designated as at FVOCI, where this difference is recognised in OCI and is not recognised in the consolidated income statement on derecognition of such securities.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Modification of financial assets and liabilities

Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

(iv) Modification of financial assets and liabilities (continued)

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with ECL / impairment losses. In other cases, it is presented as interest income.

Financial Liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated income statement.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vi) Measurement Principles

- Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for ECL / impairment loss. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate.

- Fair Value Measurement

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 in the principal market of the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability which the Group has access to as at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid prices). For unlisted investments, the Group recognises any change in the fair value, when they have reliable indicators to support such a change.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value adjusted for market characteristics reported as at the end of the reporting period.

Assets and long positions are measured at bid price; liabilities and short positions are measured at asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and includes adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

(vii) Expected Credit Losses (ECL) / Impairment

The Group recognises loss allowances for expected credit losses (ECL) / impairment on the following financial instruments that are not measured at FVPL:

- Financial assets that are debt instruments; and
- Loan commitments and financial guarantee contracts.

No ECL / impairment loss is recognised on equity instruments. Impairment and ECL are used interchangeably throughout these consolidated financial statements.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition

12-month ECL are the portion of ECL that result from default events on financial instruments that are possible with the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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 borrower, then an assessment is made of whether the financial asset should be derecognised and ECL / impairment are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the 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 interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Assets and Financial Liabilities (continued)

d) Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less that are subject to an insignificant risk of change in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

e) Due from banks

Due from banks are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks are initially measured at cost, being the fair value of the consideration given. Following the initial recognition, due from banks are stated at amortised cost.

f) Loans and Advances to Customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances to customers are initially measured at the transaction price, which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, except for the financial assets which are classified to be measured at FVPL, which are measured at fair value with changes recognised immediately in the consolidated income statement. Following the initial recognition, loans and advances are stated at the amortised cost.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's consolidated financial statements.

g) Investment Securities

The 'investment securities' include:

- Debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Debt and equity investment securities mandatorily measured at FVPL or designated as at FVPL; these are measured at fair value with fair value changes recognised immediately in consolidated income statement;
- Debt securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in the consolidated income statement in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- ECL / impairment and reversals; and
- Foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement.

The Group elects to present in OCI changes in the fair value of certain investments in equity. The election is made on an instrument by instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to consolidated income statement and no ECL / impairment is recognised in consolidated income statement. Dividends are recognised in consolidated income statement, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Derivatives

(i) Derivatives Held for Risk management Purposes and Hedge Accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the statement of financial position. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and on an ongoing basis. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

- Fair Value Hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the consolidated income statement, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest rate method is used, is amortised to the consolidated income statement as part of the recalculated effective interest rate of the item over its remaining life.

- Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the consolidated income statement, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to the consolidated income statement as a reclassification adjustment in the same period as the hedged cash flows affect the consolidated income statement and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated income statement.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to the consolidated income statement as a reclassification adjustment when the forecast transaction occurs and affects the consolidated income statement. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to the consolidated income statement as a reclassification adjustment.

- Hedges of a Net Investment in Foreign Operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated income statement.

- Other Non-Trading Derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the consolidated income statement.

(ii) Derivatives Held for Trading Purposes

The Group's derivative trading instruments includes forward foreign exchange contracts and interest rate swaps. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of the reporting date and the corresponding fair value changes are taken to the consolidated income statement.

Qatar National Bank (Q.P.S.C.)
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Property and Equipment

(i) Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income / other expenses in the consolidated income statement.

(ii) Subsequent Costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated income statement as incurred.

(iii) Depreciation

The depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment as this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land is not depreciated.

The estimated useful lives for the current and prior years are as follows:

	Years
Buildings	10 to 50
Equipment and Furniture	3 to 12
Motor Vehicles	4 to 7
Leasehold Improvements	4 to 10

Freehold land is stated at cost.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

j) Intangible Assets

Goodwill that arises upon the acquisition of subsidiaries is included under intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Intangible assets also include Core Deposit Intangibles ('CDI') acquired in a business combination which are recognised at fair value at the acquisition date. CDI has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of CDI and licences over their estimated useful life ranging between 6 and 12 years. Intangible assets (such as operating licenses) with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the Cash Generating Unit ('CGU') level.

k) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment of Non-Financial Assets (continued)

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflow from continuing use, that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated, so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date, for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

m) Financial Guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

n) Employee Benefits

Defined Benefit Plan - Expatriate Employees

The Group makes a provision for all termination indemnity payable to employees in accordance with its regulations, calculated on the basis of the individual's final salary and period of service at the end of the reporting period. The expected costs of these benefits are accrued over the period of employment. The provision for employees' termination benefits is included in other provisions within other liabilities.

Defined Contribution Scheme - Qatari Employees

With respect to Qatari employees, the Group makes a contribution to the State administered Qatari Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions. The cost is considered as part of staff expenses and is disclosed in note 30.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Share Capital and Reserves

(i) Share Issue Costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividends on Ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting period are dealt as a separate disclosure.

p) Interest Income and Expense

Interest income and expense are recognised in the consolidated income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

For the financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income / expense;
- The ineffective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of interest rate risk; and
- Fair value changes in qualifying derivatives and related hedged items, related to hedge ineffectiveness, in fair value hedges of interest rate risk.

q) Fee and Commission Income and Expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised over time as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised over time on a straight-line basis over the commitment period. In case of these services, the control is considered to be transferred over time as the customer is benefited from these services over the tenure of the service period. Other fee and commission expense relate mainly to transaction and service fee, which are recognised in the consolidated income statement as an expense as the services are received.

r) Income from Investment Securities

Gains or losses on the sale of investment securities are recognised in the consolidated income statement as the difference between fair value of the consideration received and the carrying amount of the investment securities, except in case of equity securities designated as at FVOCI, where any cumulative gain / loss recognised in OCI is not recognised in the consolidated income statement on derecognition of such securities.

s) Dividend Income

Dividend income is recognised when the right to receive income is established.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Taxation

Taxes are calculated based on tax laws and regulations in jurisdictions in which the Group operates. The amount of the tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. The Group operations inside Qatar are not subject to income tax, except for QNB Capital LLC whose profits are subject to tax as per the Qatar Financial Centre Authority tax regulations. Deferred tax assets are recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these. Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets and liabilities are measured using tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

u) Earnings per Share

The Group presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Bank, further adjusted for the dividend appropriation for instruments eligible for additional Tier 1 Capital, if any, by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

v) 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 committees to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

w) Fiduciary Activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporates and other institutions. These assets and any income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

x) Repossessed Collateral

Repossession collateral against settlement of customers' debts are stated within the consolidated statement of financial position under 'Other assets' at their acquisition value net of allowance for impairment.

According to QCB instructions, the Group should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended after obtaining approval from QCB.

y) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

z) Appropriations for Instruments Eligible for Additional Capital

Appropriations for Instruments Eligible for Additional Capital are treated as dividends.

aa) Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has decided to separate the lease and non-lease component in the underlying contracts based on their relative standalone prices.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

aa) Leases (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any prepaid and accrued lease expenses. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and is adjusted for extension in lease terms or cancellation of the leases.

The lease liability is initially measured at the present value of the lease payments which are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate, which is based on the weighted average rate applied in the Group's principal markets adjusted for the nature of the asset, lease term, security and any other relevant assumptions. The lease liability is subsequently measured at amortised cost using the effective interest method. The finance cost incurred related to the lease liabilities is included in the 'interest expense' in the consolidated income statement.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (where the leased asset value is less than USD 10,000) and short-term leases (where the lease term is less than 12 months). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position. The deferred tax impact, if any, is recognized in accordance with the relevant tax regulations and is accounted under IAS 12.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease. As a lessee the Group classified all leases as operating leases under IAS 17. Payments made under operating leases were recognised in consolidated income statement on a straight-line basis over the term of the lease.

ab) New Standards and Amendments to Standards

The following amendments to IFRS and new IFRSs have been applied by the Group in preparation of these consolidated financial statements. The below were effective from 1 January 2019:

Standard	Effective date
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 16 Leases	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019

The adoption of the above did not result in any changes to previously reported net profit or equity of the Group except as mentioned below.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It has resulted in almost all leases being recognised on the statement of financial position by the lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to control the use of leased item) and a financial liability to pay rentals are recognised.

The Group has applied the standard from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts, prior to the date of adoption of the standard. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ab) New Standards and Amendments to Standards (continued)

Further the Group has used the following practical expedients on initial application:

- used the Group's previous assessment of which existing contracts are, or contain a lease;
- where the unexpired lease term on initial application date is less than 12 months or leases are of low value items (USD10,000 or less), unless then the Group has elected to use the short-term or low value lease exemption; and
- exclude initial direct costs from the measurement of right-of-use asset at the date of initial application.

The Group's activities as a lessor are not material and hence, do not have any significant impact on its consolidated financial statements.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate as at 1 January 2019, which is based on the weighted average rate applied in the Group's principal markets adjusted for the nature of the asset, lease term, security and any other relevant assumptions.

The following amounts have been recognised under the new standard and included with in the respective headings of the consolidated statement of financial position and consolidated income statement:

	1 January 2019
Right-of-use assets	695,750
Lease liabilities	645,188
Lease commitments for short-term leases and low-value assets (recognition exemption)	32,952
Operating lease commitments at 31 December 2018 under IAS 17 discounted using the incremental borrowing rate at 1 January 2019	677,688
Finance lease liabilities recognised as at 31 December 2018	-
- Recognition exemption for leases of low-value assets	(8,223)
- Recognition exemption for leases with less than 12 months of lease term at transition	(24,884)
- Extension options reasonably certain to be exercised	607
Lease liabilities recognised at 1 January 2019	645,188

ac) Standards issued but not yet effective

IFRS 17 Insurance Contracts is effective from 1 January 2021. The Group is currently evaluating the impact of this new standard. The Group will adopt this new standard on the effective date.

4. FINANCIAL RISK MANAGEMENT

I. Financial Instruments

Definition and Classification

Financial instruments cover all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks, investment securities, loans and advances to customers and banks and certain other financial assets. Financial liabilities include customer deposits, due to banks and certain other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off-balance sheet items and derivative financial instruments.

Note 3 explains the accounting policies used to recognise and measure the major financial instruments and their related income and expense.

II. Risk Management

a) Risk Management Framework

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to their responsibilities. The Group is exposed to credit risk, liquidity risk, operational risk and market risk, which include trading and non-trading risks.

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

a) Risk Management Framework (continued)

Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risks, however, there are separate independent bodies responsible for managing and monitoring risks.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

Information compiled from all businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Risk Committee and the head of each business division.

Internal Audit

Risk management processes throughout the Group are audited by the Group Internal Audit function, as part of each audit which examines both the adequacy and compliance with the procedures, in addition to the specific audit of the Group risk function itself as per the approved audit plan.

Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Group Board Audit and Compliance Committee.

Risk Mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Group.

The effectiveness of all hedge relationships is monitored by Risk Management on a monthly basis. In a situation of hedge ineffectiveness, the Group will enter into a new hedge relationship to mitigate risk on a continuous basis.

b) Credit Risk

The Group manages its credit risk exposure through diversification of its investments, capital markets and lending and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains collaterals where appropriate. The types of collaterals obtained may include cash, treasury bills and bonds, mortgages over real estate properties and pledges over shares.

The Group uses the same credit risk procedures when entering into derivative transactions as it does for traditional lending products.

Note 10 discloses the distribution of loans and advances and financing activities by industry wise sector. Note 35 discloses the geographical distribution of the Group's assets and liabilities.

The table below shows the maximum exposure to credit risk on the consolidated statement of financial position and certain off-balance sheet items. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

	Gross Maximum Exposure	
	2019	2018
Cash and Balances with Central Banks (Excluding Cash on Hand)	50,772,107	55,274,311
Due from Banks	79,316,258	61,748,844
Loans and Advances to Customers	678,681,835	617,125,304
Investment Securities (Debt)	94,222,970	86,006,592
Other Assets	7,577,005	11,531,256
	910,570,175	831,686,307
Guarantees	61,020,768	62,286,901
Letters of Credit	30,505,313	24,948,543
Unutilised Credit Facilities	111,978,300	106,442,290
Total	1,114,074,556	1,025,364,041

Risk Concentration for Maximum Exposure to Credit Risk by Industry Sector

An industry sector analysis of the Group's financial assets and contingent liabilities, before and after taking into account collateral held or other credit enhancements, is as follows:

	Gross Maximum Exposure 2019	Net Maximum Exposure 2019	Gross Maximum Exposure 2018	Net Maximum Exposure 2018
	Government	164,008,234	-	198,287,572
Government Agencies	214,324,185	79,775,387	201,738,302	59,563,581
Industry	42,467,380	38,499,777	37,812,830	32,090,033
Commercial	81,579,975	74,023,156	34,758,440	20,921,871
Services	259,926,970	220,380,874	214,163,203	151,601,894
Contracting	12,399,068	9,059,552	12,345,445	8,824,126
Real Estate	61,376,412	36,771,883	58,460,481	34,566,784
Personal	69,260,871	51,125,841	60,860,897	45,522,982
Others	5,227,080	3,441,949	13,259,137	11,011,287
Guarantees	61,020,768	61,020,768	62,286,901	62,286,901
Letters of credit	30,505,313	30,505,313	24,948,543	24,948,543
Unutilised Credit Facilities	111,978,300	111,978,300	106,442,290	106,442,290
Total	1,114,074,556	716,582,800	1,025,364,041	557,780,292

Credit Quality

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings. The Group follows an internal obligor risk rating (ORR) mechanism for grading relationships across its credit portfolio. The Group utilises a ten-scale credit rating system with positive and negative modifiers, giving a total scale range of 22, of which 19 (with positive and negative modifiers) relate to performing and three to non-performing. Within performing, ORR 1 to 4- represents investment grade, ORR 5+ to 7+ represents sub-investment grade and 7 and 7- represent watchlist. ORR 8 to 10 represents sub-standard, doubtful and loss respectively. All credits are assigned a rating in accordance with the defined criteria. The Group endeavours continuously to improve upon the 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 lending relationships are reviewed at least once in a year and more frequently in the case of non-performing assets.

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

The following table sets out information about the credit quality of financial assets, commitments and financial guarantees.

Cash and Balances with Central Banks (Excluding Cash on Hand) and Due from Banks

	2019			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	119,562,250	-	-	119,562,250
Sub-investment Grade - ORR 5 to 7	10,162,997	414,341	-	10,577,338
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
	129,725,247	414,341	-	130,139,588
Loss Allowance				(51,223)
Carrying Amount				130,088,365
				130,088,365
	2018			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	104,993,120	-	-	104,993,120
Sub-investment Grade - ORR 5 to 7	12,091,415	181	-	12,091,596
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	-	-
	117,084,535	181	-	117,084,716
Loss Allowance				(61,561)
Carrying Amount				117,023,155
				117,023,155

Loans and Advances to Customers

	2019			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	498,521,095	429,476	-	498,950,571
Sub-investment Grade - ORR 5 to 7	151,126,754	32,541,660	-	183,668,414
Substandard - ORR 8	-	-	2,797,370	2,797,370
Doubtful - ORR 9	-	-	1,758,488	1,758,488
Loss - ORR 10	-	-	8,283,220	8,283,220
	649,647,849	32,971,136	12,839,078	695,458,063
Loss Allowance				(16,776,228)
Carrying Amount				678,681,835
				678,681,835
	2018			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	461,308,367	1,603,743	-	462,912,110
Sub-investment Grade - ORR 5 to 7	138,230,286	19,938,095	-	158,168,381
Substandard - ORR 8	-	-	3,015,175	3,015,175
Doubtful - ORR 9	-	-	1,211,061	1,211,061
Loss - ORR 10	-	-	7,961,307	7,961,307
	599,538,653	21,541,838	12,187,543	633,268,034
Loss Allowance				(16,142,730)
Carrying Amount				617,125,304
				617,125,304

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

Investment Securities (Debt)

	2019			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	68,319,306	-	-	68,319,306
Sub-investment Grade - ORR 5 to 7	25,904,966	58,074	-	25,963,040
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	71,372	71,372
	94,224,272	58,074	71,372	94,353,718
Loss Allowance				(138,793)
Carrying Amount				94,214,925
	2018			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	61,980,906	-	-	61,980,906
Sub-investment Grade - ORR 5 to 7	23,997,766	124,759	-	24,122,525
Substandard - ORR 8	-	-	-	-
Doubtful - ORR 9	-	-	-	-
Loss - ORR 10	-	-	65,674	65,674
	85,978,672	124,759	65,674	86,169,105
Loss Allowance				(181,612)
Carrying Amount				85,987,493

Loan commitments and Financial Guarantees

	2019			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	124,190,343	131,113	-	124,321,456
Sub-investment Grade - ORR 5 to 7	76,356,982	3,038,510	-	79,395,492
Substandard - ORR 8	-	-	41,009	41,009
Doubtful - ORR 9	-	-	26,345	26,345
Loss - ORR 10	-	-	167,238	167,238
	200,547,325	3,169,623	234,592	203,951,540
Loss Allowance				(447,159)
Carrying Amount				203,504,381
	2018			
	Stage 1	Stage 2	Stage 3	Total
Investment Grade - ORR 1 to 4	128,875,695	15,923	-	128,891,618
Sub-investment Grade - ORR 5 to 7	63,445,144	1,385,588	-	64,830,732
Substandard - ORR 8	-	-	58,654	58,654
Doubtful - ORR 9	-	-	57,626	57,626
Loss - ORR 10	-	-	133,264	133,264
	192,320,839	1,401,511	249,544	193,971,894
Loss Allowance				(294,160)
Carrying Amount				193,677,734

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (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 material deterioration in the quality of collateral held by the Group. In addition, there were no changes in collateral policies of the Group.

The value of the collateral held against credit-impaired loans and advances as at 31 December 2019 is QR8,226 million (2018: QR4,807 million). The Group has a policy of Loan to Value (LTV) ratio of 60%.

The contractual amount of financial assets written off during the year, subject to enforcement activity as at 31 December 2019 is QR763.0 million (2018: QR21.7 million).

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 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.

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 on-going 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 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 loan 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 loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Where possible, the Group seeks to restructure loans rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new loan conditions. Management continuously reviews renegotiated loans 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 borrower 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 borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is rated 9 or 10.

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

In assessing whether a borrower is in default, the Group also 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

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the above macro - economic parameters are statistically significant or the results of forecasted PD's are too much deviated from the present forecast of the economic conditions, qualitative PD overlay shall be used by management after analysing the portfolio as per the diagnostic tool.

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.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group uses mathematical function which links the credit cycle index (CCI) with PD as a key input to ECL. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of instrument, a mean reversion approach has been used.

Scenarios are incorporated through the forward looking factors selected which are essentially credit cycle index factors (CCI) that are conditioned and then used as an input to the various ECL components. The CCI calculation is derived through the construction of suitable credit cycles based on economic variables that can be used as proxy to describe credit activities within each country of operation. CCI can be derived from a number of historical factors, such as risky yields, credit growth, credit spreads, default or NPL rates data. Interdependency exists between macro-economic factors (for Qatar as at 31 December 2019: Oil \$60 - \$62 price/barrel, GDP 1.3% - 3.5%, Inflation 1.9% - 2.2% etc. 2018: Oil \$60 - \$69 price/barrel, GDP 2.6% - 2.9%, Inflation 1.9% - 3.9% etc.) and the CCI, given its integral part in driving the economic or business cycles. The weightings assigned to each macro-economic scenario based on CCI, as at 31 December 2019, were 80% to Base Case and 10% each to Downside and Upside Case (2018: 80% to Base Case and 10% each to Downside and Upside Case).

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 primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment 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 recovery costs of any collateral that is integral to the financial asset.

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

LGD estimation includes:

- 1) Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.
- 2) Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.
- 3) 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.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include credit risk gradings, product type and geographic location of the borrower. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

Cash and Balances with Central Banks (Excluding Cash on Hand) and Due from Banks

	2019			
	Stage 1	Stage 2	Stage 3	Total ECL / Impairment
Balance at 1 January	61,555	6	-	61,561
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL / Impairment Allowance for the Year, net	(17,683)	9,183	-	(8,500)
Amounts Written Off	-	-	-	-
Foreign Currency Translation	(2,221)	383	-	(1,838)
Balance at 31 December	41,651	9,572	-	51,223

	2018			
	Stage 1	Stage 2	Stage 3	Total ECL / Impairment
Balance at 1 January	-	-	-	-
Impact of Initial Application	49,169	50	-	49,219
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL / Impairment Allowance for the Year, net	21,585	(44)	-	21,541
Amounts Written Off	-	-	-	-
Foreign Currency Translation	(9,199)	-	-	(9,199)
Balance at 31 December	61,555	6	-	61,561

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

Loans and Advances to Customers

	2019			
	Stage 1	Stage 2	Stage 3	Total ECL / Impairment
Balance at 1 January	1,668,145	1,785,141	12,689,444	16,142,730
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(483,182)	483,182	-	-
Transfers to Stage 3	-	(434,741)	434,741	-
ECL / Impairment Allowance for the Year, net	104,774	1,010,425	2,415,033	3,530,232
Amounts Written Off	-	(70,560)	(2,511,742)	(2,582,302)
Foreign Currency Translation	(43,117)	(79,067)	(192,248)	(314,432)
Balance at 31 December	1,246,620	2,694,380	12,835,228	16,776,228

	2018			
	Stage 1	Stage 2	Stage 3	Total ECL / Impairment
Balance at 1 January	26,124	13,032	11,661,599	11,700,755
Impact of Initial Application	1,789,935	2,458,990	-	4,248,925
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(214,219)	214,219	-	-
Transfers to Stage 3	-	(1,086,528)	1,086,528	-
ECL / Impairment Allowance for the Year, net	340,383	340,721	2,643,099	3,324,203
Amounts Written Off	-	-	(1,481,219)	(1,481,219)
Foreign Currency Translation	(274,078)	(155,293)	(1,220,563)	(1,649,934)
Balance at 31 December	1,668,145	1,785,141	12,689,444	16,142,730

Investment Securities (Debt)

	2019			
	Stage 1	Stage 2	Stage 3	Total ECL / Impairment
Balance at 1 January	98,817	6,567	76,228	181,612
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL / Impairment Allowance for the Year, net	(25,758)	(1,276)	37	(26,997)
Amounts Written Off	-	-	-	-
Foreign Currency Translation	(16,157)	-	335	(15,822)
Balance at 31 December	56,902	5,291	76,600	138,793

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

b) Credit Risk (continued)

Investment Securities (Debt)

	2018			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	-	-	79,562	79,562
Impact of Initial Application	82,408	4,289	-	86,697
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL / Impairment Allowance for the Year, net	16,327	(1,645)	(36)	14,646
Amounts Written Off	-	-	(2,772)	(2,772)
Foreign Currency Translation	82	3,923	(526)	3,479
Balance at 31 December	98,817	6,567	76,228	181,612

Loan Commitments and Financial Guarantees

	2019			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	131,183	34,458	128,519	294,160
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(281)	281	-	-
Transfers to Stage 3	-	-	-	-
ECL / Impairment Allowance for the Year, net	81,625	40,530	26,289	148,444
Amounts Written Off	-	-	-	-
Foreign Currency Translation	724	(119)	3,950	4,555
Balance at 31 December	213,251	75,150	158,758	447,159

	2018			
	Stage 1	Stage 2	Stage 3	Total ECL
Balance at 1 January	3,781	2,289	71,115	77,185
Impact of Initial Application	305,189	31,310	-	336,499
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(11,759)	11,759	-	-
Transfers to Stage 3	-	(1,353)	1,353	-
ECL / Impairment Allowance for the Year, net	(103,265)	(4,352)	38,019	(69,598)
Amounts Written Off	-	-	-	-
Foreign Currency Translation	(62,763)	(5,195)	18,032	(49,926)
Balance at 31 December	131,183	34,458	128,519	294,160

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4. FINANCIAL RISK MANAGEMENT (Continued)

II. Risk Management (continued)

c) Market Risk

The Group takes on exposure to market risks from interest rates, foreign exchange rates and equity prices due to general and specific market movements. The Group applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group has a set of limits on the value of risk that may be accepted, which is monitored on a daily basis.

Equity Price Risk

Equity price risk, is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The effect on equity due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market Indices	Change in Equity Price %	Effect on Other Comprehensive Income	
		2019	2018
Qatar Exchange	±5	12,030	12,696

Foreign Exchange Risk

The Group takes on exposure to the effect of fluctuations in prevailing foreign currency exchange rates on its financial position. The Group has a set of limits on the level of currency exposure, which are monitored daily. The Group has the following significant net exposures denominated in foreign currencies which are subject to market risk:

	QR	US\$	Euro	Pound Sterling	Other Currencies	Total
At 31 December 2019:						
Assets	259,030,482	428,136,888	92,391,751	40,013,408	125,125,162	944,697,691
Liabilities and Equity	271,575,578	415,587,961	93,270,657	39,897,393	124,366,102	944,697,691
Net Exposure	(12,545,096)	12,548,927	(878,906)	116,015	759,060	-
At 31 December 2018:						
Assets	333,474,378	293,402,377	83,387,854	32,765,611	119,167,379	862,197,599
Liabilities and Equity	224,280,614	402,344,429	84,324,824	32,652,785	118,594,947	862,197,599
Net Exposure	109,193,764	(108,942,052)	(936,970)	112,826	572,432	-

The table below indicates the effect of a reasonably possible movement of the currency rate against the Qatari Riyal on the income statement, with all other variables held constant:

Currency	Change in Currency Rate	Effect on Consolidated Income Statement	
		2019	2018
US\$	+2	250,979	(2,178,841)
Euro	+3	(26,367)	(28,109)
Pound Sterling	+2	2,320	2,257
Egyptian Pound	+3	1,889	(27,049)
Turkish Lira	+3	(223,062)	(7,219)
Other Currencies	+3	243,945	238,346
US\$	-2	(250,979)	2,178,841
Euro	-3	26,367	28,109
Pound Sterling	-2	(2,320)	(2,257)
Egyptian Pound	-3	(1,889)	27,049
Turkish Lira	-3	223,062	7,219
Other Currencies	-3	(243,945)	(238,346)

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4. FINANCIAL RISK MANAGEMENT (Continued)

c) Market Risk (continued)

Interest rate risk

Interest rate risk reflects the risk of a change in interest rates, which might affect future earnings or the fair value of financial instruments. Exposure to interest rate risk is managed by the Group using, asset and liability management and, where appropriate, various derivatives. Maturities of assets and liabilities have been determined on the basis of contractual pricing. The following table summarises the repricing profile of the Group's assets, liabilities and off-balance sheet exposures:

	Within 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Non-Interest Sensitive	Total	Effective Interest Rate
At 31 December 2019:							
Cash and Balances with							
Central Banks	17,495,569	-	-	-	44,659,659	62,155,228	
Due from Banks	69,804,742	1,985,070	344,803	-	7,181,643	79,316,258	1.90%
Loans and Advances	324,253,404	294,586,032	39,689,596	10,464,870	9,687,933	678,681,835	5.79%
Investments	14,051,109	18,328,712	40,898,629	19,568,810	10,168,524	103,015,784	7.61%
Other Assets	-	-	-	-	21,528,586	21,528,586	
Total Assets	425,604,824	314,899,814	80,933,028	30,033,680	93,226,345	944,697,691	
Due to Banks	56,959,334	15,718,633	5,219,229	125,270	361,379	78,383,845	2.85%
Customer Deposits	446,770,569	127,443,716	42,233,376	1,881,007	66,160,253	684,488,921	3.18%
Debt Securities	10,881,397	3,353,333	13,231,955	5,974,496	337,069	33,778,250	3.71%
Other Borrowings	24,897,738	285,638	24,990	3,407	54,838	25,266,611	2.33%
Other Liabilities	-	-	-	-	28,060,896	28,060,896	
Total Equity	-	-	-	-	94,719,168	94,719,168	
Total Liabilities and Equity	539,509,038	146,801,320	60,709,550	7,984,180	189,693,603	944,697,691	
Balance Sheet Items	(113,904,214)	168,098,494	20,223,478	22,049,500	(96,467,258)	-	
Off-Balance Sheet Items	27,463,563	436,924	(22,111,109)	(5,500,542)	(288,836)	-	
Interest Rate Sensitivity Gap	(86,440,651)	168,535,418	(1,887,631)	16,548,958	(96,756,094)	-	
Cumulative Interest Rate Sensitivity Gap	(86,440,651)	82,094,767	80,207,136	96,756,094	-	-	
At 31 December 2018:							
Cash and Balances with							
Central Banks	21,045,846	-	-	-	43,645,821	64,691,667	
Due from Banks	53,324,518	1,008,621	440,449	-	6,975,256	61,748,844	2.59%
Loans and Advances	347,254,319	202,078,769	32,086,014	23,178,998	12,527,204	617,125,304	6.33%
Investments	17,694,566	22,502,831	26,882,886	17,990,486	9,999,752	95,070,521	7.92%
Other Assets	-	-	-	-	23,561,263	23,561,263	
Total Assets	439,319,249	225,590,221	59,409,349	41,169,484	96,709,296	862,197,599	
Due to Banks	47,879,167	10,358,612	11,084,153	185,632	4,630,337	74,137,901	3.12%
Customer Deposits	422,802,650	92,463,171	39,929,050	983,886	64,408,837	620,587,594	3.64%
Debt Securities	8,505,693	1,819,236	9,959,779	5,653,200	271,883	26,209,791	3.93%
Other Borrowings	22,379,991	2,346,533	239,474	71,703	71,943	25,109,644	2.21%
Other Liabilities	-	-	-	-	27,877,948	27,877,948	
Total Equity	-	-	-	-	88,274,721	88,274,721	
Total Liabilities and Equity	501,567,501	106,987,552	61,212,456	6,894,421	185,535,669	862,197,599	
Balance Sheet Items	(62,248,252)	118,602,669	(1,803,107)	34,275,063	(88,826,373)	-	
Off-Balance Sheet Items	39,722,883	(1,344,119)	(27,905,583)	(6,638,545)	(3,834,636)	-	
Interest Rate Sensitivity Gap	(22,525,369)	117,258,550	(29,708,690)	27,636,518	(92,661,009)	-	
Cumulative Interest Rate Sensitivity Gap	(22,525,369)	94,733,181	65,024,491	92,661,009	-	-	

Other assets includes property and equipment and intangible assets.

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4. FINANCIAL RISK MANAGEMENT (Continued)

c) Market Risk (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a possible and reasonable change in interest rates, with all other variables held constant, of the Group's consolidated income statement. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets and financial liabilities including the effect of hedging instruments.

	Increase in Basis Points	Sensitivity of Net Interest Income	Decrease in Basis Points	Sensitivity of Net Interest Income
2019				
Currency				
Qatari Riyal	10	66,099	10	(66,099)
US\$	10	10,082	10	(10,082)
Euro	10	(31,081)	10	31,081
Pound Sterling	10	(9,757)	10	9,757
Other Currencies	10	(9,058)	10	9,058

	Increase in Basis Points	Sensitivity of Net Interest Income	Decrease in Basis Points	Sensitivity of Net Interest Income
2018				
Currency				
Qatari Riyal	10	106,441	10	(106,441)
US\$	10	(42,538)	10	42,538
Euro	10	(23,892)	10	23,892
Pound Sterling	10	(2,005)	10	2,005
Other Currencies	10	(1,110)	10	1,110

Inter Bank Offered Rate (IBOR) Reforms

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates.

As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

d) Liquidity Risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Group has a diversification of funding sources and a diversified portfolio of high quality liquid assets and readily marketable securities.

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4. FINANCIAL RISK MANAGEMENT (Continued)

d) Liquidity Risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
At 31 December 2019:						
Cash and Balances with						
Central Banks	29,092,901	-	-	-	33,062,327	62,155,228
Due from Banks	68,909,726	4,725,218	2,693,873	2,987,441	-	79,316,258
Loans and Advances	104,432,188	22,589,555	62,657,526	122,613,168	366,389,398	678,681,835
Investments	5,345,760	5,789,086	13,932,774	37,223,631	40,724,533	103,015,784
Other Assets	10,016,942	667,889	1,836,597	7,606,597	1,400,561	21,528,586
Total Assets	217,797,517	33,771,748	81,120,770	170,430,837	441,576,819	944,697,691
Due to Banks	34,392,714	11,446,168	9,025,511	20,502,229	3,017,223	78,383,845
Customer Deposits	277,834,764	65,785,376	112,165,785	199,446,406	29,256,590	684,488,921
Debt Securities	-	102,761	4,100,091	23,595,271	5,980,127	33,778,250
Other Borrowings	156,544	133,773	1,967,525	23,005,362	3,407	25,266,611
Other Liabilities and Equity	16,880,148	1,149,145	3,257,433	2,590,606	98,902,732	122,780,064
Total Liabilities and Equity	329,264,170	78,617,223	130,516,345	269,139,874	137,160,079	944,697,691
On-Balance Sheet Gap	(111,466,653)	(44,845,475)	(49,395,575)	(98,709,037)	304,416,740	-
Contingent and Other Items	88,187,326	32,639,092	45,123,379	34,637,691	20,114,738	220,702,226
At 31 December 2018:						
Cash and Balances with						
Central Banks	34,605,083	-	-	-	30,086,584	64,691,667
Due from Banks	54,458,479	2,748,300	2,256,775	2,285,290	-	61,748,844
Loans and Advances	94,321,698	28,093,488	81,552,646	148,186,895	264,970,577	617,125,304
Investments	9,243,975	6,801,919	19,911,383	31,114,941	27,998,303	95,070,521
Other Assets	10,464,394	1,513,499	2,664,374	7,599,201	1,319,795	23,561,263
Total Assets	203,093,629	39,157,206	106,385,178	189,186,327	324,375,259	862,197,599
Due to Banks	31,867,576	8,806,629	11,029,018	18,106,958	4,327,720	74,137,901
Customer Deposits	257,203,759	66,541,481	101,485,462	184,651,974	10,704,918	620,587,594
Debt Securities	228,416	361,989	1,678,494	18,074,973	5,865,919	26,209,791
Other Borrowings	110,037	113,358	11,821,884	13,052,988	11,377	25,109,644
Other Liabilities and Equity	17,719,884	1,542,290	3,372,133	3,297,380	90,220,982	116,152,669
Total Liabilities and Equity	307,129,672	77,365,747	129,386,991	237,184,273	111,130,916	862,197,599
On-Balance Sheet Gap	(104,036,043)	(38,208,541)	(23,001,813)	(47,997,946)	213,244,343	-
Contingent and Other Items	85,563,318	27,893,001	45,554,371	35,400,089	17,883,109	212,293,888

Other assets includes property and equipment and intangible assets.

The liquidity coverage ratio maintained by the Group as at 31 December 2019 is 160% (2018: 124%), as against the minimum requirement of 100% for the year ended 31 December 2019 (100% for 31 December 2018) as per QCB regulations.

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4. FINANCIAL RISK MANAGEMENT (Continued)

d) Liquidity Risk (continued)

Maturity analysis of undiscounted cashflows

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

	Within 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
At 31 December 2019:						
Due to Banks	35,229,809	11,669,449	10,326,572	25,145,486	3,179,135	85,550,451
Customer Deposits	279,333,207	67,547,995	115,477,188	207,733,934	29,256,609	699,348,933
Debt Securities	10,732	724,096	4,308,238	23,931,561	7,942,468	36,917,095
Other Borrowings	156,544	297,955	1,993,208	23,967,064	3,407	26,418,178
Lease Liabilities	33,116	19,213	89,405	481,456	99,071	722,261
Derivative Financial Instruments						
- Contractual Amounts						
Payable - Forward Contracts	31,061,132	31,282,040	10,914,088	623,023	-	73,880,283
Receivable - Forward Contracts	(31,617,923)	(30,804,938)	(12,595,435)	(553,074)	-	(75,571,370)
Payable/(Receivable) - Others	54,448	(511,196)	(74,276)	892,097	(1,239,393)	(878,320)
Total Liabilities	314,261,065	80,224,614	130,438,988	282,221,547	39,241,297	846,387,511
At 31 December 2018:						
Due to Banks	32,016,285	7,992,659	11,683,029	19,776,932	4,665,282	76,134,187
Customer Deposits	258,684,522	64,710,484	108,203,982	193,492,053	11,679,066	636,770,107
Debt Securities	237,192	404,008	2,294,986	18,921,506	6,516,709	28,374,401
Other Borrowings	110,894	184,597	11,926,940	13,208,175	11,465	25,442,071
Derivative Financial Instruments						
- Contractual Amounts						
Payable - Forward Contracts	40,783,729	11,323,844	8,808,390	563,881	-	61,479,844
Receivable - Forward Contracts	(40,821,504)	(11,346,000)	(8,807,341)	(500,591)	-	(61,475,436)
Payable/(Receivable) - Others	118,605	(336,404)	(524,086)	(314,733)	(1,220,010)	(2,276,628)
Total Liabilities	291,129,723	72,933,188	133,585,900	245,147,223	21,652,512	764,448,546

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4. FINANCIAL RISK MANAGEMENT (Continued)

e) Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel and other risks having an operational risk impact. The Group seeks to minimise actual or potential losses from operational risk failure through a framework of policies and procedures that identify, assess, control, manage and report those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

f) Other Risks

Other risks to which the Group is exposed are regulatory risk, legal risk and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through the regular examination of issues, that are considered to have reputational repercussions for the Group, with guidelines and policies being issued as appropriate.

The Group provides custody and corporate administration to third parties in relation to mutual funds marketed or managed by the Group. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures and internal audits to assure compliance. Note 37 lists the funds marketed by the Group.

g) Capital Management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by Qatar Central Bank in supervising the Group.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

Capital Adequacy

	2019	2018
Common Equity Tier 1 (CET 1) Capital	70,452,080	61,915,347
Eligible Additional Tier 1 (AT1) Capital Instruments	20,000,000	20,000,000
Additional Tier 1 Capital	91,848	90,609
Additional Tier 2 Capital	4,373,999	3,839,001
Total Eligible Capital	94,917,927	85,844,957
Risk Weighted Assets for Credit Risk	426,134,253	383,098,110
Risk Weighted Assets for Market Risk	5,660,334	1,984,934
Risk Weighted Assets for Operational Risk	41,698,671	36,920,366
Total Risk Weighted Assets	473,493,258	422,003,410
CET 1 Ratio*	13.7%	13.4%
Tier 1 Capital Ratio*	18.0%	18.1%
Total Capital Ratio*	18.9%	19.0%

*The above ratios are calculated based on Total Eligible Capital, net of proposed dividends.

The minimum requirements for Capital Adequacy Ratio under Basel III for QNB as per QCB regulations are as follows:

	Without Capital Conservation Buffer	Capital Conservation Buffer	Additional DSIB charge	ICAAP Capital Charge	Total
Minimum limit for CET 1 ratio	6.0%	2.5%	2.50%	0.0%	11.00%
Minimum limit for Tier 1 capital ratio	8.0%	2.5%	2.50%	0.0%	13.00%
Minimum limit for Total capital ratio	10.0%	2.5%	2.50%	1.0%	16.00%

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5. USE OF ESTIMATES AND JUDGEMENTS

a) Key Sources of Estimation Uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) 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.

(ii) Allowances for Credit Losses

Assessment whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL / impairment.

(iii) Determining Fair Value

The determination of fair value for financial assets and liabilities, for which there is no observable market price requires the use of valuation techniques as described in the accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

b) Critical Accounting Judgements in Applying the Group's Accounting Policies

(i) Valuation of Financial Instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

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5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

b) Critical Accounting Judgements in Applying the Group's Accounting Policies (continued)

(i) Valuation of Financial Instruments (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
At 31 December 2019:				
Derivative Assets Held for Risk Management	710	5,345,202	-	5,345,912
Investment Securities	36,533,925	1,389,380	-	37,923,305
Total	36,534,635	6,734,582	-	43,269,217
Derivative Liabilities Held for Risk Management	1,650	4,710,210	-	4,711,860
Total	1,650	4,710,210	-	4,711,860
At 31 December 2018:				
Derivative Assets Held for Risk Management	1,856	9,248,712	-	9,250,568
Investment Securities	28,795,168	3,088,091	-	31,883,259
Total	28,797,024	12,336,803	-	41,133,827
Derivative Liabilities Held for Risk Management	2,115	5,798,148	-	5,800,263
Total	2,115	5,798,148	-	5,800,263

There have been no transfers between Level 1 and Level 2 (2018: Nil).

Financial assets and liabilities not measured at fair value, for which fair value is disclosed, would be largely classified as Level 2 in fair value hierarchy.

(ii) Financial Asset and Liability Classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 7 for further information.

(iii) Qualifying Hedge Relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

(iv) ECL / Impairment of Investments in Equity and Debt Securities

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 / impairment. Refer to note 4 Inputs, assumptions and techniques used for estimating ECL / impairment of financial assets for more information.

(v) Useful Lives of Property and Equipment

The Group's management determines the estimated useful life of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear and technical or commercial obsolescence.

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5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

b) Critical Accounting Judgements in Applying the Group's Accounting Policies (continued)

(vi) Useful Lives of Intangible Assets

The Group's management determines the estimated useful life of its intangible assets for calculating amortisation. This estimate is determined after considering the expected economic benefits to be received from the use of intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(vii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. All non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

(viii) Funds Management

All the funds are governed by the respective regulations where the appointment and removal of fund managers is controlled through respective regulations and the Group's aggregate economic interest in each fund is not significant. As a result, the Group has concluded that it acts as an agent for the investors in these funds, and therefore has not consolidated these funds.

6. OPERATING SEGMENTS

The Group organises and manages its operations through four main business segments, as described below, which are the Group's strategic business units. For each strategic business units, the Group management committee reviews internal management reports on at least a quarterly basis. The strategic business units offer different products and services and are managed separately because they require different strategies.

Corporate Banking

Corporate banking includes loans, deposits, investment and advisory services and other products and services with corporate customers and undertaking the Group's funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

Consumer banking

Consumer banking includes loans, deposits and other diversified range of products and services to retail customers.

Asset and Wealth Management

Assets and wealth management includes loans, deposits, assets management, brokerage and custody services to high net worth customers.

International Banking

International banking includes loans, deposits and other products and services with corporate and individual customers in the Group's international locations.

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6. OPERATING SEGMENTS (Continued)

	Qatar Operations			International Banking	Unallocated and Intra-group Transactions	Total
	Corporate Banking	Consumer Banking	Asset and Wealth Management			
At 31 December 2019:						
External Revenue:						
Net Interest Income	8,896,838	694,795	849,888	9,693,595	61,354	20,196,470
Net Fee and Commission Income	708,045	292,936	239,949	2,475,589	(3,482)	3,713,037
Net Foreign Exchange Gain	544,922	144,059	184,202	214,410	10,405	1,097,998
Income from Investment Securities	45,043	-	1,074	52,809	-	98,926
Other Operating Income	80	7	164	127,272	1,501	129,024
Share of Results of Associates	343,389	-	-	57,437	-	400,826
Total Segment Revenue	10,538,317	1,131,797	1,275,277	12,621,112	69,778	25,636,281
Reportable Segment Profit	8,487,522	461,323	912,552	4,952,961	(463,498)	14,350,860
Reportable Segment						
Investments	50,996,572	-	-	44,902,610	-	95,899,182
Loans and Advances	461,654,689	10,957,163	26,147,377	179,922,606	-	678,681,835
Customer Deposits	287,156,409	27,034,029	55,957,715	314,340,768	-	684,488,921
Assets	642,515,357	28,499,720	58,037,154	474,326,706	(258,681,246)	944,697,691
At 31 December 2018:						
External Revenue:						
Net Interest Income	8,209,709	546,579	610,069	9,581,833	84,715	19,032,905
Net Fee and Commission Income	693,939	215,614	247,000	2,479,764	6,171	3,642,488
Net Foreign Exchange Gain	475,998	98,730	109,888	500,118	4,746	1,189,480
Income from Investment Securities	95,523	-	-	26,528	-	122,051
Other Operating Income	717	3	539	76,513	-	77,772
Share of Results of Associates	448,595	-	-	36,620	-	485,215
Total Segment Revenue	9,924,481	860,926	967,496	12,701,376	95,632	24,549,911
Reportable Segment Profit	8,058,666	250,905	765,867	5,055,052	(342,359)	13,788,131
Reportable Segment						
Investments	49,824,495	-	13,318	37,550,010	-	87,387,823
Loans and Advances	404,360,021	10,816,756	24,016,125	177,932,402	-	617,125,304
Customer Deposits	271,714,377	25,243,536	52,615,366	271,014,315	-	620,587,594
Assets	577,199,037	26,675,049	53,767,192	419,449,923	(214,893,602)	862,197,599

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7. FINANCIAL ASSETS AND LIABILITIES

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

	Fair value through profit or loss - mandatory		Fair value through other comprehensive income		Amortised Cost	Total Carrying Amount	Fair Value
	Debt inst- ruments	Equity inst- ruments	Debt inst- ruments	Equity inst- ruments			
At 31 December 2019:							
Cash and Balances with							
Central Banks	-	-	-	-	62,155,228	62,155,228	62,155,228
Due from Banks	-	-	-	-	79,316,258	79,316,258	79,316,258
Loans and Advances	-	-	-	-	678,681,835	678,681,835	678,703,447
Investment Securities:							
At Fair Value	138,386	83,726	35,580,705	1,592,486	-	37,395,303	37,395,303
At Amortised Cost	-	-	-	-	57,128,169	57,128,169	58,073,807
	138,386	83,726	35,580,705	1,592,486	877,281,490	914,676,793	915,644,043
Due to Banks	-	-	-	-	78,383,845	78,383,845	78,383,845
Customer Deposits	-	-	-	-	684,488,921	684,488,921	684,518,917
Debt Securities	-	-	-	-	33,778,250	33,778,250	33,802,231
Other Borrowings	-	-	-	-	25,266,611	25,266,611	25,286,366
	-	-	-	-	821,917,627	821,917,627	821,991,359
At 31 December 2018:							
Cash and Balances with							
Central Banks	-	-	-	-	64,691,667	64,691,667	64,691,667
Due from Banks	-	-	-	-	61,748,844	61,748,844	43,630,943
Loans and Advances	-	-	-	-	617,125,304	617,125,304	584,595,104
Investment Securities:							
At Fair Value	16,045	47,606	30,154,095	1,333,625	-	31,551,371	31,551,371
At Amortised Cost	-	-	-	-	54,900,629	54,900,629	46,089,759
	16,045	47,606	30,154,095	1,333,625	798,466,444	830,017,815	770,558,844
Due to Banks	-	-	-	-	74,137,901	74,137,901	74,137,901
Customer Deposits	-	-	-	-	620,587,594	620,587,594	620,647,621
Debt Securities	-	-	-	-	26,209,791	26,209,791	26,491,207
Other Borrowings	-	-	-	-	25,109,644	25,109,644	24,821,430
	-	-	-	-	746,044,930	746,044,930	746,098,159

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8. CASH AND BALANCES WITH CENTRAL BANKS	2019	2018
Cash	11,383,121	9,417,356
Cash Reserve with Qatar Central Bank	18,388,171	17,549,716
Other Balances with Qatar Central Bank	10,434,210	14,435,443
Balances with Other Central Banks	21,947,048	23,299,609
Accrued Interest	4,328	-
Allowance for Impairment	(1,650)	(10,457)
Total	62,155,228	64,691,667

Cash reserve with Qatar Central Bank is a mandatory reserve and cannot be used to fund the Group's day-to-day operations. Balances with Other Central Banks include mandatory reserves amounting to QR14,674 million (2018: QR12,537 million) which cannot be used to fund the Group's day-to-day operations.

9. DUE FROM BANKS	2019	2018
Current Accounts	7,897,882	7,910,408
Placements	71,209,408	52,603,516
Loans	-	646,274
Accrued Interest	258,541	639,750
Allowance for Impairment	(49,573)	(51,104)
Total	79,316,258	61,748,844

10. LOANS AND ADVANCES TO CUSTOMERS	2019	2018
a) By Type		
Loans	619,408,159	552,423,916
Overdrafts	66,557,462	73,086,770
Bills Discounted	3,457,913	3,156,311
	689,423,534	628,666,997
Accrued Interest	6,083,121	4,618,607
Deferred Profit	(48,592)	(17,570)
Expected Credit Losses - Performing Loans and Advances to Customers - Stage 1 and 2	(3,941,000)	(3,453,286)
Impairment on Non-performing Loans and Advances to Customers - Stage 3	(12,835,228)	(12,689,444)
Net Loans and Advances to Customers	678,681,835	617,125,304

The aggregate amount of non-performing loans and advances to customers amounted to QR12,839 million, which represents 1.9% of total loans and advances (2018: QR12,188 million, 1.9% of total loans and advances to customers).

Allowance for impairment of loans and advances to customers includes QR1,586 million of interest in suspense (2018: QR1,346 million).

b) By Industry

At 31 December 2019:	Loans and Advances	Overdrafts	Bills Discounted	Total
Government	47,371,288	32,014,628	-	79,385,916
Government Agencies	156,828,214	2,408,311	-	159,236,525
Industry	40,102,327	2,847,624	327,544	43,277,495
Commercial	84,269,946	2,743,135	663,578	87,676,659
Services	163,938,730	7,282,577	1,291,045	172,512,352
Contracting	11,985,213	538,757	95,510	12,619,480
Real Estate	59,387,538	2,669,577	473,259	62,530,374
Personal	56,603,907	15,825,725	566,711	72,996,343
Others	5,004,117	227,128	40,266	5,271,511
Total	625,491,280	66,557,462	3,457,913	695,506,655

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10. LOANS AND ADVANCES TO CUSTOMERS (Continued)

At 31 December 2018:	Loans and Advances	Overdrafts	Bills Discounted	Total
Government	81,635,302	45,776,363	-	127,411,665
Government Agencies	140,277,236	2,390,483	-	142,667,719
Industry	37,938,162	1,985,933	349,159	40,273,254
Commercial	35,368,030	1,224,014	231,927	36,823,971
Services	133,179,069	6,965,560	1,319,836	141,464,465
Contracting	12,635,405	611,677	115,901	13,362,983
Real Estate	56,474,127	2,891,224	519,408	59,884,759
Personal	54,219,221	10,983,313	571,156	65,773,690
Others	5,315,971	258,203	48,924	5,623,098
Total	557,042,523	73,086,770	3,156,311	633,285,604

The amounts include interest receivable and exclude ECL / impairment and deferred profit.

c) Impairment on Loans and Advances to Customers

	Corporate Lending	Small Business Lending	Consumer Lending	Residential Mortgages	Total
Balance as at 1 January 2019	9,026,423	2,591,209	4,463,245	61,853	16,142,730
Foreign Currency Translation	8,079	(192,537)	(129,780)	(194)	(314,432)
Allowances Made during the Year	2,905,593	733,833	492,417	4,926	4,136,769
Recoveries during the Year	(167,250)	(150,581)	(286,614)	(2,092)	(606,537)
Written off / Transfers during the Year	(1,893,968)	(324,536)	(361,356)	(2,442)	(2,582,302)
Balance as at 31 December 2019	9,878,877	2,657,388	4,177,912	62,051	16,776,228
Balance as at 1 January 2018	5,640,810	1,813,632	4,175,754	70,559	11,700,755
Impact of IFRS 9 Initial Application	3,126,095	489,785	625,046	7,999	4,248,925
Foreign Currency Translation	(571,309)	(518,884)	(556,447)	(3,294)	(1,649,934)
Allowances Made during the Year	2,623,894	998,221	886,867	818	4,509,800
Recoveries during the Year	(657,978)	(191,452)	(321,938)	(14,229)	(1,185,597)
Written off / Transfers during the Year	(1,135,089)	(93)	(346,037)	-	(1,481,219)
Balance as at 31 December 2018	9,026,423	2,591,209	4,463,245	61,853	16,142,730

d) Net ECL / Impairment during the Year

	2019	2018
Corporate Lending	(2,584,744)	(1,856,699)
Small Business Lending	(532,561)	(769,961)
Consumer Lending	(56,794)	(427,409)
Residential Mortgages	(2,754)	13,504
Total	(3,176,853)	(3,040,565)

Impairment loss excludes interest in suspense.

11. INVESTMENT SECURITIES

	Notes	2019	2018
Investments measured at Fair Value Through Profit or Loss (FVPL)	11a	222,112	63,651
Investments measured at Fair Value Through Other Comprehensive Income (FVOCI)	11b	37,173,191	31,487,720
Investments measured at Amortised Cost (AC), net	11c	57,128,169	54,900,629
Accrued interest		1,375,710	935,823
Total		95,899,182	87,387,823

The carrying amount and fair value of securities under repurchase agreements amounted to QR29,446 million and QR30,209 million respectively (2018: QR27,000 million and QR26,996 million respectively).

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11. INVESTMENT SECURITIES (Continued)

a) Investments measured at Fair Value Through Profit or Loss

	2019		2018	
	Quoted	Unquoted	Quoted	Unquoted
Mutual Funds and Equities	83,726	-	47,606	-
Debt Securities	138,386	-	16,045	-
Total	222,112	-	63,651	-

b) Investments measured at Fair Value Through Other Comprehensive Income

	2019		2018	
	Quoted	Unquoted	Quoted	Unquoted
Mutual Funds and Equities	1,279,722	312,764	1,179,124	154,501
State of Qatar Debt Securities	24,271,686	-	21,040,379	-
Other Debt Securities	11,309,019	-	9,111,007	2,709
Total	36,860,427	312,764	31,330,510	157,210

Fixed rate securities amounted to QR33,058 million (2018: QR27,729 million) and floating rate securities amounted to QR2,523million (2018: QR2,425 million).

The above is net of impairment allowance in respect of debt securities amounting to QR15.1 million (2018: QR15.1 million).

c) Investments measured at Amortised Cost

	2019		2018	
	Quoted	Unquoted	Quoted	Unquoted
By Issuer				
State of Qatar Debt Securities	13,279,553	-	11,013,953	-
Other Debt Securities	40,432,972	3,415,644	41,546,814	2,339,862
Total	53,712,525	3,415,644	52,560,767	2,339,862
By Interest Rate				
Fixed Rate Securities	48,929,345	3,415,644	47,680,991	2,339,862
Floating Rate Securities	4,783,180	-	4,879,776	-
Total	53,712,525	3,415,644	52,560,767	2,339,862

The above is net of impairment allowance in respect of debt securities amounting to QR115.7 million (2018: QR147.5 million).

12. INVESTMENTS IN ASSOCIATES

	2019	2018
Balance as at 1 January	7,682,698	7,411,867
Foreign Currency Translation	(13,634)	(43,289)
Share of results	400,826	485,215
Cash Dividend	(111,450)	(149,278)
Other Movements / Disposals	(841,838)	(21,817)
Balance as at 31 December	7,116,602	7,682,698

Name of Associate	Country	Principal business	Ownership %	
			2019	2018
Housing Bank for Trade and Finance	Jordan	Banking	34.5	34.5
Al Jazeera Finance Company	Qatar	Financing	20.0	20.0
Commercial Bank International	UAE	Banking	40.0	40.0
Senouhi Company for Construction Materials	Egypt	Construction	23.0	23.0
Ecobank Transnational Incorporated	Togo	Banking	20.1	20.1
Bantas	Turkey	Security Services	33.3	33.3
Cigna Finans	Turkey	Pension Fund	49.0	49.0

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12. INVESTMENTS IN ASSOCIATES (Continued)

The table below shows the summarised financial information of the Group's investment in direct and material Associates:

	Total Assets	Total Liabilities	Equity	Group's Share of Profit	Market Price per Share (QR)
Balance as at 30 September 2019					
Housing Bank for Trade and Finance	43,541,989	37,867,571	5,674,418	140,954	30.08
Commercial Bank International	20,241,884	17,763,417	2,478,467	61,732	0.74
Ecobank Transnational Incorporated	82,173,009	75,534,881	6,638,128	135,011	0.10
Balance as at 31 December 2018					
Housing Bank for Trade and Finance	42,582,140	37,040,876	5,541,264	194,403	43.00
Commercial Bank International	20,063,050	17,606,480	2,456,570	91,548	0.91
Ecobank Transnational Incorporated	82,210,485	75,612,111	6,598,374	156,489	0.21

13. PROPERTY AND EQUIPMENT

	Land & Buildings	Leasehold Improvements	Equipment & Furniture	Motor Vehicles	Total
Balance as at 31 December 2019					
Cost:					
Balance as at 1 January	4,030,160	990,386	3,110,516	16,096	8,147,158
Recognition of right-of-use assets on initial application of IFRS 16 -Note 3ab	621,372		38,514	35,864	695,750
Additions	435,761	53,571	423,894	15,047	928,273
Disposals / Written off	(2,313)	(18,972)	(21,079)	(325)	(42,689)
Foreign Currency Translation / Others	(173,048)	(29,365)	(171,068)	(2,872)	(376,353)
	4,911,932	995,620	3,380,777	63,810	9,352,139
Accumulated Depreciation:					
Balance as at 1 January	414,539	781,500	2,241,961	11,953	3,449,953
Charged during the Year	274,324	68,870	341,231	22,138	706,563
Disposals / Written off	(674)	(18,541)	(20,117)	(289)	(39,621)
Foreign Currency Translation / Others	2,620	(24,218)	(121,633)	733	(142,498)
	690,809	807,611	2,441,442	34,535	3,974,397
Net Carrying Amount	4,221,123	188,009	939,335	29,275	5,377,742
Balance as at 31 December 2018					
Cost:					
Balance as at 1 January	3,697,641	1,113,616	3,560,114	14,130	8,385,501
Additions	786,211	59,840	371,326	3,731	1,221,108
Disposals	(448)	(45,262)	(204,083)	(971)	(250,764)
Foreign Currency Translation / Others	(453,244)	(137,808)	(616,841)	(794)	(1,208,687)
	4,030,160	990,386	3,110,516	16,096	8,147,158
Accumulated Depreciation:					
Balance as at 1 January	391,851	873,072	2,569,630	12,584	3,847,137
Charged during the Year	48,469	79,663	311,414	1,276	440,822
Disposals	(42)	(46,539)	(202,415)	(1,103)	(250,099)
Foreign Currency Translation / Others	(25,739)	(124,696)	(436,668)	(804)	(587,907)
	414,539	781,500	2,241,961	11,953	3,449,953
Net Carrying Amount	3,615,621	208,886	868,555	4,143	4,697,205

Information about leases for which the Group is a lessee is presented below:

	Land & Buildings	Equipment & Furniture	Motor Vehicles	Total
Recognition of right-of-use asset at 1 January 2019	621,372	38,514	35,864	695,750
Additions	199,493	2,195	11,775	213,463
Depreciation	(226,788)	(17,233)	(20,636)	(264,657)
Foreign Currency Translation / Others	(21,388)	21	(3,660)	(25,027)
Balance as at 31 December 2019	572,689	23,497	23,343	619,529

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14. INTANGIBLE ASSETS

	Goodwill	Core Deposit Intangibles	Operating licence	Total
Cost				
Balance as at 1 January 2019	1,786,039	932,907	1,711,614	4,430,560
Foreign Currency Translation	176,763	-	-	176,763
Additions	-	-	27,818	27,818
Balance as at 31 December 2019	1,962,802	932,907	1,739,432	4,635,141
Accumulated Amortisation				
Balance as at 1 January 2019	-	(480,396)	(69,194)	(549,590)
Foreign Currency Translation	-	-	-	-
Amortisation Charge	-	(75,465)	(16,868)	(92,333)
Balance as at 31 December 2019	-	(555,861)	(86,062)	(641,923)
Net Book Value as at 31 December 2019	1,962,802	377,046	1,653,370	3,993,218
Net Book Value as at 31 December 2018	1,786,039	452,511	1,642,420	3,880,970

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

Net book value of goodwill as at 31 December 2019 includes QR1.7 billion (2018: QR1.5 billion) in respect of QNB ALAHLI, QR89.6 million (2018: QR89.6 million) in respect of QNB Indonesia, QR111.9 million (2018: QR111.9 million) in respect of Mansour Bank and QR77.4 million (2018: QR77.4 million) in respect of QNB Tunisia.

The Group performed its annual impairment test in accordance with its accounting policy and performed a sensitivity analysis of the underlying assumptions used in the value-in-use calculations. The recoverable amounts of cash-generating units were higher than the carrying amounts. Consequently, no impairment was considered necessary as at the end of the reporting period (2018: Nil).

The intangible assets with finite lives have a remaining amortisation period ranging between 9 to 10 years. Recoverable amount of goodwill and other intangible assets with indefinite useful life for QNB ALAHLI, which includes, corporate and consumer banking CGUs, is calculated using value-in-use method based on following inputs. A discount rate of 14.93% (2018: 22.6%) and a terminal growth rate of 2% (2018: 2%) were used to estimate the recoverable amount.

15. OTHER ASSETS

	2019	2018
Prepaid Expenses	574,514	564,075
Positive Fair Value of Derivatives (Note 36)	5,345,912	9,250,568
Sundry Debtors	2,231,093	2,280,688
Others	4,006,107	2,887,757
Total	12,157,626	14,983,088

16. DUE TO BANKS

	2019	2018
Balances Due to Central Banks	816,207	1,625,401
Current Accounts	1,106,945	2,364,050
Deposits	50,487,004	47,737,357
Repurchase Agreements	24,859,365	21,402,836
Interest Payable	1,114,324	1,008,257
Total	78,383,845	74,137,901

17. CUSTOMER DEPOSITS

	2019	2018
a) By Type		
Current and Call Accounts	107,529,863	101,295,756
Saving Accounts	21,259,076	14,558,191
Time Deposits	551,836,737	500,911,558
Interest Payable	3,863,245	3,822,089
Total	684,488,921	620,587,594

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17. CUSTOMER DEPOSITS (Continued)

b) By Sector	2019	2018
Government	14,023,638	26,489,820
Government Agencies	177,065,885	162,021,569
Individuals	133,640,933	113,866,251
Corporate	355,895,221	314,387,865
Interest Payable	3,863,244	3,822,089
Total	684,488,921	620,587,594

18. DEBT SECURITIES

	2019	2018
Face value of bonds	33,532,208	26,226,674
Less: Unamortised discount	(145,865)	(288,766)
Interest Payable	391,907	271,883
Total	33,778,250	26,209,791

The table below shows the debt securities issued by the Group as at the end of the reporting period:

	2019	2018
Balance as at 1 January	26,209,791	26,707,284
Issuances during the year	9,764,304	11,591,005
Repayments	(1,842,580)	(10,418,447)
Interest Accrued	391,907	271,883
Other movements	(745,172)	(1,941,934)
Balance as at 31 December	33,778,250	26,209,791

The table below shows the maturity profile of the debt securities outstanding as at the end of the reporting period.

Year of Maturity	2019	2018
2019	-	2,268,899
2020	4,202,852	4,210,609
2021	10,295,912	10,273,687
2022	5,774,121	2,505,612
2023	1,451,387	1,085,065
2024	6,073,851	138,298
2028	698,212	702,100
2047	2,527,357	2,406,483
2048	2,754,558	2,619,038
Total	33,778,250	26,209,791

The above debt securities are denominated in USD, EUR, GBP, AUD and comprise of fixed and floating interest rates. The interest rate paid on the above averaged 3.71% p.a in 2019 (2018: 3.93% p.a).

19. OTHER BORROWINGS

The table below shows the movement in other borrowings issued by the Group as at the end of the reporting period:

	2019	2018
Balance as at 1 January	25,109,644	24,079,316
Issuances during the year	12,314,000	15,260,224
Repayments	(11,732,186)	(13,528,893)
Other movements	(479,684)	(772,946)
Interest Accrued	54,837	71,943
Balance as at 31 December	25,266,611	25,109,644

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19. OTHER BORROWINGS (Continued)

The table below shows the maturity profile of the other borrowings outstanding as at the end of the reporting period.

Year of Maturity	2019	2018
2019	-	12,045,279
2020	2,257,842	191,027
2021	13,558,778	12,749,577
2022	9,341,900	74,784
2023	79,205	37,600
2024	25,479	11,307
2025	3,407	70
Total	25,266,611	25,109,644

The above are mainly denominated in USD, EUR and comprise of fixed and floating interest rates. The interest rate paid on the above averaged 2.33% p.a in 2019 (2018: 2.21% p.a).

The Group hedges part of the currency risk of its net investment in foreign operations using foreign currency borrowings. Included in other borrowings was a borrowing of EUR2.0 billion (2018: EUR 2.25 billion) designated as a hedge of the Group's net investment foreign operations, and is being used to hedge the Group's exposure to foreign exchange risk on this investment.

At the end of the reporting period, the net investment hedge was highly effective.

20. OTHER LIABILITIES

	2019	2018
Expense Payable	1,083,681	1,000,936
Other Provisions (Note 21)	349,987	321,173
Tax Payable	447,685	318,386
Negative Fair Value of Derivatives (Note 36)	4,711,860	5,800,263
Unearned Revenue	2,003,244	2,116,344
Social and Sports Fund	234,947	218,327
Deferred Tax Liability	91,819	110,194
Margin Accounts	1,107,798	1,136,107
Allowance for Impairment for Loan Commitments and Financial Guarantees	447,159	294,160
Lease liabilities Note (20.1)	598,635	-
Others	16,984,081	16,562,058
Total	28,060,896	27,877,948

20.1 Lease liabilities include current and non-current liabilities amounting to QR117.5 million and QR481.2 million, respectively.

21. OTHER PROVISIONS

	Staff Indemnity	Legal Provision	Total 2019	Total 2018
Balance as at 1 January	237,781	83,392	321,173	329,568
Foreign Currency Translation	(19,135)	(6,343)	(25,478)	(62,505)
Provisions Made during the Year	58,328	6,093	64,421	104,188
	276,974	83,142	360,116	371,251
Provisions Paid and Written off during the Year	(8,761)	(1,368)	(10,129)	(50,078)
Balance as at 31 December	268,213	81,774	349,987	321,173

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22. EQUITY

a) Issued Capital

The authorised, issued and fully paid up share capital of the Bank totalling QR9,236 million consists of 9,236,428,570 ordinary shares of QR1 each. Qatar Investment Authority holds 50% of the ordinary shares of the Bank with the remaining 50% held by members of the public. All shares issued are of the same class and carry equal rights.

On 10 February 2019, at the Extraordinary General Meeting of the Bank, the shareholders approved the par value of the ordinary share to be QR1 instead of QR10, as per the instructions of Qatar Financial Markets Authority (QFMA), and amendment of the related Articles of Association. The share split was implemented on 12 June 2019 and has led to an increase in the number of authorised and outstanding shares from 923,642,857 to 9,236,428,570. Consequently, Earnings Per Share for comparative period has been restated to reflect this.

b) Legal Reserve

In accordance with Qatar Central Bank Law, at least 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution, except in circumstances specified in the Qatar Commercial Companies Law and after Qatar Central Bank approval. When bonus shares are proposed, an increase in the legal reserve is proposed equivalent to the increase in capital to enhance the financial position of the Group.

The proceeds received from the rights issue, net of any directly attributable transaction costs, are directly credited to share capital (nominal value of shares) and legal reserve (share premium on rights issue) when shares have been issued higher than their nominal value.

c) Risk Reserve

In accordance with Qatar Central Bank regulations, a risk reserve is made to cover contingencies on loans and advances and financing activities, with a minimum requirement of 2.5% of the total direct facilities after excluding provisions for credit losses, deferred profits, exposures granted to or guaranteed by the Government and exposures against cash collaterals.

d) Fair Value Reserve	Hedges of a Net Investment in Foreign Operation	Cash Flow Hedges	FVOCI	Total 2019	Total 2018
Balance as at 1 January	(303,183)	(376,317)	(294,057)	(973,557)	(1,169,875)
Changes due to adoption of IFRS 9:					
Transfer to Amortised cost	-	-	-	-	264,057
Transfer to Retained Earnings	-	-	-	-	(143,520)
Foreign Currency Translation	-	(42,872)	23,469	(19,403)	(70,904)
Revaluation Impact	202,567	(987,464)	449,202	(335,695)	161,652
Reclassified to Income Statement	-	-	(18,415)	(18,415)	(14,101)
Other movements	-	784	(988)	(204)	(866)
Net Movement during the Year	202,567	(986,680)	429,799	(354,314)	146,685
Balance as at 31 December	(100,616)	(1,405,869)	159,211	(1,347,274)	(973,557)

e) Foreign Currency Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

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22. EQUITY (Continued)

f) Other Reserves

Other reserves represent mainly a general reserve which, in accordance with the Bank's Articles of Association, shall be employed according to a resolution of the General Assembly upon the recommendation from the Board of Directors and after Qatar Central Bank approval. Currency translation adjustments and share of changes recognised directly in associates' equity are not available for distribution. Details of other reserves are as follows:

	2019	2018
General Reserve	1,783,913	1,803,866
Share of Changes Recognised Directly in Associates' Equity, excluding Share of Profit	(1,520,184)	(1,120,144)
Total	<u>263,729</u>	<u>683,722</u>

g) Retained Earnings

Retained earnings include the Group's share in profit of associates. These profits are distributable to the shareholders only to the extent of the cash received.

h) Proposed Dividend

The Board of Directors have proposed a cash dividend of 60% of the nominal share value (QR0.60 per share) for the year ended 31 December 2019 (2018: cash dividend 60% of the nominal share value (QR0.60 per share post-split). The amounts are subject to the approval of the General Assembly.

23. NON-CONTROLLING INTERESTS

Represents the non - controlling interest in QNB Syria amounting to 49.2% of the share capital, 7.5% in QNB Indonesia, 45.8% in Al-Mansour Investment Bank, 0.01% in QNB Tunisia, 5.0% in QNB ALAHLI and 0.12% in QNB Finansbank.

24. INSTRUMENTS ELIGIBLE FOR ADDITIONAL TIER 1 CAPITAL

In 2016, QNB raised Additional Tier 1 Perpetual Capital ('Note') by issuing unsecured perpetual non-cumulative unlisted note for an amount of QR10 billion. During 2018, QNB issued another series of Additional Tier 1 Perpetual Capital ('Note') for an amount of QR10 billion with similar terms and conditions as described below.

The distributions (i.e. coupon payments) are discretionary and non-cumulative and payable annually until the first call date being six years from date of issuance.

These Notes rank junior to the QNB's existing unsubordinated obligations including existing depositors, pari-passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank. These Notes have no fixed redemption date and the Bank can only redeem the Notes in the limited circumstances and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write-off the Note, if a "loss absorption" event is triggered. These Notes have been classified within total equity.

25. INTEREST INCOME

	2019	2018
Due from Central Banks	507,458	276,900
Due from Banks	5,090,489	6,312,049
Debt Securities	6,394,199	6,794,949
Loans and Advances	41,086,620	37,360,811
Total	<u>53,078,766</u>	<u>50,744,709</u>

The amounts reported above include interest income, calculated using the effective interest method, that relate to the following items:

	2019	2018
Financial assets measured at amortised cost	51,431,106	49,350,428
Financial assets measured at fair value	1,647,660	1,394,281
Total	<u>53,078,766</u>	<u>50,744,709</u>

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26. INTEREST EXPENSE	2019	2018
Due to Banks	7,904,205	9,881,484
Customer Deposits	22,211,539	19,639,938
Debt Securities	1,441,483	1,019,767
Others	1,325,069	1,170,615
Total	32,882,296	31,711,804

Others include interest expense related to leased liabilities amounting to QR58.2 million (2018: QR Nil).

27. FEE AND COMMISSION INCOME	2019	2018
Loans and Advances	605,494	882,542
Off-Balance Sheet Items	611,154	609,858
Bank Services	3,061,484	2,639,620
Investment Activities for Customers	343,214	335,614
Others	219,506	140,783
Total	4,840,852	4,608,417

28. NET FOREIGN EXCHANGE GAIN	2019	2018
Dealing in Foreign Currencies	959,442	560,592
Revaluation of Assets and Liabilities	(56,977)	(1,704,277)
Revaluation of Derivatives	195,533	2,333,165
Total	1,097,998	1,189,480

29. INCOME FROM INVESTMENT SECURITIES	2019	2018
Net Gain / (Loss) on Sale of Investments Measured at Amortised Cost	790	(508)
Net Gain from Sale of Investments Measured at Fair Value	25,679	14,462
Dividend Income	59,453	105,392
Changes in Fair Value of Financial Assets measured at Fair Value through Profit or Loss	13,004	2,705
Total	98,926	122,051

30. STAFF EXPENSES	2019	2018
Staff Costs	3,390,192	3,218,939
Staff Pension Fund Costs	46,629	45,374
Staff Indemnity Costs	58,328	57,191
Total	3,495,149	3,321,504

31. OTHER EXPENSES	2019	2018
Training	69,520	67,234
Advertising	561,566	525,073
Professional Fees	235,063	243,170
Communication and Insurance	241,730	240,210
Occupancy and Maintenance	363,786	599,741
Computer and IT Costs	396,047	366,934
Printing and Stationery	59,017	51,229
Directors' Fees	11,740	11,740
Others	496,316	476,484
Total	2,434,785	2,581,815

Occupancy costs include expenses related to leases other than interest expense amounting to QR29.8 million.

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32. INCOME TAXES

	2019	2018
Current Income Tax	869,720	1,249,168
Deferred Tax Benefit	301,163	(120,853)
Adjustments to Prior Periods Corporate Taxes	11,452	6,815
Income Tax Expense	<u>1,182,335</u>	<u>1,135,130</u>
Profit Before Tax	15,643,135	15,018,467
Less: Profit not Subject to Tax	(10,847,126)	(10,104,063)
Profit Subject to Tax	<u>4,796,009</u>	<u>4,914,404</u>
Effective Tax Rate Applicable in Overseas Jurisdictions	22.34%	22.41%
Tax Calculated Based on the Current Tax Rate (Effective Rate)	1,071,566	1,101,485
Effect of Income not Subject to Taxation	(103,417)	(39,197)
Effect of Expenses not Deductible For Tax Purposes	202,734	66,027
Adjustments to Prior Periods Corporate Taxes	11,452	6,815
Income Tax Expense	<u>1,182,335</u>	<u>1,135,130</u>

Movement in Deferred Tax Asset

	2019	2018
Balance as at 1 January	723,003	227,501
Impact of initial application of IFRS 9	-	479,646
Deferred Tax Recognised in Consolidated Income Statement		
Loans and Advances to Customers	(169,619)	131,753
Property and Equipment	(7,371)	(5,906)
Employee Related Accruals	3,563	25,636
Unearned Revenue	15,336	2,486
Others	(143,072)	(33,116)
	<u>(301,163)</u>	<u>120,853</u>

Deferred tax recognised in consolidated statement of comprehensive income

Effect on Fair Value Reserve	112,748	38,935
Others	9,287	(11,053)
	<u>122,035</u>	<u>27,882</u>
Foreign Exchange Translation	(17,677)	(132,879)
Balance at 31 December	<u>526,198</u>	<u>723,003</u>

There are no material tax assessments pending as at 31 December 2019 (2018: Nil).

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33. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share for the Group is calculated by dividing profit for the year attributable to equity holders of the Bank, further adjusted for the dividend appropriation for instruments eligible for additional Tier 1 Capital, by the weighted average number of ordinary shares in issue during the year.

	2019	2018
Profit for the Year Attributable to Equity Holders of the Bank	14,350,860	13,788,131
Less: Dividend Appropriation for Instruments Eligible for Additional Tier 1 Capital	(1,000,000)	(532,500)
Net Profit for the Year Attributable to Equity Holders of the Bank	<u>13,350,860</u>	<u>13,255,631</u>
Weighted Average Number of Shares	<u>9,236,428,570</u>	<u>9,236,428,570</u>
Earnings Per Share (QR) - Basic and Diluted	<u>1.45</u>	<u>1.44</u>

The Earnings Per Share for the comparative period has been restated to reflect the share split as disclosed in Note 22(a).

34. CONTINGENT LIABILITIES

	2019	2018
Unutilised Credit Facilities	112,224,237	106,459,940
Guarantees	61,154,915	62,525,170
Letters of Credit	30,572,387	24,986,784
Others	<u>16,750,687</u>	<u>18,321,994</u>
Total	<u>220,702,226</u>	<u>212,293,888</u>

Unutilised Credit Facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The majority of these expire in the next year. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Guarantees and Letters of Credit

Guarantees and letters of credit commit the Group to make payments on behalf of customers in the case of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

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35. GEOGRAPHICAL DISTRIBUTION

	Qatar	Other GCC Countries	Europe	North America	Others	Total
At 31 December 2019:						
Cash and Balances with						
Central Banks	37,888,809	2,290,127	12,062,921	-	9,913,371	62,155,228
Due from Banks	26,050,999	240,618	36,022,080	7,417,259	9,585,302	79,316,258
Loans and Advances to Customers	498,759,229	16,413,154	97,050,649	4,207,754	62,251,049	678,681,835
Investments	43,269,224	5,837,848	20,197,501	993,599	32,717,612	103,015,784
	605,968,261	24,781,747	165,333,151	12,618,612	114,467,334	923,169,105
Other Assets						21,528,586
Total Assets						944,697,691
Due to Banks	16,734,495	5,713,488	43,743,195	1,814,458	10,378,209	78,383,845
Customer Deposits	370,148,153	19,254,049	175,686,427	701,471	118,698,821	684,488,921
Debt Securities	-	-	20,844,312	-	12,933,938	33,778,250
Other Borrowings	-	-	23,049,925	-	2,216,686	25,266,611
	386,882,648	24,967,537	263,323,859	2,515,929	144,227,654	821,917,627
Other Liabilities						28,060,896
Total Equity						94,719,168
Total Liabilities and Equity						944,697,691
Guarantees	28,613,850	1,379,519	21,811,937	-	9,349,609	61,154,915
Letters of Credit	24,932,091	303,874	3,004,575	-	2,331,847	30,572,387
Unutilised Credit Facilities	32,764,055	2,636,134	61,369,628	-	15,454,420	112,224,237
At 31 December 2018:						
Cash and Balances with						
Central Banks	37,639,822	2,518,830	14,281,532	-	10,251,483	64,691,667
Due from Banks	14,719,801	408,349	33,488,244	8,043,438	5,089,013	61,748,844
Loans and Advances to Customers	439,192,902	19,533,175	100,652,961	3,790,415	53,955,851	617,125,304
Investments	39,944,361	6,231,471	17,097,515	604,223	31,192,952	95,070,521
	531,496,886	28,691,825	165,520,252	12,438,076	100,489,299	838,636,336
Other Assets						23,561,263
Total Assets						862,197,599
Due to Banks	12,834,918	4,016,315	43,862,121	2,422,476	11,002,071	74,137,901
Customer Deposits	349,573,279	12,909,457	171,323,071	697,564	86,084,222	620,587,594
Debt Securities	-	-	12,598,479	-	13,611,312	26,209,791
Other Borrowings	-	-	24,425,180	-	684,464	25,109,644
	362,408,197	16,925,772	252,208,852	3,120,040	111,382,070	746,044,930
Other Liabilities						27,877,948
Total Equity						88,274,721
Total Liabilities and Equity						862,197,599
Guarantees	31,962,276	1,321,650	21,629,264	-	7,611,980	62,525,170
Letters of Credit	20,233,093	361,621	2,262,960	-	2,129,110	24,986,784
Unutilised Credit Facilities	33,688,302	2,921,210	58,115,806	-	11,734,622	106,459,940

Other assets includes property and equipment and intangible assets.

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36. DERIVATIVES

The table below shows the positive and negative fair values of derivative 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. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, or market risk.

	Positive Fair Value	Negative Fair Value	Notional Amount	Notional / Expected amount by term to maturity			
				Within 3 Months	3 - 12 Months	1-5 Years	More than 5 Years
At 31 December 2019:							
Derivatives Held for Trading:							
Forward Foreign Exchange							
Contracts	215,696	251,844	77,598,841	64,294,406	12,128,325	1,176,110	-
Interest Rate Swaps	528,400	490,113	57,805,217	3,255,447	5,748,122	18,016,999	30,784,649
Futures	-	265	120,608	115,105	5,503	-	-
Cross Currency Swaps	1,720,810	1,623,458	54,688,335	39,036,026	5,681,609	9,930,182	40,518
Options	94,429	21,281	8,103,039	4,563,499	3,008,294	531,246	-
Derivatives Held as Cash Flow							
Hedges:							
Interest Rate Swaps	233,449	1,668,856	75,120,136	5,692,333	2,280,504	45,125,612	22,021,687
Cross Currency Swaps	804,374	234,309	9,451,587	1,225,176	3,485,493	4,669,587	71,331
Derivatives Held as Fair Value							
Hedges:							
Interest Rate Swaps	67,202	223,334	11,243,461	304,618	448,675	8,096,449	2,393,719
Cross Currency Swaps	1,681,552	198,400	11,300,885	1,529,814	1,785,062	7,557,326	428,683
Total	5,345,912	4,711,860	305,432,109	120,016,424	34,571,587	95,103,511	55,740,587

At 31 December 2018:

Derivatives Held for Trading:

Forward Foreign Exchange							
Contracts	353,974	343,361	64,625,846	54,197,444	9,363,930	1,064,472	-
Interest Rate Swaps	320,378	183,687	57,777,630	1,348,835	2,774,910	22,517,354	31,136,531
Futures	1,773	1,787	163,132	-	163,132	-	-
Credit Default Swaps	67	-	561,251	282,364	278,887	-	-
Cross Currency Swaps	3,284,634	3,608,321	58,928,756	29,924,395	15,644,567	13,257,509	102,285
Options	130,109	97,445	8,485,443	7,459,417	1,024,867	1,159	-

Derivatives Held as Cash Flow

Hedges:							
Interest Rate Swaps	476,251	1,176,993	67,878,972	2,745,703	5,986,344	36,123,992	23,022,933
Cross Currency Swaps	1,804,111	157,209	11,581,424	1,913,682	3,263,322	6,186,768	217,652

Derivatives Held as Fair Value

Hedges:							
Interest Rate Swaps	23,141	148,436	6,853,758	127,445	2,176,886	2,132,323	2,417,104
Cross Currency Swaps	2,856,130	83,024	12,734,457	986,103	3,146,935	8,187,604	413,815

Total	9,250,568	5,800,263	289,590,669	98,985,388	43,823,780	89,471,181	57,310,320
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Cash collaterals given for derivative transactions amounted to QR4,955 million (2018: QR3,184million) which is included under Due from Banks in Note 9. Collaterals received for derivative transactions amounted to QR3,007 million (2018: QR4,717 million) which is included under Due to Banks in Note 16.

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36. DERIVATIVES (Continued)

Swaps

Swaps are commitments to exchange one set of cash flows for another. In the case of interest rate swaps, counterparties generally exchange fixed and floating interest payments in a single currency without exchanging principal. In the case of currency swaps, fixed interest payments and principal are exchanged in different currencies. In the case of cross-currency interest rate swaps, principal, fixed and floating interest payments are exchanged in different currencies. In the case of credit default swaps the counterparties agree to make payments with respect to defined credit events based on specified notional amounts.

Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in future contract values are settled daily.

Forward rate agreements

Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement of the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Caps and floors

An interest rate cap or floor is a contractual arrangement under which the buyer receives money at the end of each specific period, in which the agreed interest rate exceeds or is below the agreed strike price of the cap or floor.

Derivatives Held for Hedging Purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves reducing the Group's exposure to fluctuations in foreign exchange rates and interest rates to acceptable levels within the guidelines issued by the Qatar Central Bank. The Group has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Group has established a level of interest rate risk by setting limits on interest rate gaps for stipulated periods. Asset and liability interest rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce interest rate gaps within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and interest rate risks. This is generally achieved by hedging specific transactions in the consolidated statement of financial position.

The Group uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate liabilities. In such cases, the hedging relationship and objective, including details of the hedged items and hedging instruments, are formally documented and the transactions are accounted for as cash flow hedges.

The Group uses interest rate swap contracts to mitigate part of the risk of a potential increase in the fair value of its fixed rate customer's deposits in foreign currencies to the extent caused by declining market interest rates. These transactions are accounted as fair value hedges.

Derivatives Held for Trading Purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. The Group also uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

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37. MUTUAL FUNDS

As part of the Group's investment activities, the following mutual funds were marketed by the Group:

	2019	2018
Funds Marketed	70,448	85,851

The Group's investment activities also include management of certain investment funds. As at 31 December 2018, third party funds under management amounted to QR 20,392 million (2018: QR15,345 million). The consolidated financial statements of these funds are not consolidated with the financial statements of the Group as these funds have no recourse to the general assets of the Group and the Group has no recourse to the assets of the funds. However, the Group's share of equity in these funds is included in the investment securities of the Group.

38. RELATED PARTIES

The Group has transactions in the ordinary course of business with directors, officers of the Group and entities over which they have significant influence and control. The key management personnel are those persons having authority and responsibility in making financial and operating decisions. At the statement of financial position date, such significant balances included:

	2019	2018
Statement of Financial Position Items		
Loans and Advances	3,237,684	3,028,379
Deposits	1,292,434	431,693
Contingent Liabilities and Other Commitments	70,317	84,541
Income Statement Items		
Interest and Commission Income	143,642	141,972
Interest and Commission Expense	12,474	4,907
Associates	2019	2018
Due from banks	1,580,722	1,179,715
Interest and Commission Income	68,973	56,205
Due to banks	185,873	183,664
Interest and Commission Expense	1,277	2,346

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in notes 10 and 17. All the transactions with the related parties are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

Compensation of key management personnel is as follows:	2019	2018
Salaries and Other Benefits	37,132	46,054
End of Service Indemnity Benefits	1,006	1,135

39. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances:

	2019	2018
Cash and Balances with Central Banks	29,092,901	34,605,083
Due from Banks Maturing in Three Months	73,634,944	57,206,779
Total	<u>102,727,845</u>	<u>91,811,862</u>

Cash and balances with Central Banks do not include mandatory reserve deposits.

40. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified for better presentation in order to conform with the current year presentation.

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PARENT COMPANY

The statement of financial position and income statement of the parent company are presented below:

(i) Statement of Financial Position as at 31 December:

	2019	2018
ASSETS		
Cash and Balances with Central Banks	42,161,348	43,317,083
Due from Banks	77,037,107	60,558,857
Loans and Advances to Customers	560,229,043	509,999,964
Investment Securities	56,466,045	53,142,397
Investments in Subsidiaries and Associates	31,143,470	31,597,126
Property and Equipment	2,136,601	1,783,192
Other Assets	7,936,046	6,676,093
Total Assets	<u>777,109,660</u>	<u>707,074,712</u>
LIABILITIES		
Due to Banks	95,360,753	83,532,096
Customer Deposits	549,862,180	495,322,387
Other Borrowings	21,954,781	22,099,419
Other Liabilities	13,763,850	14,121,686
Total Liabilities	<u>680,941,564</u>	<u>615,075,588</u>
EQUITY		
Issued Capital	9,236,429	9,236,429
Legal Reserve	25,326,037	25,326,037
Risk Reserve	8,500,000	8,000,000
Fair Value Reserve	(1,211,457)	(1,197,947)
Foreign Currency Translation Reserve	(1,481,249)	(1,533,678)
Other Reserves	249,850	649,890
Retained Earnings	35,548,486	31,518,393
Total Equity Attributable to Equity Holders of the Bank	<u>76,168,096</u>	<u>71,999,124</u>
Instruments Eligible for Additional Tier 1 Capital	20,000,000	20,000,000
Total Equity	<u>96,168,096</u>	<u>91,999,124</u>
Total Liabilities and Equity	<u>777,109,660</u>	<u>707,074,712</u>

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(ii) Income Statement for the Year Ended 31 December:

	2019	2018
Interest Income	29,522,226	25,465,815
Interest Expense	<u>(16,840,378)</u>	<u>(13,858,403)</u>
Net Interest Income	12,681,848	11,607,412
Fee and Commission Income	1,960,073	1,752,935
Fee and Commission Expense	<u>(513,226)</u>	<u>(443,357)</u>
Net Fee and Commission Income	1,446,847	1,309,578
Foreign Exchange Gain	963,525	799,054
Income from Investment Securities	257,859	403,382
Other Operating Income	<u>1,591</u>	<u>792</u>
Operating Income	15,351,670	14,120,218
Staff Expenses	(1,575,904)	(1,533,472)
Depreciation	(256,496)	(175,220)
Other Expenses	(838,184)	(869,855)
Net ECL / Impairment Losses on Loans and Advances to Customers	(1,680,206)	(1,285,514)
Net ECL / Impairment Recoveries / (Losses) on Investment Securities	1,987	4,589
Net ECL / Impairment Recoveries on Other Financial Assets	(129,984)	6,124
Other Provisions	<u>(2,637)</u>	<u>(21,106)</u>
Profit Before Income Taxes	10,870,246	10,245,764
Income Tax Expense	<u>(99,951)</u>	<u>(75,529)</u>
Profit for the Year	<u>10,770,295</u>	<u>10,170,235</u>

iii) Accounting Policies for Financial Information of the Parent Bank

Statement of financial position and income statement of the parent bank are prepared using the same accounting policies followed for the consolidated financial statements except for investment in subsidiaries and associates, which are not consolidated and carried at cost.