CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 MARCH 2018

The Commercial Bank (P.S.Q.C)

CONTENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF THE COMMERCIAL BANK (P.S.Q.C.)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of The Commercial Bank (P.S.Q.C.) (the "Bank") and its subsidiaries (the "Group") as at 31 March 2018, comprising of the interim consolidated statement of financial position as at 31 March 2018 and the related interim consolidated statements of income and comprehensive income for the three month period ended 31 March 2018, the related interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three month period then ended, and the related explanatory notes.

The Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34") and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and the applicable provisions of Qatar Central Bank regulations.

Other matter

The interim condensed consolidated financial statements of the Group as at 31 March 2017 were reviewed and the consolidated financial statements as at 31 December 2017 were audited by another auditor, whose reports dated 17 April 2017 and 29 January 2018, respectively, expressed an unmodified review and audit opinions.

Ihab Marzouk
of Ernst & Young
Auditor's Registration No. 338

ERNST & YOUNG
Doha
محاسبون قانونيون
الدوحة
أرنست ويونغ

Date: 17 April 2018
Doha

The Commercial Bank (P.S.Q.C.)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018 **QAR '000s**

ASSETS	Notes	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Cash and balances with central banks		8,436,571	5,517,184	7,373,918
Due from banks		12,175,300	18,694,539	10,499,348
Loans and advances to customers	7	92,727,793	82,029,587	89,121,935
Investment securities	8	20,211,226	17,168,619	19,629,246
Investment in associates and a joint arrangement	9	2,049,302	4,367,750	2,088,158
Asset held for sale	10	2,559,591	-	2,287,100
Property and equipment	11	2,580,746	2,623,642	2,590,987
Intangible assets		404,813	462,660	430,178
Other assets		5,200,917	4,197,112	4,428,182
TOTAL ASSETS		**146,346,259**	135,061,093	138,449,052
LIABILITIES				
Due to banks	12	16,810,355	13,309,788	13,515,872
Customer deposits	13	79,299,574	71,878,974	77,633,333
Debt securities	14	13,280,183	11,767,104	11,604,890
Other borrowings	15	10,391,530	10,317,661	9,303,365
Other liabilities		7,319,933	6,804,392	5,370,073
TOTAL LIABILITIES		**127,101,575**	114,077,919	117,427,533
EQUITY				
Share capital	16	4,047,254	3,854,527	4,047,254
Legal reserve		9,743,509	9,740,004	9,742,066
General reserve		26,500	26,500	26,500
Risk reserve		361,151	1,924,308	1,890,408
Fair value reserve		(215,360)	(51,377)	(44,500)
Treasury shares		(179,507)	-	(179,507)
Foreign currency translation reserve		(1,445,319)	(1,337,568)	(1,383,926)
Other reserves		1,028,901	1,048,583	1,064,189
Revaluation reserve		1,264,794	1,264,794	1,264,794
Retained earnings		612,745	513,390	594,226
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**15,244,668**	16,983,161	17,021,504
Non-controlling interests		**16**	13	15
Instruments eligible for additional capital		4,000,000	4,000,000	4,000,000
TOTAL EQUITY		**19,244,684**	20,983,174	21,021,519
TOTAL LIABILITIES AND EQUITY		**146,346,259**	135,061,093	138,449,052

The condensed consolidated interim financial statements were approved by the Board of Directors on 17 April 2018 and were signed on its behalf by:

Sheikh Abdulla Bin Ali Bin Jabor Al Thani
Chairman

Mr. Hussain Ibrahim Alfardan
Vice Chairman

Mr. Joseph Abraham
Group Chief Executive Officer

The attached notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2018

QAR '000s

	Note	Three months ended 31-Mar-18 Reviewed	31-Mar-17 Reviewed
Interest income		1,422,622	1,176,463
Interest expense		(763,389)	(577,897)
Net interest income		**659,233**	598,566
Fee and commission income		294,021	277,857
Fee and commission expense		(76,532)	(81,367)
Net fee and commission income		**217,489**	196,490
Net foreign exchange gain		30,356	58,131
Net income from investment securities		(5,314)	16,633
Other operating income		17,422	15,655
Net operating income		**919,186**	885,475
Staff costs		(176,480)	(189,290)
Depreciation		(34,332)	(44,562)
Amortization of intangible assets		(14,013)	(13,648)
Impairment loss on investment securities		4,906	(6,028)
Net impairment losses on loans and advances to customers		(221,714)	(478,735)
Impairment losses on other financial assets		(19,053)	-
Other expenses		(86,669)	(107,900)
Profit before share of results of associates and a joint arrangement		**371,831**	45,312
Share of results of associates and a joint arrangement		43,385	50,816
Profit before tax		**415,216**	96,128
Income tax expense		(10,524)	(4,902)
Profit for the period		**404,692**	91,226
Attributable to:			
Equity holders of the bank		**404,691**	91,226
Non-controlling interests		1	-
Profit for the period		**404,692**	91,226
Earnings per share			
Basic/diluted earnings per share (QAR)	18	**1.00**	0.25

The attached notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2018

QAR '000s

	Three months ended	
	31-Mar-18	31-Mar-17
	Reviewed	Reviewed
Profit for the period	**404,692**	91,226
Other comprehensive income for the period:		
Items that are, or may be subsequently reclassified to profit or loss:		
Foreign currency translation differences from foreign operation	(61,393)	(77,761)
Share of other comprehensive income of investment in associates and a joint arrangement	(3,566)	16,288
Net movement in fair value of available-for-sale investments(IAS 39):		
Net change in fair value	-	162,556
Net amount transferred to consolidated income statement	-	(10,406)
Net change in fair value of investments in debt securities designated at FVOCI (IFRS 9):		
Net change in fair value	(174,565)	-
Net amount transferred to consolidated income statement	39,674	-
Items that are or may not be subsequently reclassified to profit or loss:		
Net change in fair value of equity investments designated at FVOCI (IFRS 9)	(2,002)	-
Other comprehensive (loss) / income for the period	**(201,852)**	90,677
Total comprehensive income for the period	**202,840**	181,903
Attributable to:		
Equity holders of the bank	**202,839**	181,903
Non-controlling interests	1	-
Total comprehensive income for the period	**202,840**	181,903

The attached notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

The Commercial Bank (P.S.Q.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

QAR '000s

	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserve	Treasury shares	Foreign currency translation reserve	Other reserves	Revaluation reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instruments eligible for additional capital	Total equity
Balance as at 1 January 2018		4,047,254	9,742,066	26,500	1,890,408	(44,500)	(179,507)	(1,383,926)	1,064,189	1,264,794	594,226	17,021,504	15	4,000,000	21,021,519
Transition adjustments on adoption of IFRS 9 on 1 January 2018*	3	-	-	-	(1,529,257)	(30,401)	-	-	(78,673)	-	63,381	(1,574,950)	-	-	(1,574,950)
Balance as at 1 January 2018 – restated		4,047,254	9,742,066	26,500	361,151	(74,901)	(179,507)	(1,383,926)	985,516	1,264,794	657,607	15,446,554	15	4,000,000	19,446,569
Total comprehensive income for the period															
Profit for the period		-	-	-	-	-	-	-	-	-	404,691	404,691	1	-	404,692
Other comprehensive income		-	-	-	-	(140,459)	-	(61,393)	-	-	-	(201,852)	-	-	(201,852)
Total comprehensive income for the period		-	-	-	-	(140,459)	-	(61,393)	-	-	404,691	202,839	1	-	202,840
Transfer to legal reserve		-	1,443	-	-	-	-	-	-		(1,443)	-	-	-	-
Transfer to risk reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net movement in other reserves		-	-	-	-	-	-	-	43,385	-	(43,385)	-	-	-	-
Transactions with equity holders, recognised directly in equity															
Contributions by and distributions to equity holders of the bank:															
Increase in share capital-Rights issue		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in legal reserve-Rights issue		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends for the year 2017	17	-	-	-	-	-	-	-	-	-	(404,725)	(404,725)	-	-	(404,725)
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-	-	-	-	-	(404,725)	(404,725)	-	-	(404,725)
Net movement in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2018		**4,047,254**	**9,743,509**	**26,500**	**361,151**	**(215,360)**	**(179,507)**	**(1,445,319)**	**1,028,901**	**1,264,794**	**612,745**	**15,244,668**	**16**	**4,000,000**	**19,244,684**

*Includes transition on adoption of IFRS 9 for investment in associates.

The attached notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

The Commercial Bank (P.S.Q.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

QAR '000s

	Note	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserve	Treasury shares	Foreign currency translation reserve	Other reserves	Revaluation reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling Interests	Instruments eligible for additional capital	Total equity
Balance as at 1 January 2017		3,266,292	8,828,240	26,500	1,802,308	(219,815)	-	(1,259,807)	997,767	1,264,794	594,980	15,301,259	13	4,000,000	19,301,272
Total comprehensive income for the period															
Profit for the period		-	-	-	-	-	-	-	-	-	91,226	91,226	-	-	91,226
Other comprehensive income		-	-	-	-	168,438	-	(77,761)	-	-	-	90,677	-	-	90,677
Total comprehensive income for the period		-	-	-	-	168,438	-	(77,761)	-	-	91,226	181,903	-	-	181,903
Transfer to legal reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to risk reserve		-	-	-	122,000	-	-	-	-	-	(122,000)	-	-	-	-
Net movement in other reserves		-	-	-	-	-	-	-	50,816	-	(50,816)	-	-	-	-
Transactions with equity holders, recognised directly in equity															
Contributions by and distributions to equity holders of the bank:															
Increase in share capital-Rights issue		588,235	-	-	-	-	-	-	-	-	-	588,235	-	-	588,235
Increase in legal reserve-Rights issue		-	911,764	-	-	-	-	-	-	-	-	911,764	-	-	911,764
Total contributions by and distributions to equity holders of the bank		588,235	911,764	-	-	-	-	-	-	-	-	1,499,999	-	-	1,499,999
Net movement in Non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2017		3,854,527	9,740,004	26,500	1,924,308	(51,377)	-	(1,337,568)	1,048,583	1,264,794	513,390	16,983,161	13	4,000,000	20,983,174

The attached notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018 QAR '000s

	Three months ended		Year ended
	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Cash flows from operating activities			
Profit before tax	415,216	96,128	608,781
Adjustments for:			
Net impairment loss on loans and advances to customers	221,714	478,735	1,696,819
Impairment loss on investment securities	(4,906)	6,028	46,484
Impairment losses on other financial assets	19,053	-	-
Depreciation	34,332	44,562	152,392
Amortization of intangible assets and transaction costs	23,909	31,488	126,930
Net loss / (gain) on investment securities	8,060	(10,181)	(36,706)
Gain on disposal of property and equipment and other assets	(51)	-	(4,042)
Share of results of associates and a joint arrangement	(43,385)	(50,816)	(147,876)
Operating profit before working capital changes	**673,942**	595,944	2,442,784
Working capital changes			
Change in due from banks	1,320,564	1,094,916	3,521,993
Change in loans and advances to customers	(5,363,414)	(5,092,585)	(13,984,587)
Change in other assets	(803,772)	(173,445)	(444,075)
Change in due to banks	3,352,834	1,712,331	2,194,421
Change in customer deposits	1,735,902	1,217,927	7,381,483
Change in other liabilities	1,796,021	807,799	(823,358)
Contribution to social and sports fund	(15,091)	(12,534)	(12,534)
Net cash from operating activities	**2,696,986**	150,353	276,127
Cash flows from investing activities			
Acquisition of investment securities	(1,384,162)	(3,467,025)	(8,561,768)
Investment in associate participating in right issue	(272,491)	-	-
Dividend received from associates and a joint arrangement	-	-	81,454
Proceeds from sale/maturity of investment securities	546,042	1,727,036	4,253,761
Acquisition of property and equipment and intangible assets	(27,201)	(23,878)	(113,350)
Proceeds from the sale of property and equipment and other assets	272	136	6,201
Net cash used in investing activities	**(1,137,540)**	(1,763,731)	(4,333,702)
Cash flows from financing activities			
Proceeds from issue of debt securities	3,501,586	189,663	3,845,587
Repayment of debt securities	(1,827,753)	(144,451)	(3,968,148)
Repayment of other borrowings	(777,915)	(1,852,912)	(5,414,984)
Proceeds from other borrowings	1,924,104	1,416,046	4,161,023
Proceeds from rights issue	-	1,499,999	1,499,999
Purchase of Treasury shares	-	-	(179,507)
Dividends paid (note 17)	(404,725)	-	-
Net cash from / (used in) financing activities	**2,415,297**	1,108,345	(56,030)
Net increase / (decrease) in cash and cash equivalents	**3,974,743**	(505,033)	(4,113,605)
Effect of exchange rate fluctuation	172,754	133,970	119,174
Cash and cash equivalents as at 1 January	10,321,435	14,315,866	14,315,866
Cash and cash equivalents at the end of the period / year (note20)	**14,468,932**	13,944,803	10,321,435
Net cash flows from interest and dividend:			
Interest paid	485,500	569,400	2,613,395
Interest received	1,300,752	1,159,288	4,948,811
Dividend received	2,746	6,452	11,986

The attached notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

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1. REPORTING ENTITY

The Commercial Bank (P.S.Q.C.) ("the Bank") is an entity domiciled in the State of Qatar and was incorporated in 1974 as a public shareholding company under Emiri Decree No.73 of 1974. The commercial registration number of the Bank is 150. The address of the Bank's registered office is PO Box 3232, Doha, State of Qatar. The condensed consolidated interim financial statements of the Bank comprise the Bank and its subsidiaries (together referred to as "the Group"). The Group is primarily engaged in conventional banking, brokerage services and the credit card business and operates through its head office, branches and subsidiaries.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Capital of the subsidiary	Activity of the subsidiary	Percentage of ownership 31-Mar-18	Percentage of ownership 31-Mar-17
Alternatifbank A.S.	Turkey	TRY 1,167,000,000	Banking services	100%	100%
Commercialbank Financial Services L.L.C.	Qatar	QAR 100,000,000	Brokerage services	100%	100%
Global Card Services L.L.C.	Sultanate of Oman	OMR 500,000	Credit card business	100%	100%
CBQ Finance Limited	Bermuda	US$ 1,000	Debt issuance for the Bank	100%	100%

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying interim condensed consolidated financial information is prepared in accordance with IAS 34 - "Interim Financial Reporting" and the applicable provisions of Qatar Central Bank ("QCB") Regulations. This interim condensed consolidated financial information should be read in conjunction with the 2017 annual consolidated financial statements of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required for full consolidated financial statements prepared in accordance with International Finacial Reporting Standards and the applicable provisions of QCB regulations. The results for the three months ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual consolidated financial statements 31 December 2017, except for the effects of adoption of IFRS 9 as described in Note 3b to this interim condensed consolidated financial information

(a) New standards, amendments and interpretations :

The Group has adopted the following new and amended International Accounting Standards/International Financial Reporting Standards as of 1 January 2018:

Standards

IFRS 9 - Financial Instruments (1 January 2018)

IFRS 15 - Revenue from Contracts with Customers (1 January 2018)

Amendments to Standards

Amendments to IAS 40 - Transfers of Investment Property (1 January 2018).

Standards Issued but not yet Effective

The below mentioned standards, interpretations and amendments to standards are not yet effective. The Group is currently evaluating the impact of these new standards. The Group will adopt this new standards, on the effective dates.

IFRS 16 Leases (Effective 1 January 2019).

(b) The key changes to the Group's accounting policies resulting from its adoption of IFRS 9

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements as of and for the year ended 31 December 2017.

As permitted by the transitional provisions of IFRS 9 and QCB regulations, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and the opening balance of fair value reserve and non controlling interest of the current period.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are the IFRS 9 transition impact disclosures for the Group.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 (continued)

Classification of financial assets and financial liabilities (continued)

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities with the exception of the treatment of the bank's own credit gains and losses, which arise where a bank has chosen to measure a liability at FVTPL, these gains and losses are recognised in other comprehensive income. There continue to be two measurement categories for financial liabilities: fair value and amortised cost.

Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Key changes in the Group's accounting policy for impairment of financial assets are listed below:
The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk (i. Local sovereign that carry credit rating of (Aaa) or (Aa) and carry (zero) credit weight in accordance with capital adequacy instructions of the QCB ii. Externally rated debt instruments of rating Aaa or Aa. iii. Other financial assets which the group may classify as such after obtaining QCB's no objection) at the reporting date. For these assets, 12-month ECL are recognised and interest is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired

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

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the QCB's instructions. For these assets, lifetime ECL is recognised and treated with the interests calculated on them, according to QCB's instructions. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisim in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is no longer required. The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS9.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 (continued)

b.1. Impact of adopting IFRS 9

The impact of adopting IFRS 9 has been shown below:

	Retained earnings	Fair value reserve
Closing balance under IAS 39 (31 December 2017)	594,226	(44,500)
Impact on reclassification and remeasurements:		
Investment securities (equity) from available-for-sale to those measured at fair value through other comprehensive income	2,002	(2,002)
Investment securities (debt) from available-for-sale to those measured at fair value through other comprehensive income	11,871	(11,871)
Investment securities (equity) from available-for-sale to those measured at fair value through profit and loss	16,075	(16,075)
Investment securities (debt) from available-for-sale to those measured at fair value through profit and loss	20,745	(20,745)
Investment securities (funds) from available-for-sale to those measured at fair value through profit and loss	12,688	(12,688)
Investment securities (debt) from available-for-sale to those measured at amortised cost	-	32,980
	63,381	**(30,401)**
Impact on recognition of Expected Credit Losses		
Expected credit losses for due from banks	(31,632)	-
Expected credit losses for debt securities	(23,654)	-
Expected credit losses for loan and advances	(1,315,988)	-
Expected credit losses for off balance sheet exposures subject to credit risk.	(157,983)	-
	(1,529,257)	-
Transfer from risk reserve	1,529,257	-
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**657,607**	**(74,901)**

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 (continued)

b.2 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table is reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Re measurement	Re classification	New carrying amount under IFRS 9
Cash and balances with central banks	Loans and receivables	Amortised cost	7,373,918	-	-	7,373,918
Due from banks	Loans and receivables	Amortised cost	10,499,348	(31,632)	-	10,467,716
Loans and advances to customers	Loans and receivables	Amortised cost	89,121,935	(1,315,988)	-	87,805,947
Investment securities – debt	Available-for-sale	Amortised cost	13,802,548	32,980	-	13,835,528
Investment securities – debt	Available-for-sale	FVOCI	4,497,695	-	11,871	4,509,566
Investment securities – debt	Available-for-sale	FVTPL	728,787	-	-	728,787
Investment securities – debt	Held-for-trading	FVTPL	181,915	-	-	181,915
Investment securities –equity	Available-for-sale	FVOCI	166,260	-	2,002	168,262
Investment securities – equity and funds	Available-for-sale	FVTPL	252,041	-	-	252,041

Financial Liabilties

There were no changes to the classification and measurement of financial liabilities.

b.3. Expected credit loss / Impairment allowances :

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018

	31 December 2017	Re measurement	1 January 2018
Loans and receivables under IAS 39 / financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, loans and advances to banks and loans and advances to customers)	4,163,007	1,347,620	5,510,627
Available-for-sale debt investment securities under IAS 39/debt financial assets at FVOCI under IFRS 9	11,871	(35,525)	(23,654)
Loan commitments and financial guarantee contracts issued	111,356	157,983	269,339

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 (continued)

b.4 Movement in ECL

	QAR'000			
	Stage1 QAR'000	Stage2 QAR'000	Stage3 QAR'000	Total QAR'000
Exposure (Carrying Value) Subject to ECL				
Due from banks and balances with central banks	18,409,392	1,532,577	-	**19,941,969**
Loans and advances to customers	78,378,418	14,969,194	5,228,311	**98,575,923**
Investment Securities (Debt)	19,859,171	50,019	-	**19,909,190**
Loan Commitments and Financial Guarantees	23,224,278	4,488,628	273,297	**27,986,203**
Opening Balance as at 1 January 2018 (Day 1 impact)				
Due from banks and balances with central banks	5,927	25,705	-	**31,632**
Loans and advances to customers	214,918	1,101,070	4,163,007	**5,478,995**
Investment Securities (Debt)	7,673	15,981	-	**23,654**
Loan Commitments and Financial Guarantees	53,265	104,718	111,356	**269,339**
	281,783	**1,247,474**	**4,274,363**	**5,803,620**
ECL Charge for the Period (net)				
Due from banks and balances with central banks	(2,232)	(12,006)	-	**(14,238)**
Loans and advances to customers	47,659	(19,098)	250,105	**278,666**
Investment Securities (Debt)	(3,987)	(919)	-	**(4,906)**
Loan Commitments and Financial Guarantees	2,623	30,668	(174)	**33,117**
	44,063	**(1,355)**	**249,931**	**292,639**
Write offs				
Due from banks and balances with central banks	-	-	-	-
Loans and advances to customers	-	-	(4,764)	**(4,764)**
Investment Securities (Debt)	-	-	-	-
Loan Commitments and Financial Guarantees	-	-	-	-
	-	**-**	**(4,764)**	**(4,764)**
Exchange differences	**(4,349)**	**(7,108)**	**(4,491)**	**(15,948)**
Closing Balance - as at 31 March 2018				
Due from banks and balances with central banks	**3,695**	**13,699**	**-**	**17,394**
Loans and Advances to Customers	**258,228**	**1,074,864**	**4,403,857**	**5,736,949**
Investment Securities(Debt)	**3,686**	**15,062**	**-**	**18,748**
Loan Commitments and Financial Guarantees	**55,888**	**135,386**	**111,182**	**302,456**
	321,497	**1,239,011**	**4,515,039**	**6,075,547**

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 (continued)

b.5 Credit Risk

i) Credit Risk Measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 as detailed in note 2e.

ii) Credit risk grading

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

iii) Credit quality assessments

Pursuant to the adoption of IFRS 9, the Bank has mapped its internal credit rating scale to Moody's rating scale, the table below provides an analysis of counterparties by rating grades and credit quality of the Bank's credit risk, based on Moody's ratings (or their equivalent) as at 31 March 2018.

Rating grade	Low risk	Standard risk	Impaired risk	Total
Due from banks and balances with central banks	18,405,697	1,518,878	-	**19,924,575**
Loans and advances to customers	78,120,191	13,894,330	713,272	**92,727,793**
Investment securities (Debt)	19,855,485	34,957	-	**19,890,442**
Total	**116,381,373**	**15,448,165**	**713,272**	**132,542,810**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 (continued)

b.6 Key changes to the Significant Estimates and Judgements

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.

Impairment of financial instruments
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.

Inputs, assumptions and techniques used for estimating impairment.

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

I. Two notches down for rating from X to Y or one notch down for ratings from Y to Z
II. Facilities restructured during previous twelve months
III. Facilities overdue by 60 days as at the reporting date

Credit risk grades

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

4. ESTIMATES AND JUDGMENTS

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2017, except for the effects of adoption of IFRS 9 as described in Note 3b to this interim condensed consolidated financial information.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2017, except noted in note 3b.

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6. SEGMENT INFORMATION

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses are attributed with the assets and liabilities' ownership. The following table summarizes performance of the operating segments:

31 March 2018	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	Alternatifbank A.S.	Others	Unallocated	Total
Net interest income	316,325	217,374	533,699	141,269	1,025	(16,760)	**659,233**
Net fee, commission and other income	86,003	142,349	228,352	16,344	5,049	10,208	**259,953**
Segmental revenue	402,328	359,723	762,051	157,613	6,074	(6,552)	**919,186**
Impairment loss on investment securities	4,906	-	4,906	-	-	-	**4,906**
Net impairment loss on loans and advances to customers and other financial assets	(257,313)	53,083	(204,230)	(36,847)	310	-	**(240,767)**
Segmental profit			**333,012**	**37,281**	**2,886**	**(11,872)**	**361,307**
Share of results of associates and a joint arrangement							**43,385**
Net profit for the year							**404,692**
Other information							
Assets	35,450,435	1,684,574	37,135,009	6,068,217	280,719	5,525,628	**49,009,573**
Loans and advances to customers	-	-	78,510,745	14,102,410	30	114,608	**92,727,793**
Investments in associates and a joint arrangement	-	-	-	-	2,049,302	-	**2,049,302**
Asset held for sale	-	-	-	-	2,559,591	-	**2,559,591**
Liabilities	37,079,266	1,010,537	38,089,803	8,940,126	55,491	716,581	**47,802,001**
Customer deposits	-	-	69,369,376	9,901,729	-	28,469	**79,299,574**
Contingent items	22,668,993	369,599	23,038,592	4,386,666	560,945	-	**27,986,203**

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,248 million, Liabilities: QAR 348 million).

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6. SEGMENT INFORMATION (CONTINUED)

31 March 2017	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	Alternatifbank A.S.	Others	Unallocated	Total
Net interest income	324,267	196,412	520,679	93,914	733	(16,760)	598,566
Net fee, commission and other income	129,200	102,305	231,505	36,186	7,989	11,229	286,909
Segmental revenue	453,467	298,717	752,184	130,100	8,722	(5,531)	885,475
Impairment loss on investment securities	(6,028)	-	(6,028)	-	-	-	(6,028)
Net impairment loss on loans and advances to customers	(337,678)	(100,382)	(438,060)	(41,974)	1,299	-	(478,735)
Segmental profit			36,476	14,431	5,675	(16,172)	40,410
Share of results of associates and a joint arrangement							50,816
Net profit for the year							91,226
Other information							
Assets	35,080,247	1,450,377	36,530,624	6,622,164	264,664	5,246,304	48,663,756
Loans and advances to customers	-	-	70,475,970	11,358,930	-	194,687	82,029,587
Investments in associates and a joint arrangement	-	-	-	-	4,367,750	-	4,367,750
Liabilities	32,171,761	922,885	33,094,646	8,943,874	46,880	113,545	42,198,945
Customer deposits	-	-	64,089,660	7,740,953	-	48,361	71,878,974
Contingent items	25,425,869	1,208,859	26,634,728	3,737,766	571,344	-	30,943,838

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,372 million, Liabilities: QAR 423 million).

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7. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers comprises:

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Loans	86,906,970	77,552,494	82,692,419
Overdrafts	8,017,968	3,992,463	7,928,545
Bills discounted	532,102	594,198	632,506
Bankers acceptances	3,132,093	3,613,641	2,156,937
	98,589,133	85,752,796	93,410,407
Deferred profit	(13,209)	(17,632)	(14,109)
Allowance for impairment of loans and advances to customers	(5,848,131)	(3,705,577)	(4,274,363)
Net loans and advances to customers	**92,727,793**	82,029,587	89,121,935

The aggregate amount of non-performing loans and advances to customers at 31 March 2018 amounted to QAR 5,228 million which represents 5.30% of total loans and advances to customers (31 Mar 2017: QAR 4,315 million, 5.03% of total loans and advances to customers; 31 December 2017: QAR 5,274 million, 5.65% of total loans and advances to customers).

Allowance for impairment includes QAR 602 million of interest in suspense (31 March 2017: QAR 498 million; 31 December 2017: QAR 549 million).

For stage wise allowance for impairment of loans and advances to customers, refer to note 3 (b.4).

8. INVESTMENT SECURITIES

Investment securities comprise the following:

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
IFRS 9:			
Fair value through profit or loss	1,065,166	-	-
Fair value through other comprehensive income	5,637,855	-	-
Amortised cost	13,526,953	-	-
Less: Net impairment losses on investments	(18,748)	-	-
	20,211,226	-	-
IAS 39:			
Available-for-sale	-	16,904,740	19,440,566
Investment securities designated at fair value through profit or loss	-	263,879	188,680
Total	**-**	17,168,619	19,629,246

The carrying value of investment securities pledged under Repurchase agreements (REPO) is QAR 10,737 million (31 March 2017: QAR 4,267 million; 31 December 2017: QAR 6,666 million).

For stage wise allowance for impairment of debt securities, refer to note 3 (b.4).

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9. INVESTMENT IN ASSOCIATES AND A JOINT ARRANGEMENT

The Group's investment in associates and a joint arrangement are as follows:

			Carrying Value and % of interest held					
Name of the Entity	**Classification**	**Country**	**31-Mar-18**		31-Mar-17		31-Dec-17	
			Reviewed	**%**	Reviewed	%	Audited	%
National Bank of Oman SAOG ('NBO')	Associate	Oman	2,038,649	34.9%	2,067,092	34.9%	2,079,340	34.9%
United Arab Bank PJSC ('UAB')*	Associate	UAE	-	0.0%	2,290,403	40.0%	-	0.0%
Massoun Insurance Services L.L.C	Joint venture	Qatar	10,653	50.0%	10,255	50.0%	8,818	50.0%
			2,049,302		4,367,750		2,088,158	

* Refer to note 10

10. ASSET HELD FOR SALE

The Group had granted a third party purchaser (the "Purchaser") a 90 day period of exclusivity during which the parties will negotiate the terms of definitive transaction documents pertaining to the potential purchase by the Purchaser, subject to the satisfaction of certain conditions, of the Group's stake in one of its associates, UAB. The exclusivity period expired on 2 April 2018. Negotiations are ongoing. Due to the end of the exclusivity period the Group is free to negotiate with any third party for this stake.

11. PROPERTY AND EQUIPMENT

Acquisitions and disposals

During the three months ended 31 March 2018, the Group acquired assets with a cost of QAR 26 million (31 March 2017: QAR 20 million).

Asset disposals made by the Group during the three months ended 31 March 2018 amounted to QAR 0.6 million (31 March 2017: QAR 0.6 million), at original cost.

12. DUE TO BANKS

	31-Mar-18	31-Mar-17	31-Dec-17
	Reviewed	Reviewed	Audited
Balances due to central banks	5,159,320	251,687	281,625
Current accounts	1,057,146	841,377	811,754
Placement with banks	4,865,734	8,368,723	6,570,486
Repurchase agreements with banks (REPO)	5,728,155	3,848,001	5,852,007
Total	**16,810,355**	13,309,788	13,515,872

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13. CUSTOMER DEPOSITS

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Current and call deposits	17,774,824	17,659,029	17,630,840
Saving deposits	4,613,984	5,160,169	4,394,576
Time deposits	56,910,766	49,059,776	55,607,917
Total	**79,299,574**	71,878,974	77,633,333

14. DEBT SECURITIES

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
EMTN Unsecured Programme – Senior Unsecured Notes	5,546,089	7,242,508	5,540,548
Senior Notes	2,742,473	1,095,925	1,130,570
Subordinated Notes	3,440,012	3,428,671	3,431,969
Others	1,551,609	-	1,501,803
Total	**13,280,183**	11,767,104	11,604,890

The table below shows the maturity profile of debt securities:

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Up to 1 year	2,222,800	2,010,968	1,837,344
Between 1 and 3 years	7,082,819	5,794,325	5,801,290
Over 3 years	3,974,564	3,961,811	3,966,256
Total	**13,280,183**	11,767,104	11,604,890

15. OTHER BORROWINGS

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Bilateral loans	3,262,952	3,571,035	-
Syndicate loans	5,986,981	5,027,079	5,065,654
Others	1,141,597	1,719,547	4,237,711
Total	**10,391,530**	10,317,661	9,303,365

The table below shows the maturity profile of other borrowings:

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Up to 1 year	7,116,588	4,519,529	7,029,324
Between 1 and 3 years	2,073,669	4,585,912	935,090
Over 3 years	1,201,273	1,212,220	1,338,951
Total	**10,391,530**	10,317,661	9,303,365

16. SHARE CAPITAL

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Authorised number of ordinary shares	**404,725,376**	385,452,739	404,725,376
(Nominal value of ordinary shares QAR 10 each)			
Issued and paid up capital (in thousands of Qatar Riyals)	**4,047,254**	3,854,527	4,047,254

17. DIVIDEND

A cash dividend of 10% for the year 2017 (2016: 5% bonus share), was approved at the Annual General Assembly held on 22 March 2018 and distributed to shareholders.

18. EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing profit for the period attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the period:

	Three months ended	
	31-Mar-18 Reviewed	31-Mar-17 Reviewed
Basic and diluted		
Profit attributable to the equity holders of the bank	404,691	91,226
Weighted average number of outstanding ordinary shares in thousands	404,725	365,976
Basic/diluted earnings per share (QAR)	**1.00**	0.25

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19. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
a) Contingent liabilities			
Unused credit facilities	4,527,907	7,925,684	5,948,621
Guarantees	20,751,284	20,796,938	20,823,314
Letters of credit	2,707,012	2,221,216	2,700,146
Total	**27,986,203**	30,943,838	29,472,081
b) Other commitments			
Derivative financial instruments	57,882,374	39,309,170	46,882,092
Capital commitments	144,574	195,000	178,472
	58,026,948	39,504,170	47,060,564

20 CASH AND CASH EQUIVALENTS

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Cash and balances with central banks *	3,799,954	1,130,801	2,978,132
Due from banks up to 90 days	10,668,978	12,814,002	7,343,303
	14,468,932	13,944,803	10,321,435

*Cash and balances with central banks exclude the mandatory cash reserve.

21. VALUATION OF FINANCIAL INSTRUMENTS

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:

31-Mar-2018 (Reviewed)	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Derivative assets	-	552,340	-	552,340
Investment securities	1,601,949	4,899,103	183,221	6,684,273
	1,601,949	**5,451,443**	**183,221**	**7,236,613**
Derivative liabilities	-	363,437	-	363,437
	-	**363,437**	**-**	**363,437**

31-Dec-2017 (Audited)	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Derivative assets	-	462,483	-	462,483
Investment securities	2,556,279	16,874,981	-	19,431,260
	2,556,279	17,337,464	-	19,893,743
Derivative liabilities	-	355,614	-	355,614
	-	355,614	-	355,614

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22. RELATED PARTY DISCLOSURE

The Group carries out various transactions with subsidiaries, associates and joint arrangement companies, members of the Board of Directors, the executive management or companies in which they have significant interest or any other parties of important influence in the Group's financial or operating decisions. The balances at the reporting date with these accounts were as follows:

	31-Mar-18 Reviewed	31-Mar-17 Reviewed	31-Dec-17 Audited
Board members of the bank			
- Loans, advances and financing activities (a)	2,724,188	2,455,921	2,712,220
- Deposits	668,893	616,108	933,329
- Contingent liabilities and other commitments	43,573	110,447	110,139
- Interest and fee income received	12,882	3,071	25,625
- Interest paid on deposits accounts of board members	8,438	5,473	12,433
- Remuneration	-	-	18,500
Associates and joint arrangement companies			
- Due to banks	12,208	151,905	31,353
- Due from banks	91,000	437,147	91,000
- Deposits	14,963	11,485	10,663
- Contingent liabilities	771,129	774,553	766,360
- Interest earned from Associates	-	-	3,049
- Interest paid to Associates	551	273	2,424
Senior management of the bank			
- Remuneration and other benefits	12,288	12147	46,925
- Loans and advances	4,496	4,743	5,286

(a) A significant portion of the loans, advances and financing activities' balance at 31 March 2018 with the members of the Board and the companies in which they have significant influence, are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities' are performing satisfactorily honoring all obligations.

23. COMPARATIVES

Prior period figures have not been restated for the adoption of IFRS 9.