

Qatar International Islamic Bank (Q.P.S.C)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2018

Qatar International Islamic Bank (Q.P.S.C)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

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Review report on review of the interim condensed consolidated financial statements to the board of directors of Qatar International Islamic Bank Q.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Qatar International Islamic Bank Q.P.S.C. (the “Parent”) and its subsidiary (together “the “Group”) as at 31 March 2018 and the related interim condensed consolidated income statement, statements of changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and applicable provisions of the Qatar Central Bank regulations (“QCB 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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 Financial Accounting Standards issued by AAOIFI and applicable provisions of the QCB regulations.

For and behalf of PricewaterhouseCoopers - Qatar Branch
Qatar Financial Market Authority registration number 120155

A handwritten signature in blue ink, appearing to read 'Mohamed Elmoataz', is written over a blue horizontal line.

Mohamed Elmoataz
Auditor’s registration number 281


Doha, 15 April 2018


Qatar International Islamic Bank (Q.P.S.C)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2018

	<i>Notes</i>	31 March 2018 (Reviewed) QR'000	31 December 2017 (Audited) QR'000	31 March 2017 (Reviewed) QR'000
ASSETS				
Cash and balances with Qatar Central Bank		3,153,680	2,432,223	2,034,883
Due from banks		6,314,949	3,274,025	4,759,823
Financing assets	7	33,550,425	32,500,027	29,309,170
Investment securities	8	4,987,549	6,179,784	7,035,199
Investment in associates		402,552	364,965	334,915
Investment properties	9	904,969	426,540	429,577
Fixed assets	9	285,637	756,501	690,762
Other assets		820,336	666,738	711,831
Intangible assets		17,044	18,177	17,623
TOTAL ASSETS		<u>50,437,141</u>	<u>46,618,980</u>	<u>45,323,783</u>
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		11,130,235	6,605,745	6,248,698
Customer current accounts		8,384,858	6,894,433	6,646,584
Other liabilities		891,153	718,022	712,297
Sukuk financing		-	-	2,548,046
TOTAL LIABILITIES		<u>20,406,246</u>	<u>14,218,200</u>	<u>16,155,625</u>
EQUITY OF INVESTMENT ACCOUNT HOLDERS	10	<u>23,807,480</u>	<u>25,584,215</u>	<u>22,228,924</u>
EQUITY				
Share capital		1,513,687	1,513,687	1,513,687
Legal reserve	11	2,452,360	2,452,360	2,452,360
Risk reserve	12	622,454	622,454	572,152
Fair value reserves		214	1,643	38,729
Other reserves	13	79,098	82,352	83,169
Proposed Cash Dividends		-	605,476	605,476
Retained earnings		555,602	538,593	673,661
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		<u>5,223,415</u>	<u>5,816,565</u>	<u>5,939,234</u>
Sukuk eligible as additional capital	15	1,000,000	1,000,000	1,000,000
TOTAL EQUITY		<u>6,223,415</u>	<u>6,816,565</u>	<u>6,939,234</u>
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		<u>50,437,141</u>	<u>46,618,980</u>	<u>45,323,783</u>

The interim condensed consolidated financial statements were approved by the Board of Directors on 15 April 2018, and were signed on its behalf by:


 Dr. Khalid bin Thani bin Abdullah Al Thani
 Chairman and Managing Director


 Dr. Abdubasit Ahmad Abdulrahman Al Shaibei
 Chief Executive Officer

Qatar International Islamic Bank (Q.P.S.C)

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three-Month Period Ended 31 March 2018

	Notes	<i>For the Three-Month Period Ended</i>	
		<i>31 March</i>	
		2018	2017
		(Reviewed)	(Reviewed)
		QR'000	QR'000
Income from financing activities		401,042	342,182
Net income from investing activities		79,748	71,270
Total income from financing and investing activities		480,790	413,452
Fee and commission income		48,889	46,467
Fee and commission expense		(14,570)	(9,236)
Net fee and commission income		34,319	37,231
Foreign exchange gain		9,787	9,334
Share of results of associates		(7,566)	(2)
TOTAL INCOME		517,330	460,015
Staff costs		(37,987)	(40,092)
Depreciation and amortisation		(7,534)	(4,803)
Other expenses		(35,554)	(36,663)
Finance expense		(44,510)	(40,390)
TOTAL EXPENSES		(125,585)	(121,948)
Net impairment losses on due from banks	3c	(7)	-
Net impairment (losses) reversal on equity investment securities	3c	(1,368)	485
Net impairment losses on financing assets	3c	(2,885)	(3,000)
Net impairment losses on off balance sheet exposures subject to credit risk	3c	(147)	-
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		387,338	335,552
Less: Return to investment account holders		(134,120)	(99,041)
NET PROFIT FOR THE PERIOD		253,218	236,511
BASIC AND DILUTED EARNINGS PER SHARE (QAR PER SHARE)		1.67	1.56

Qatar International Islamic Bank (Q.P.S.C)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three-Month Period Ended 31 March 2018

	Share capital QR '000	Legal reserve QR '000	Risk reserve QR '000	Fair value reserves QR '000	Other reserves QR '000	Proposed cash dividend QR '000	Retained earnings QR '000	Total equity attributable to equity holders of the Bank QR '000	Sukuk eligible as additional capital QR '000	Total equity QR '000
Balance at 31 December 2017 (Audited)	1,513,687	2,452,360	622,454	1,643	82,352	605,476	538,593	5,816,565	1,000,000	6,816,565
Adoption of ECL regulations (note 3)	-	-	-	-	-	-	(239,463)	(239,463)	-	(239,463)
Restated balance as at 1 January 2018	1,513,687	2,452,360	622,454	1,643	82,352	605,476	299,130	5,577,102	1,000,000	6,577,102
Fair value reserve movement	-	-	-	(1,429)	-	-	-	(1,429)	-	(1,429)
Net Profit for the period	-	-	-	-	-	-	253,218	253,218	-	253,218
Net movement in other reserves	-	-	-	-	(3,254)	-	3,254	-	-	-
Dividends provided for or paid	-	-	-	-	-	(605,476)	-	(605,476)	-	(605,476)
Balance at 31 March 2018 (Reviewed)	1,513,687	2,452,360	622,454	214	79,098	-	555,602	5,223,415	1,000,000	6,223,415

Qatar International Islamic Bank (Q.P.S.C)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three-Month Period Ended 31 March 2018

	Note	Share capital QR '000	Legal reserve QR '000	Risk reserve QR '000	Fair value reserve QR '000	Other reserves QR '000	Proposed cash dividends QR '000	Retained earnings QR '000	Total equity attributable to holders of the Bank QR '000	Sukuk eligible as additional capital QR '000	Total equity QR '000
Balance at 1 January 2017 (Audited)		1,513,687	2,452,360	572,152	13,036	84,796	605,476	435,523	5,677,030	1,000,000	6,677,030
Fair value reserve movement		-	-	-	25,693	-	-	-	25,693	-	25,693
Net profit for the period		-	-	-	-	-	-	236,511	236,511	-	236,511
Net movement in other reserves	13	-	-	-	-	(1,627)	-	1,627	-	-	-
Balance at 31 March 2017 (Reviewed)		<u>1,513,687</u>	<u>2,452,360</u>	<u>572,152</u>	<u>38,729</u>	<u>83,169</u>	<u>605,476</u>	<u>673,661</u>	<u>5,939,234</u>	<u>1,000,000</u>	<u>6,939,234</u>

Qatar International Islamic Bank (Q.P.S.C)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three-Month Period Ended 31 March 2018

	<i>Notes</i>	31 March 2018 (Reviewed) QR'000	31 March 2017 (Reviewed) QR'000
Cash flows from operating activities			
Net profit for the year		253,218	236,511
<i>Adjustments for:</i>			
Impairment losses on financing assets		2,884	3,000
Net impairment losses on investment securities		1,859	(485)
Foreign exchange gains on translation of investment in associate		(359)	-
Depreciation and amortisation		7,532	4,806
Net (gain) on sale of investments securities		(2,935)	(287)
Dividends income		(1,303)	(414)
Share of results of associates		7,566	2
Sukuk amortisation		3,303	6,828
Employees' end of service benefits		1,139	1,510
		272,904	251,471
Profit before changes in operating assets and liabilities			
Working capital changes:			
Cash reserve with Qatar Central Bank		46,915	(104,529)
Due from banks		(1,545,293)	(481,680)
Financing assets		(1,268,376)	(2,078,844)
Other assets		(153,603)	(44,260)
Due to banks and financial institutions		4,524,490	209,388
Customers' current accounts		1,490,425	426,661
Other liabilities		26,247	64,111
		3,393,709	(1,757,682)
Employees' end of service benefits paid		(1,949)	(319)
		3,391,760	(1,758,001)
Net cash flows generated from (used in) operating activities			
Cash flows from investing activities			
Acquisition of investment securities		(272,912)	(201,645)
Proceeds from Sale/Redemption of investment securities		1,471,649	600,113
Additions of investment in associates		(48,048)	-
Acquisition of fixed assets		(4,598)	(12,778)
Acquisition of intangible assets		(300)	(498)
Dividends received from associate company		3,254	1,627
Additions in investment properties		(9,066)	-
Dividends income		1,303	414
		1,141,282	387,233
Net cash flows generated from investing activities			
Cash flows from financing activities			
Change in equity of investment account holders		(1,774,490)	1,770,145
Cash dividends paid to shareholders		(530,590)	-
		(2,305,080)	1,770,145
Net cash flows (used in) generated from financing activities			
Net increase (decrease) in cash and cash equivalents		2,227,962	399,377
Cash and cash equivalents at 1 January		3,509,864	2,547,213
Cash and cash equivalents at 31 March	16	5,737,826	2,946,590

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

Qatar International Islamic Bank (Q.P.S.C)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three-month period ended 31 March 2018

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar International Islamic Bank (Q.P.S.C) (“QIIB” or “the Bank”) was incorporated under Amiri Decree No. 52 of 1990. The Bank operates through its head office located on Grand Hamad Street in Doha and 19 local branches. The Bank is listed and its shares are traded on the Qatar Exchange.

The commercial registration number of the Bank is 13023. The address of the Bank’s registered office is Doha, State of Qatar, P.O. Box 664.

The interim condensed consolidated financial statements include the financial statements of the Bank and its following special purpose entity “together the Group” after elimination of intercompany balances and transactions:

	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>Effective percentage of ownership</i>	
			<i>31 March 2018</i>	<i>31 December 2017</i>
QIIB Sukuk Ltd	Cayman Islands	Sukuk issuance	-	-

QIIB Sukuk (SPE) was incorporated in the Cayman Islands as an exempted company with limited liability for sole purpose of Sukuk issuance for the benefit of QIIB. The Company is incorporated to accomplish a narrow and well-defined objective which is the execution of a specific financing transaction. The management assessed that the Group has control over the SPE at inception and there is no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE. The Bank concluded there are no changes in the market conditions that can lead to changes in the Group’s power to control the SPE.

The Bank is engaged in banking, financing and investing activities in accordance with its Articles of Incorporation, Islamic Shari’a rules and principles as determined by the Shari’a Supervisory Board of the Bank and regulations of Qatar Central Bank (QCB).

The unaudited interim condensed consolidated financial statements of the Group for the period ended 31 March 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 15 April 2018.

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and the applicable provisions of Qatar Central Bank (“QCB”) regulations. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2017. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017 except for the changes to the accounting policies as disclosed in note 3. In addition, results for the three-month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except for the changes to the accounting policies mentioned in note 3 to this interim condensed consolidated financial statements.

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017 except for the changes mentioned in note 3c, which may result in additional disclosures at year end.

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations issued but not yet effective

FAS 30 Impairment, Credit losses and onerous commitments

AAOIFI has issued FAS 30 Impairment, Credit losses and onerous commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 will replace FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach, 2) Net Realizable Value approach (“NRV”) and 3) Impairment approach.

Expected credit losses (‘ECL’)

FAS 30 introduces the Credit Losses approach with a forward-looking ‘expected credit loss’ model. The Credit Losses approach for receivables and off balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss. The new impairment model will apply to financial assets which are subject to credit risk, and a number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

The standard is effective from financial periods beginning on or after 1 January 2020 with early adoption permitted. However, the Group is currently awaiting guidance from QCB in this regard.

QCB has issued ECL regulations (“ECL regulations”) via its circular 9 of 2017 which became effective from 1 January 2018 for all banks operating in Qatar.

As required by the QCB, the Group has adopted the ECL regulations as mentioned in note 3, which is similar to FAS 30 and as permitted by those ECL regulations, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings of the current period.

3 ADOPTION OF ECL REGULATIONS

The adoption of the ECL regulations has resulted in changes in the accounting policies for impairment of financial assets. Set out below are the ECL regulations transition impact disclosures for the Group. Further details of the specific changes to accounting policies applied in the current period are described in more detail in note 3(c).

(a) Impact of adopting the ECL regulations

The impact from the adoption of the ECL regulations as at 1 January 2018 has decreased the retained earnings by QAR 239,463 thousands as follows:

	Retained earnings
	QR’000
Closing balance (31 December 2017)	538,593
<u>Impact on recognition of expected credit losses</u>	
Due from banks	(1,070)
Debt type investments carried at amortised cost.	(491)
Financing assets	(215,094)
Off balance sheet exposures subject to credit risk	(22,808)
	<u>(239,463)</u>
Opening balance under ECL regulations on date of initial application at 1 January 2018	<u>299,130</u>

3 ADOPTION OF ECL REGULATIONS (CONTINUED)**(b) Expected credit loss / Impairment allowances**

The following table reconciles the closing impairment allowance for financial assets (excluding all balances with Ministry of Finance) in accordance with the existing FAS as at 31 December 2017 to the opening ECL allowance determined in accordance with the ECL regulations as at 1 January 2018.

	31 December 2017 QR'000	Re-measurement QR'000	1 January 2018 QR'000
Due from banks	3,274,025	(1,070)	3,272,955
Debt type investments carried at amortised cost	1,055,022	(491)	1,054,531
Financing assets	25,478,991	(215,094)	25,263,897
Off balance sheet exposures subject to credit risk	5,642,541	(22,808)	5,619,733
	<u>35,450,579</u>	<u>(239,463)</u>	<u>35,211,116</u>

3 ADOPTION OF ECL REGULATIONS (CONTINUED)

(b) Expected credit loss / Impairment allowances (continued)

	Stage 1	Stage 2	Non-Performing	Total
	QR'000	QR'000	QR'000	QR'000
Closing Balance - as at 31 December 2017				
Due from banks	3,273,093	932	-	3,274,025
Debt type investments carried at amortised cost	1,036,069	18,953	-	1,055,022
Financing assets	24,472,803	1,006,188	398,428	25,877,419
Off balance sheet exposures subject to credit risk	5,378,906	263,635	-	5,642,541
	<u>34,160,871</u>	<u>1,289,708</u>	<u>398,428</u>	<u>35,849,007</u>
Opening Balance (Day 1 impact) - as at 1 January 2018				
Due from banks	3,272,027	928	-	3,272,955
Debt type investments carried at amortised cost	1,035,664	18,867	-	1,054,531
Financing assets	24,275,161	988,736	398,428	25,662,325
Off balance sheet exposures subject to credit risk	5,357,626	262,107	-	5,619,733
	<u>33,940,478</u>	<u>1,270,638</u>	<u>398,428</u>	<u>35,609,544</u>
Net transfer between stages				
Due from banks	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-
Financing assets	-	-	-	-
Transfer from Stage 1 to Stage 2	(263,692)	263,692	-	-
Transfer from Stage 2 to Stage 3	-	(22,465)	22,465	-
Off balance sheet exposures subject to credit risk	-	-	-	-
Transfer from Stage 1 to Stage 2	(3,535)	3,535	-	-
	<u>(267,227)</u>	<u>244,762</u>	<u>22,465</u>	<u>-</u>
Additions during the period (net)				
Due from banks	3,041,996	6	-	3,042,002
Debt type investments carried at amortised cost	(559)	-	-	(559)
Financing assets	509,156	26,000	-	535,156
Off balance sheet exposures subject to credit risk	662,506	68,966	-	731,472
	<u>4,213,099</u>	<u>94,972</u>	<u>-</u>	<u>4,308,071</u>
Expected credit losses charged for the period (net)				
Due from banks	7	-	-	7
Debt type investments carried at amortised cost	3	1	-	4
Financing assets	1,272	112	1,500	2,884
Off balance sheet exposures subject to credit risk	137	10	-	147
	<u>1,419</u>	<u>123</u>	<u>1,500</u>	<u>3,042</u>
Closing Balance - as at 31 March 2018				
Due from banks	6,314,016	934	-	6,314,950
Debt type investments carried at amortised cost	1,035,102	18,866	-	1,053,968
Financing assets	24,519,353	1,252,316	419,393	26,191,062
Off balance sheet exposures subject to credit risk	6,019,995	331,063	-	6,351,058
	<u>37,888,466</u>	<u>1,603,179</u>	<u>419,393</u>	<u>39,911,038</u>

3 ADOPTION OF ECL REGULATIONS (CONTINUED)

(c) Changes in Accounting Policies and Significant Estimates and Judgements

Key changes to the Group's accounting policies

The key changes to the Group's accounting policies resulting from the adoption of the ECL model are summarized below. Since the comparative financial information has not been restated, the accounting policies in respect of the financial instruments for comparative periods are based on existing FAS and applicable QCB regulations as disclosed in the audited consolidated financial statements as of and for the year ended 31 December 2017.

Impairment of financial assets

The ECL model replaces the 'incurred loss' model in existing FAS 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 the ECL model, credit losses are recognised earlier than under existing FAS.

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. 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 profit 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 profit 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: Non Performing - 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 including the profit calculated on them, according to QCB's instructions as disclosed in most recent annual financial statements. When transitioning financial assets from stage 2 to stage 3, the percentage of impairment made for such assets should not be less than the percentage of impairment made before transition.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

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

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

- I. Two notches down for rating from Aaa to Baa or one notch down for ratings from Ba to Caa
- II. Facilities restructured during previous twelve months
- III. Facilities overdue by more than 30-90 days as at the reporting date

3 ADOPTION OF ECL REGULATIONS (CONTINUED)

Credit risk grades

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

Generating the term structure of Probability of Default (PD)

The Group employs statistical models to analyze 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.

(d) Changes to Groups financial risk management objectives and policies

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 loss using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under the ECL regulations as detailed in note 3c.

ii) Credit risk grading (excluding balances with Ministry of Finance)

The Group uses internal credit risk gradings 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.

Rating grade	Financing assets QR'000	Debt type investments carried at amortised cost and fair value through equity QR'000	Off balance sheet exposures subject to credit risk QR'000	Due from Banks QR'000
AAA to AA-	526,344	9,854	195,228	4,518,289
A+ to A-	2,274,777	946,071	817,310	1,778,085
BBB to BBB-	5,208,868	98,043	3,646,068	9,928
BB+ to B-	8,928,582	-	473,697	7,993
CCC+ to CCC-	222,305	-	336,076	655
Ca	136,921	-	119,598	-
Unrated	8,893,265	-	763,081	-
Total	<u>26,191,062</u>	<u>1,053,968</u>	<u>6,351,058</u>	<u>6,314,950</u>

4 SEGMENT INFORMATION

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

Corporate banking	Includes financings, deposits and other transactions and balances with corporate customers, government and semi government institutions and SME customers.
Personal banking	Includes financings, deposits and other transactions and balances with personal customers.
Treasury & Investments	Undertakes the Group's funding and centralised risk management activities through borrowings, issues of Sukuk, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term deposits and corporate and government Sukuk.

Investments activities include the Group's trading and corporate finance activities.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, assets and liabilities growth, as included in the internal management reports that are reviewed by the Assets and Liabilities Committee (ALCO) committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments.

<i>Three months ended 31 March 2018 (Reviewed)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total income from financing and investing activities	272,870	128,172	79,748	480,790
Net fee and commission income	22,266	12,053	-	34,319
Net foreign exchange gains	-	-	9,787	9,787
Share of results of investments in associates	-	-	(7,566)	(7,566)
Total segment income	295,136	140,225	81,969	517,330
Other material non-cash items:				
Net impairment losses on due from banks	-	-	(7)	(7)
Net impairment losses on investments	-	-	(1,368)	(1,368)
Net impairment losses on financing assets	(2,163)	(722)	-	(2,885)
Net impairment losses on off balance sheet exposures subject to credit risk	(147)	-	-	(147)
Reportable segment net profit before allocation of expenses	292,826	139,503	80,594	512,923

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4 SEGMENT INFORMATION (CONTINUED)

<i>Three months ended 31 March 2017 (Reviewed)</i>	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total net income from financing and investing activities	234,951	107,230	71,271	413,452
Net fee and commission income	22,165	15,066	-	37,231
Net foreign exchange gains	-	-	9,334	9,334
Share of results of investments in associates	-	-	(2)	(2)
Total segment income	<u>257,116</u>	<u>122,296</u>	<u>80,603</u>	<u>460,015</u>
Other material non-cash items:				
Reversal of impairment provision on investment securities	-	-	485	485
Net impairment losses on financing assets	(3,000)	-	-	(3,000)
Net impairment losses on off balance sheet exposures subject to credit risk	-	-	-	-
Reportable segment net profit before allocation of expenses	<u>254,116</u>	<u>122,296</u>	<u>81,088</u>	<u>457,500</u>
	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
31 March 2018 (Reviewed)				
Reportable segment assets	<u>26,446,730</u>	<u>7,103,697</u>	<u>13,727,764</u>	<u>47,278,191</u>
Reportable segment liabilities and equity of investment account holders	<u>12,218,444</u>	<u>19,973,894</u>	<u>11,130,235</u>	<u>43,322,573</u>
	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
31 December 2017 (Audited)				
Reportable segment assets	<u>25,350,376</u>	<u>7,149,651</u>	<u>10,561,734</u>	<u>43,061,761</u>
Reportable segment liabilities and equity of investment account holders	<u>13,439,297</u>	<u>19,039,350</u>	<u>6,605,745</u>	<u>39,084,392</u>

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4 SEGMENT INFORMATION (CONTINUED)

The tables below provide reconciliation of reportable segment revenues, profit, assets, liabilities and equity of investment account holders:

	<i>Three months ended</i>	
	<i>31</i>	<i>31</i>
	<i>March</i>	<i>March</i>
	<i>2018</i>	<i>2017</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>QR'000</i>	<i>QR'000</i>
Reportable segment net profit before allocation of expenses	512,923	457,500
Unallocated expenses	(259,705)	(220,989)
Net profit for the period	253,218	236,511
	<i>31 March</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Assets		
Total assets for reportable segments	47,278,191	43,061,761
Other unallocated amounts	3,158,950	3,557,219
Total assets	50,437,141	46,618,980
Liabilities and equity of investment account holders		
Total liabilities and equity of investment account holders for reportable segments	43,322,573	39,084,393
Other unallocated amounts	891,153	718,023
Total liabilities and equity of investment account holders	44,213,726	39,802,416

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5 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
31 March 2018 (Reviewed)					
Cash and balances with					
Qatar Central Bank	-	-	3,153,680	3,153,680	3,153,680
Due from banks	-	-	6,314,949	6,314,949	6,314,949
Financing assets	-	-	33,550,425	33,550,425	33,550,425
Investment securities:					
- Measured at fair value	582	114,851	-	115,433	115,433
- Measured at amortised cost	-	-	4,872,116	4,872,116	4,802,986
Other assets	-	-	727,795	727,795	727,795
	582	114,851	48,618,965	48,734,398	48,665,268
Due to banks and financial institutions	-	-	11,130,235	11,130,235	11,130,235
Customers' current accounts	-	-	8,384,858	8,384,858	8,384,858
Other liabilities	-	-	891,153	891,153	891,153
	-	-	20,406,246	20,406,246	20,406,246

	<i>Fair value through income statement QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
31 December 2017 (Audited)					
Cash and balances with Qatar					
Central Bank	-	-	2,432,223	2,432,223	2,432,223
Due from banks	-	-	3,274,025	3,274,025	3,274,025
Financing assets	-	-	32,500,027	32,500,027	32,500,027
Investment securities:					
- Measured at fair value	741	147,784	-	148,525	148,525
- Measured at amortised cost	-	-	6,031,259	6,031,259	5,971,341
Other assets	-	-	583,361	583,361	583,361
	741	147,784	44,820,895	44,969,420	44,909,502
Due to banks and financial institutions	-	-	6,605,745	6,605,745	6,605,745
Customers' current accounts	-	-	6,894,433	6,894,433	6,894,433
Other liabilities	-	-	718,022	718,022	718,022
	-	-	14,218,200	14,218,200	14,218,200

5 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value through income statement</i> <i>QR'000</i>	<i>Fair value through equity</i> <i>QR'000</i>	<i>Amortised cost</i> <i>QR'000</i>	<i>Total carrying amount</i> <i>QR'000</i>	<i>Fair value</i> <i>QR'000</i>
<i>31 March 2017 (Reviewed)</i>					
Cash and balances with Qatar Central Bank	-	-	2,034,883	2,034,883	2,034,883
Due from banks	-	-	4,759,823	4,759,823	4,759,823
Financing assets	-	-	29,309,170	29,309,170	29,309,170
Investment securities:					
- Measured at fair value	1,332	243,310	-	244,642	244,642
- Measured at amortised cost	-	-	6,790,557	6,790,557	6,759,576
Other assets	-	-	617,010	617,010	617,010
	<u>1,332</u>	<u>243,310</u>	<u>43,511,443</u>	<u>43,756,085</u>	<u>43,725,104</u>
Due to banks and financial institutions	-	-	6,248,698	6,248,698	6,248,698
Customers' current accounts	-	-	6,646,584	6,646,584	6,646,584
Sukuk financing	-	-	2,548,046	2,548,046	2,548,046
Other liabilities	-	-	712,297	712,297	712,297
	<u>-</u>	<u>-</u>	<u>16,155,625</u>	<u>16,155,625</u>	<u>16,155,625</u>

Valuation of financial investments

The Group measures fair value using the following fair value hierarchy that reflects the significant inputs used in making the measurement valuation technique:

- 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 and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, sukuk 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.

5 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)**Financial investments classification**

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

<i>31 March 2018 (Reviewed)</i>	<i>Fair value measurement using</i>			<i>Total QR'000</i>
	<i>Quoted prices in active markets (Level 1) QR'000</i>	<i>Significant observable inputs (Level 2) QR'000</i>	<i>Significant unobservable inputs (Level 3) QR'000</i>	
- Quoted equity-type investments classified as at fair value through income statement	582	-	-	582
- Quoted equity-type investments classified as at fair value through equity	25,800	-	-	25,800
- Unquoted equity-type investments classified as at fair value through equity	-	-	89,052	89,052

<i>31 December 2017 (Audited)</i>	<i>Fair value measurement using</i>			<i>Total QR'000</i>
	<i>Quoted prices in active markets (Level 1) QR'000</i>	<i>Significant observable inputs (Level 2) QR'000</i>	<i>Significant unobservable inputs (Level 3) QR'000</i>	
- Quoted equity-type investments classified as at fair value through income statement	741	-	-	741
- Quoted equity-type investments classified as at fair value through equity	57,240	-	-	57,240
- Unquoted equity-type investments classified as at fair value through equity	-	-	90,544	90,544

6 IMPAIRMENT

The Group assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing assets or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparty or issuers, or economic conditions that correlate with defaults. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Equity-type investments classified at fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified at fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the statement of income on equity-type investments are subsequently reversed through equity. The Group has provided QR 1.36 million as impairment on investment securities (31 March 2017: recovered QR 0.5 million, which were recognised under "Impairment provision recovered on investment securities") in the interim condensed consolidated statement of income.

6 IMPAIRMENT (CONTINUED)

Financial assets carried at amortised cost (including investment in Sukuk instruments classified as amortised cost)

For financial assets carried at amortised cost, impairment of non performing debt instrument is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in unaudited interim condensed consolidated statement of income and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the unaudited interim condensed consolidated statement of income, to the extent of previously recognised impairment losses. The Group has provided QR 2.8 million (31 March 2017: QR 3.0 million) as impairment on financing assets which was recognised under "Impairment loss provided on financing assets" in the reviewed interim condensed consolidated statement of income.

Investment in associates

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the unaudited interim condensed consolidated statement of income. The Group has not recognised impairment during the period.

7 FINANCING ASSETS

	<i>31 March 2018 (Reviewed) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>31 March 2017 (Reviewed) QR'000</i>
Murabaha and Musawama	26,795,893	25,957,576	22,922,952
Ijarah Muntahia Bittamleek	7,046,802	7,161,886	7,120,620
Istisn'a	688,417	612,646	540,645
Mudaraba	874,589	483,235	294,057
Musharaka	744	764	1,186
Others	228,010	154,465	394,238
Total financing assets	35,634,455	34,370,572	31,273,698
Less: Deferred profit	(1,573,059)	(1,585,207)	(1,563,316)
Specific impairment of financing assets	(265,296)	(264,044)	(367,183)
Expected credit loss	(216,479)	-	-
Profit in suspense	(29,196)	(21,294)	(34,029)
Net financing assets	33,550,425	32,500,027	29,309,170

Note:

The total non-performing financing assets amounted to QR 479 million, representing 1.34% of the gross financing assets as at 31 March 2018 (31 December 2017: amounted to QR 453 million, representing 1.32% of the gross financing assets)

9 INVESTMENT PROPERTIES & FIXED ASSETS

On 24th of January 2018, The board of directors of the Group decided to reclassify Al Dafna tower from Fixed assets to Investment properties amounted to QR 479 million because of the commencement of lease during the first quarter of year 2018.

10 EQUITY OF INVESTMENT ACCOUNT HOLDERS

All Investment account holder balances are unrestricted as of 31 March 2018 and 31 December 2017.

	<i>31 March 2018 (Reviewed) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>31 March 2017 (Reviewed) QR'000</i>
Term accounts	17,455,449	19,761,352	15,433,365
Savings accounts	<u>6,351,664</u>	<u>5,820,251</u>	<u>6,736,315</u>
	23,807,113	25,581,603	22,169,680
Share in fair value reserve	<u>367</u>	<u>2,612</u>	<u>59,244</u>
Total	<u>23,807,480</u>	<u>25,584,215</u>	<u>22,228,924</u>

All Investment account holders are unrestricted as of 31 March 2018, 31 December 2017, and 31 March 2017.

11 LEGAL RESERVE

In accordance with QCB Law No. 13 of 2012 as amended, 10% of net profit for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 11 of 2015 and after QCB approval. No appropriation was made as the legal reserve equal more than 100% of the paid up share capital.

12 RISK RESERVE

In accordance with QCB regulations, the minimum requirement for risk is 2.5% of the of the total private and public sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to / or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. Risk reserve will be provided as per the new instructions from QCB which is related to the implementation of ECL regulations.

13 OTHER RESERVES

Other reserves represent the undistributed share of associates profits after deducting the cash dividends received. The dividends received from associates during the period amounted to QR 3.3 million (31 December 2017: QR 1.6 million).

14 CASH DIVIDENDS

The Ordinary General Assembly approved on 26 March 2018 to the shareholders the distribution of 40% cash dividends for the year ended 31 December 2017 (QR 4 per share), (31 December 2016: 40% cash dividends (QR 4 per share).

15 SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

During the year 2016, the Bank issued perpetual sukuk eligible as additional capital for an amount of QR 1 billion. The sukuk is unsecured and the profit distribution is discretionary, non-cumulative, and payable annually, the profit rate for the first five years is fixed and it will be revised in case of renewal. The Group has right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. The sukuk do not have a maturity date and has been classified as equity.

16 CASH AND CASH EQUIVALENTS

For the purpose of preparing the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	<i>31 March 2018 (Reviewed) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>31 March 2017 (Reviewed) QR'000</i>
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	1,631,941	863,570	553,014
Due from banks	4,105,885	2,646,294	2,393,576
	<u>5,737,826</u>	<u>3,509,864</u>	<u>2,946,590</u>

17 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>31 March 2018 (Reviewed) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>31 March 2017 (Reviewed) QR'000</i>
Contingent liabilities			
Unused financing facilities	4,219,506	3,583,902	5,968,534
Guarantees	3,973,539	3,673,166	3,797,343
Letters of credit	493,298	472,461	454,132
Others	10,077	7,765	8,526
	<u>8,696,420</u>	<u>7,737,294</u>	<u>10,228,535</u>

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18 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the shareholders who can control or exercise significant influence over the Group, associates and entities over which the Group and the shareholders (who have the ability to exercise their influence over the Group) exercise significant influence, in addition to directors and executive management of the Group.

The amount outstanding/transactions during the period/year with members of the Board or the companies in which they have significant interests were as follows:

	31 March 2018 (Reviewed)		31 December 2017 (Audited)		31 March 2017 (Reviewed)		
	Associate companies QR'000	Board of Directors QR'000	Associate companies QR'000	Board of Directors QR'000	Associate companies QR'000	Board of Directors QR'000	Others QR'000
Assets:							
Financing assets	13,040	626,507	13,568	615,487	7,033	642,432	3,068,341
Equity of investment account holders	10,682	203,310	13,822	188,973	13,186	77,221	110,930
Off balance sheet items:							
Contingent liabilities and other commitments	1,172	10,280	1,161	3,896	3,046	200	43,987

18 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Three months ended 31 March 2018</i>			<i>Three months ended 31 March 2017</i>		
	<i>(Reviewed)</i>			<i>(Reviewed)</i>		
	<i>Associate companies</i>	<i>Board of Directors</i>	<i>Others</i>	<i>Associate companies</i>	<i>Board of Directors</i>	<i>Others</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Consolidated income statement items:						
Net income from financing activities	<u>185</u>	<u>6,930</u>	<u>33,795</u>	<u>97</u>	<u>8,883</u>	<u>42,190</u>
Share of equity of investment account holders in profit	<u>76</u>	<u>604</u>	<u>431</u>	<u>49</u>	<u>290</u>	<u>416</u>

Key management personnel compensation for the period comprised:

	<i>Three months ended</i>	
	<i>31 March 2018</i>	<i>31 March 2017</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>QR'000</i>	<i>QR'000</i>
Short term benefits	<u>4,045</u>	<u>3,996</u>
Long term benefits	<u>203</u>	<u>196</u>
	<u>4,248</u>	<u>4,192</u>

19 CAPITAL ADEQUACY RATIO

Regulatory capital

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines as adopted by the QCB.

The Group's regulatory capital position under Basel III and QCB regulations at 31 March 2018 was as follows:

	<i>31 March 2018</i>	<i>31 December 2017</i>	<i>31 March 2017</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>	<i>(Reviewed)</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Tier 1 capital	<u>5,953,966</u>	<u>6,041,567</u>	<u>5,942,864</u>
Tier 2 capital	<u>241,005</u>	<u>-</u>	<u>-</u>
Total regulatory capital	<u>6,194,971</u>	<u>6,041,567</u>	<u>5,942,864</u>

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19 CAPITAL ADEQUACY RATIO (CONTINUED)

Risk weighted assets

	<i>31 March 2018 (Reviewed) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>31 March 2017 (Reviewed) QR'000</i>
Risk weighted assets for credit risk	33,382,255	30,591,262	29,687,580
Risk weighted assets for market risk	698,703	738,919	1,292,637
Risk weighted assets for operational risk	2,563,692	2,476,952	2,320,200
Total risk weighted assets	36,644,650	33,807,133	33,300,417
Regulatory capital	6,194,971	6,041,567	5,942,864
Risk weighted assets as a percentage of regulatory capital (capital ratio)	16.91%	17.87%	17.85%

The capital adequacy ratio has been calculated as per Basel III guidelines with effect from 1st January 2014 in accordance with QCB regulations. The minimum capital adequacy requirements are as follows:

- Minimum limit without capital conservation buffer is 10%
- Minimum limit including capital conservation buffer is 12.5%