

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2018

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

Contents	Page(s)
Independent auditor's review report	1
<i>Interim condensed consolidated financial statements:</i>	
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of changes in equity	4-5
Condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7-26



Review report on the interim condensed consolidated financial information 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 30 September 2018 and the related condensed consolidated income statement for the three-month and nine-month periods then ended, and statements of changes in equity and cash flows for the nine-month period then ended and notes comprising changes in significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information 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 this interim condensed consolidated financial information 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.

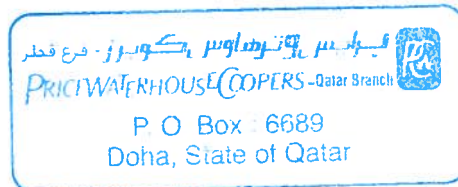
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is 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

Mohamed Elmoataz
Auditor's registration number 281

Doha, 15 October 2018



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

As at 30 September 2018

	Notes	30 September 2018 (Unaudited) QR'000	31 December 2017 (Audited) QR'000	30 September 2017 (Unaudited) QR'000
ASSETS				
Cash and balances with Qatar Central Bank		2,307,514	2,432,223	2,359,820
Due from banks	7	10,717,997	3,274,025	9,399,117
Financing assets	8	28,126,190	32,500,027	29,907,708
Investment securities	9	5,421,531	6,179,784	6,631,901
Investment in associates		396,443	364,965	375,880
Investment properties	10	887,129	426,540	427,553
Fixed assets	10	279,550	756,501	746,530
Intangible assets		26,384	18,177	18,904
Other assets	11	766,162	666,738	775,918
TOTAL ASSETS		48,928,900	46,618,980	50,643,331
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks and financial institutions	12	9,917,453	6,605,745	7,377,073
Customer current accounts		6,959,644	6,894,433	6,937,924
Sukuk financing		-	-	2,548,963
Other liabilities		717,554	718,022	751,742
TOTAL LIABILITIES		17,594,651	14,218,200	17,615,702
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	24,628,416	25,584,215	26,225,515
EQUITY				
Share capital	14	1,513,687	1,513,687	1,513,687
Legal reserve	15	2,452,360	2,452,360	2,452,360
Risk reserve	16	622,454	622,454	572,152
Fair value reserves		719	1,643	43,472
Other reserves	17	79,098	82,352	83,169
Proposed cash dividends		-	605,476	-
Retained earnings		1,037,515	538,593	1,137,274
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		5,705,833	5,816,565	5,802,114
Sukuk eligible as additional capital	19	1,000,000	1,000,000	1,000,000
TOTAL EQUITY		6,705,833	6,816,565	6,802,114
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		48,928,900	46,618,980	50,643,331

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


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


 Dr. Abdulbasit Ahmad Abdulrahman Al Shaibei
 Chief Executive Officer

Qatar International Islamic Bank (Q.P.S.C)
CONDENSED CONSOLIDATED INCOME STATEMENT
For the Nine-Month Period Ended 30 September 2018

	Notes	<i>For the Three-Month Period Ended 30 September</i>		<i>For the Nine-Month Period Ended 30 September</i>	
		<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
		<i>(Unaudited) QR'000</i>	<i>(Unaudited) QR'000</i>	<i>(Unaudited) QR'000</i>	<i>(Unaudited) QR'000</i>
Income from financing activities		393,230	362,707	1,183,583	1,034,178
Net income from investing activities		109,358	80,531	275,285	228,176
Total income from financing and investing activities		502,588	443,238	1,458,868	1,262,354
Fee and commission income		56,755	41,433	164,925	127,877
Fee and commission expense		(18,184)	(11,465)	(49,986)	(30,150)
Net fee and commission income		38,571	29,968	114,939	97,727
Net foreign exchange gain		5,081	11,159	20,866	32,424
Share of results of associates		(4,851)	(7,256)	(11,108)	(7,258)
TOTAL INCOME		541,389	477,109	1,583,565	1,385,247
Staff costs		(37,661)	(35,043)	(119,561)	(110,747)
Depreciation and amortisation		(7,197)	(4,228)	(20,748)	(12,283)
Finance expense		(57,835)	(48,099)	(143,192)	(129,122)
Other expense		(29,083)	(31,903)	(98,571)	(102,210)
TOTAL EXPENSES		(131,776)	(119,273)	(382,072)	(354,362)
Net impairment losses on due from banks	3c	(249)	-	(2,382)	-
Net impairment losses on investment securities	3c	-	(1,976)	(1,368)	(1,491)
Net impairment losses on financing assets	3c	(12,017)	-	(39,810)	(3,000)
Net impairment losses on off balance sheet exposures subject to credit risk	3c	(1,430)	-	(7,573)	-
NET PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		395,917	355,860	1,150,360	1,026,394
Investment account holders' share of profit		(144,755)	(120,987)	(415,229)	(326,270)
NET PROFIT FOR THE PERIOD		251,162	234,873	735,131	700,124
BASIC AND DILUTED EARNINGS PER SHARE (QR PER SHARE)	20	1.66	1.55	4.86	4.63

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine-Month Period Ended 30 September 2018

	<i>Note</i>	<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Risk reserve QR'000</i>	<i>Fair value reserves QR'000</i>	<i>Other reserves QR'000</i>	<i>Proposed cash dividend QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total equity attributable to equity holders of the Bank</i>	<i>Sukuk eligible as additional capital QR'000</i>	<i>Total equity QR'000</i>
Balance at 31 December 2017 <i>(Audited)</i>		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	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		-	-	-	(924)	-	-	-	(924)	-	(924)
Net Profit for the period		-	-	-	-	-	-	735,131	735,131	-	735,131
Net movement in other reserves	17	-	-	-	-	(3,254)	-	3,254	-	-	-
Dividends provided for or paid		-	-	-	-	-	(605,476)	-	(605,476)	-	(605,476)
Balance at 30 September 2018 <i>(Unaudited)</i>		1,513,687	2,452,360	622,454	719	79,098	-	1,037,515	5,705,833	1,000,000	6,705,833

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements

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

For the Nine-Month Period Ended 30 September 2018

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Risk reserve</i>	<i>Fair value reserves</i>	<i>Other reserves</i>	<i>Proposed cash dividend</i>	<i>Retained earnings</i>	<i>Total equity attributable to equity holders of the Bank</i>	<i>Sukuk eligible as additional capital</i>	<i>Total equity</i>
<i>Note</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>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Balance at 1 January 2017 <i>(Audited)</i>	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	-	-	-	30,436	-	-	-	30,436	-	30,436
Net profit for the period	-	-	-	-	-	-	700,124	700,124	-	700,124
Cash dividends paid to the shareholders	-	-	-	-	-	(605,476)	-	(605,476)	-	(605,476)
Net movement in other reserves	17	-	-	-	(1,627)	-	1,627	-	-	-
Balance at 30 September 2017 <i>(Unaudited)</i>	<u>1,513,687</u>	<u>2,452,360</u>	<u>572,152</u>	<u>43,472</u>	<u>83,169</u>	<u>-</u>	<u>1,137,274</u>	<u>5,802,114</u>	<u>1,000,000</u>	<u>6,802,114</u>

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements

Qatar International Islamic Bank (Q.P.S.C)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the Nine-Month Period Ended 30 September 2018

	<i>For the Nine-Month Period Ended</i>	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
<i>Notes</i>	QR'000	QR'000
Cash flows from operating activities		
Net profit for the year	735,131	700,124
<i>Adjustments for:</i>		
Impairment losses on financing assets	39,810	3,000
Net impairment losses on investment securities	1,368	(1,491)
Net impairment losses on off balance sheet exposures subject to credit risk	7,573	-
Net impairment losses on due from banks	2,382	-
Net foreign exchange losses (gains) on translation of investment in associate	1,970	(1,668)
Depreciation and amortisation	41,328	15,016
Net gains on sale of investments securities	(2,935)	-
Dividends income	(1,303)	(815)
Share of results of associates	11,109	6,880
Sukuk amortisation	7,632	20,372
Employees' end of service benefits	3,327	3,402
Profit before changes in operating assets and liabilities	847,392	744,820
Working capital changes:		
Change in cash reserve with Qatar Central Bank	50,913	(79,322)
Change in due from banks	(4,403,734)	819,850
Change in financing assets	4,118,933	(2,677,382)
Change in other assets	(99,425)	(108,351)
Change in due to banks and financial institutions	3,311,708	1,337,763
Change in customers' current accounts	65,211	718,001
Change in other liabilities	(28,720)	102,442
	3,862,278	857,821
Employees' end of service benefits paid	(2,885)	(1,095)
Net cash flows generated from operating activities	3,859,393	856,726
Cash flows from investing activities		
Acquisition of investment securities	(2,841,872)	(690,619)
Proceeds from sale/maturity of investment securities	3,591,192	1,492,007
Additions of investment in associates	(48,048)	(46,174)
Acquisition of fixed assets	(8,576)	(74,230)
Acquisition of intangible assets	(13,731)	(4,281)
Dividends received from associate company	3,254	1,627
Additions in investment properties	(10,865)	-
Dividends income received	1,303	815
Net cash flows generated from investing activities	672,657	679,145
Cash flows from financing activities		
Change in equity of investment account holders	(954,344)	5,759,950
Dividend appropriation to sukuk eligible as additional capital	(55,000)	-
Cash dividends paid to shareholders	(589,928)	(605,476)
Net cash flows (used in) generated from financing activities	(1,599,272)	5,154,474
Net increase in cash and cash equivalents	2,932,778	6,690,345
Cash and cash equivalents at 1 January	3,509,864	2,547,213
Cash and cash equivalents at 30 September	6,442,642	9,237,558

21

The attached notes 1 to 24 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 nine month period ended 30 September 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>30 September 2018</i>	<i>31 December 2017</i>
<i>QIIB Sukuk Ltd</i>	<i>Cayman Islands</i>	<i>Sukuk issuance</i>	-	-

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 30 September 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 15 October 2018.

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

(a) Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organization 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 nine-month period ended 30 September 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 in 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 3e, which may result in additional disclosures at year end.

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

(b) Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for the investment securities classified as Investments at fair value through equity and Investments at fair value through income statement.

(c) Functional and presentation currency

The interim condensed consolidated financial statements are presented in Qatari Riyals (“QR”), which is the Bank’s functional and presentational currency. Except as otherwise indicated, financial information presented in the interim condensed consolidated financial statements has been rounded to the nearest thousands.

(d) 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 judgments 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.

QCB has issued ECL regulations (“ECL regulations”) via its circular 26 of 2018 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(d).

(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
<i>Impact on recognition of expected credit losses</i>	
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>

(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	Impact of 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>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

3 ADOPTION OF ECL REGULATIONS (CONTINUED)

(c) Expected credit loss / Impairment allowances

	Stage 1 QR'000	Stage 2 QR'000	Non- Performing QR'000	Total 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>
Transfers between stages				
Due from banks	-	-	-	-
Debt type investments carried at amortised cost	-	-	-	-
Financing assets				
Transfer from Stage 1 to Stage 2	(912,496)	912,496	-	-
Transfer from Stage 1 to Stage 3	(147,993)	-	147,993	-
Transfer from Stage 2 to Stage 3	-	(109,382)	109,382	-
Off balance sheet exposures subject to credit risk				
Transfer from Stage 1 to Stage 2	(94,346)	94,346	-	-
Transfer from Stage 1 to Stage 3	(11,022)	-	11,022	-
Transfer from Stage 2 to Stage 3	-	(3,065)	3,065	-
	<u>(1,165,857)</u>	<u>894,395</u>	<u>271,462</u>	<u>-</u>
Movements during the period (net)				
Due from banks	7,447,416	8	-	7,447,424
Debt type investments carried at amortised cost	(39,462)	(15)	-	(39,477)
Financing assets	211,612	(357,884)	(113,996)	(260,268)
Off balance sheet exposures subject to credit risk	1,794,455	(64,752)	10,575	1,740,278
	<u>9,414,021</u>	<u>(422,643)</u>	<u>(103,421)</u>	<u>8,887,957</u>
Expected credit losses charged for the period (net)				
Due from banks	(2,382)	-	-	(2,382)
Debt type investments carried at amortised cost	(1)	(1)	-	(2)
Financing assets	(3,067)	(8,653)	(28,090)	(39,810)
Off balance sheet exposures subject to credit risk	(4,891)	(2,682)	-	(7,573)
	<u>(10,341)</u>	<u>(11,336)</u>	<u>(28,090)</u>	<u>(49,767)</u>
Closing Balance - as at 30 September 2018				
Due from banks	10,717,061	936	-	10,717,997
Debt type investments carried at amortised cost	996,201	18,851	-	1,015,052
Financing assets	23,423,217	1,425,313	513,717	25,362,247
Off balance sheet exposures subject to credit risk	7,041,822	285,954	24,662	7,352,438
	<u>42,178,301</u>	<u>1,731,054</u>	<u>538,379</u>	<u>44,447,734</u>

3 ADOPTION OF ECL REGULATIONS (CONTINUED)

(d) Changes in Accounting Policies and Significant Estimates and Judgments

Key changes in the Group's accounting policies

The key changes in 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 the 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 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.

(e) 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 3d.

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

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.

Rating grade	Financing assets QR'000	Debt type investments carried at amortised cost QR'000	Off balance sheet exposures subject to credit risk QR'000	Due from Banks QR'000
AAA to AA-	-	9,502	-	962,896
A+ to A-	8,119,494	945,558	1,440,969	9,733,058
BBB to BBB-	11,779,439	59,992	3,579,813	12,861
BB+ to B-	2,534,557	-	910,790	8,349
CCC+ to CCC-	1,713,993	-	1,193,602	833
Ca	428,518	-	196,520	-
Unrated	786,246	-	30,744	-
Total	<u>25,362,247</u>	<u>1,015,052</u>	<u>7,352,438</u>	<u>10,717,997</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

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>Nine months ended 30 September 2018 (Unaudited)</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	802,949	380,634	275,285	1,458,868
Net fee and commission income	70,816	44,123	-	114,939
Net foreign exchange gains	-	-	20,866	20,866
Share of results of investments in associates	-	-	(11,108)	(11,108)
Total segment income	873,765	424,757	285,043	1,583,565
Return to investment account holders				
Finance Expense				
Other material non-cash items:				
Net impairment losses on due from banks	-	-	(2,382)	(2,382)
Net impairment losses on investments	-	-	(1,368)	(1,368)
Net impairment losses on financing assets	(19,549)	(20,261)	-	(39,810)
Net impairment losses on off balance sheet exposures subject to credit risk	(7,573)	-	-	(7,573)
Finance / Investment account holders' share of profit	(179,321)	(235,908)	(143,192)	(558,421)
Reportable segment net profit before allocation of non-segmented expenses	667,322	168,588	138,101	974,011

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

4 SEGMENT INFORMATION (CONTINUED)

<i>Nine months ended 30 September 2017 (Unaudited)</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	694,917	339,261	228,176	1,262,354
Net fee and commission income	48,097	49,630	-	97,727
Net foreign exchange gains	-	-	32,424	32,424
Share of results of investments in associates	-	-	(7,258)	(7,258)
Total segment income	<u>743,014</u>	<u>388,891</u>	<u>253,342</u>	<u>1,385,247</u>
Return to investment account holders				
Finance Expense				
<i>Other material non-cash items:</i>				
Reversal of impairment provision on investment securities	-	-	(1,491)	(1,491)
Net impairment losses on financing assets	(3,000)	-	-	(3,000)
Finance / Investment account holders' share of profit	<u>(115,752)</u>	<u>(210,518)</u>	<u>(129,122)</u>	<u>(455,392)</u>
Reportable segment net profit before allocation of non-segmented expenses	<u>624,262</u>	<u>178,373</u>	<u>122,729</u>	<u>925,364</u>
	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
30 September 2018 (Unaudited)				
Reportable segment assets	<u>20,635,273</u>	<u>7,490,917</u>	<u>17,663,618</u>	<u>45,789,808</u>
Reportable segment liabilities and equity of investment account holders	<u>11,447,847</u>	<u>20,140,213</u>	<u>9,917,453</u>	<u>41,505,513</u>
	<i>Corporate banking QR'000</i>	<i>Personal banking QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
<i>31 December 2017 (Audited)</i>				
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>6,605,746</u>	<u>39,084,393</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

4 SEGMENT INFORMATION (CONTINUED)

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

	<i>For the Nine-Month Period Ended 30 September</i>	
	<i>2018 (Unaudited) QR'000</i>	<i>2017 (Unaudited) QR'000</i>
Reportable segment net profit before allocation of non-segmented expenses	974,011	925,364
Unallocated expenses	(238,880)	(225,240)
Net profit for the period	735,131	700,124
	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>
Assets		
Total assets for reportable segments	45,789,808	43,061,761
Other unallocated amounts	3,139,092	3,557,219
Total assets	48,928,900	46,618,980
Liabilities and equity of investment account holders		
Total liabilities and equity of investment account holders for reportable segments	41,505,513	39,084,393
Other unallocated amounts	717,554	718,022
Total liabilities and equity of investment account holders	42,223,067	39,802,415

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>30 September 2018 (Unaudited)</i>	<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>
Cash and balances with Qatar					
Central Bank	-	-	2,307,514	2,307,514	2,307,514
Due from banks	-	-	10,717,997	10,717,997	10,717,997
Financing assets	-	-	28,126,190	28,126,190	28,126,190
Investment securities:	-	-	-	-	-
- Measured at fair value	512	94,873	-	95,385	95,385
- Measured at amortised cost	-	-	5,326,146	5,326,146	5,263,884
Other assets (excluding non-financial assets)	-	-	680,762	680,762	680,762
	512	94,873	47,158,609	47,253,994	47,191,732
Due to banks and financial institutions	-	-	9,917,453	9,917,453	9,917,453
Customers' current accounts	-	-	6,959,644	6,959,644	6,959,644
Other liabilities (excluding non-financial liabilities)	-	-	687,173	687,173	687,173
	-	-	17,564,270	17,564,270	17,564,270

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

5 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<i>31 December 2017 (Audited)</i>					
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 (excluding non-financial assets)	-	-	583,363	583,363	583,363
	<u>741</u>	<u>147,784</u>	<u>44,820,897</u>	<u>44,969,422</u>	<u>44,909,504</u>
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 (excluding non-financial liabilities)	-	-	718,022	718,022	718,022
	<u>-</u>	<u>-</u>	<u>14,218,200</u>	<u>14,218,200</u>	<u>14,218,200</u>
	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
<i>30 September 2017 (Unaudited)</i>					
Cash and balances with Qatar Central Bank	-	-	2,359,820	2,359,820	2,359,820
Due from banks	-	-	9,399,117	9,399,117	9,399,117
Financing assets	-	-	29,907,708	29,907,708	29,907,708
Investment securities:					
- Measured at fair value	910	285,496	-	286,406	286,406
- Measured at amortised cost	-	-	6,345,495	6,345,495	6,298,977
Other assets (excluding non-financial assets)	-	-	698,049	698,049	698,049
	<u>910</u>	<u>285,496</u>	<u>48,710,189</u>	<u>48,996,595</u>	<u>48,950,077</u>
Due to banks and financial institutions	-	-	7,377,073	7,377,073	7,377,073
Customers' current accounts	-	-	6,937,924	6,937,924	6,937,924
Sukuk financing	-	-	2,548,963	2,548,963	2,548,963
Other liabilities (excluding non-financial liabilities)	-	-	751,742	751,742	751,742
	<u>-</u>	<u>-</u>	<u>17,615,702</u>	<u>17,615,702</u>	<u>17,615,702</u>

5 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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>30 September 2018 (Unaudited)</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	512	-	-	512
- Quoted equity-type investments classified as at fair value through equity	43,176	-	-	43,176
- Unquoted equity-type investments classified as at fair value through equity	-	-	51,697	51,697

5 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

<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

<i>30 September 2017 (Unaudited)</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 fair value through income statement	910	-	-	910
- Quoted equity-type investments classified as fair value through equity	179,179	-	-	179,179
- Unquoted equity-type investments classified as fair value through equity	-	-	106,317	106,317

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 income statement. Impairment losses recognised in the income statement on equity-type investments are subsequently reversed through equity. The Group has provided QR 1.36 million as impairment on investment securities (30 September 2017: QR 1.5 million), which were recognised under “Net impairment losses on equity investment securities”) in the condensed consolidated income statement.

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 condensed consolidated income statement 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 condensed consolidated income statement, to the extent of previously recognised impairment losses. The Group has provided QR 39.8 million (30 September 2017: QR 3 million) as impairment on financing assets which was recognised under "Impairment losses on financing assets" in the condensed consolidated income statement.

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 condensed consolidated income statement. The Group has not recognised impairment during the period.

7 DUE FROM BANKS

	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>30 September 2017 (Unaudited) QR'000</i>
Mudaraba placements	9,013,975	2,775,227	6,847,489
Commodity Murabaha receivable	1,487,293	109,245	1,562,791
Current accounts	220,181	389,553	988,837
Less: Allowance for impairment*	(3,452)	-	-
Total	10,717,997	3,274,025	9,399,117

*For stage wise exposure and allowance for impairment refer to note 3 (c).

8 FINANCING ASSETS

	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>30 September 2017 (Unaudited) QR'000</i>
Murabaha and Musawama	21,511,983	25,957,576	24,093,374
Ijarah Muntahia Bittamleek	6,960,766	7,161,886	6,742,987
Istisn'a	726,806	612,646	403,897
Mudaraba	758,242	483,235	415,890
Musharaka	714	764	1,030
Others	286,857	154,465	292,014
Total financing assets	30,245,368	34,370,572	31,949,192
Less: Deferred profit	(1,574,856)	(1,585,207)	(1,632,625)
Allowance for impairment*	(518,544)	(264,044)	(367,162)
Profit in suspense	(25,778)	(21,294)	(41,697)
Net financing assets	28,126,190	32,500,027	29,907,708

Note:

The total non-performing financing assets amounted to QR 649.6 million, representing 2.15 % of the gross financing assets as at 30 September 2018 (31 December 2017: amounted to QR 453 million, representing 1.32% of the gross financing asset.

*For stage wise exposure and allowance for impairment refer to note 3 (c).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

9 INVESTMENT SECURITIES

	<i>30 September 2018 (Unaudited)</i>			<i>31 December 2017 (Audited)</i>			<i>30 September 2017 (Unaudited)</i>		
	<i>Quoted QR'000</i>	<i>Unquoted QR'000</i>	<i>Total QR'000</i>	<i>Quoted QR'000</i>	<i>Unquoted QR'000</i>	<i>Total QR'000</i>	<i>Quoted QR'000</i>	<i>Unquoted QR'000</i>	<i>Total QR'000</i>
<i>Investments classified at fair value through income statement</i>									
- Equity-type investments	<u>512</u>	<u>-</u>	<u>512</u>	<u>741</u>	<u>-</u>	<u>741</u>	<u>910</u>	<u>-</u>	<u>910</u>
	<u>512</u>	<u>-</u>	<u>512</u>	<u>741</u>	<u>-</u>	<u>741</u>	<u>910</u>	<u>-</u>	<u>910</u>
<i>Debt-type investments classified at amortised cost</i>									
- State of Qatar Sukuk	675,307	3,635,787	4,311,094	1,961,238	3,015,000	4,976,238	1,965,542	3,015,000	4,980,542
- Fixed rate	996,607	18,938	1,015,545	1,036,069	18,952	1,055,021	1,346,019	18,934	1,364,953
- Floating rate	-	-	-	-	-	-	-	-	-
- Less: Allowance for impairment*	(484)	(9)	(493)	-	-	-	-	-	-
	<u>1,671,430</u>	<u>3,654,716</u>	<u>5,326,146</u>	<u>2,997,307</u>	<u>3,033,952</u>	<u>6,031,259</u>	<u>3,311,561</u>	<u>3,033,934</u>	<u>6,345,495</u>
<i>Equity-type investments classified at fair value through equity</i>									
	<u>43,176</u>	<u>51,697</u>	<u>94,873</u>	<u>57,240</u>	<u>90,544</u>	<u>147,784</u>	<u>179,179</u>	<u>106,317</u>	<u>285,496</u>
	<u>1,715,118</u>	<u>3,706,413</u>	<u>5,421,531</u>	<u>3,055,288</u>	<u>3,124,496</u>	<u>6,179,784</u>	<u>3,491,650</u>	<u>3,140,251</u>	<u>6,631,901</u>

*For stage wise exposure and allowance for impairment refer to note 3 (c).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

10 FIXED ASSETS AND INVESTMENT PROPERTIES

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 470 million because of the commencement of lease during the first quarter of year 2018.

11 OTHER ASSETS

	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>30 September 2017 (Unaudited) QR'000</i>
Accrued profit	563,025	512,730	559,131
Prepayment and advances	85,399	83,375	77,899
Clearing suspense accounts	54,325	28,011	30
Others	63,413	42,622	138,858
Total	766,162	666,738	775,918

12 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	<i>30 September 2018 (Unaudited)</i>	<i>31 December 2017 (Audited)</i>	<i>30 September 2017 (Unaudited)</i>
Wakala payable	9,679,231	6,387,745	7,161,086
Current accounts	238,222	218,000	215,987
Total	9,917,453	6,605,745	7,377,073

Wakala payable includes various facilities with maturities ranging from 1 day to 4 months (31 December 2017: 2 days to 5 months) and carries profit rates of 0.01 % - 3.4 % (31 December 2017: 0.0001 % - 3.00 %).

13 EQUITY OF INVESTMENT ACCOUNT HOLDERS

All Investment account holders are unrestricted balances as of 30 September 2018 and 31 December 2017, and 30 September 2017 are:

	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>30 September 2017 (Unaudited) QR'000</i>
Term accounts	18,086,467	19,761,352	20,119,755
Savings accounts	6,540,791	5,820,251	6,039,730
	24,627,258	25,581,603	26,159,485
Share in fair value reserve	1,158	2,612	66,030
Total	24,628,416	25,584,215	26,225,515

14 SHARE CAPITAL

	<i>Number of shares (thousand)</i>		
	<i>30 September 2018 (Unaudited) '000</i>	<i>31 December 2017 (Audited) '000</i>	<i>30 September 2017 (Unaudited) '000</i>
Issued and fully paid*	151,369	151,369	151,369

*Issued and fully paid capital of QR 1,513,687 thousands comprises 151.4 million shares with a nominal value of QR 10 each, (2017: QR 1,513,687 thousands comprises 151.4 million shares with a nominal value of QR 10 each).

15 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.

16 RISK RESERVE

In accordance with QCB regulations, the minimum requirement for risk is 2.5% 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.

17 OTHER RESERVES

Other reserves represent the undistributed share of associates profits after deducting the cash dividends received.

Movements in the undistributed share of associates profit are as follows:

	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>30 September 2017 (Unaudited) QR'000</i>
Balance at 1 January	82,352	84,796	84,796
Add: Undistributed profit of associates of the year	-	262	-
Less: Dividend received from associates	(3,254)	(1,627)	(1,627)
Less: Recognized profit of associate	-	(1,079)	-
Total	79,098	82,352	83,169

18 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)).

19 SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

During the year ended 31 December 2016, the Group 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 the right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. The sukuk does not have a maturity date and has been classified as equity.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

20 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

	<i>For the Nine-Month Period Ended 30 September</i>	
	<i>2018 (Unaudited)</i>	<i>2017 (Unaudited)</i>
Profit for the period attributable to the owners of the Bank	735,131	700,124
Weighted average number of shares outstanding during the period	151,369	151,369
Basic earnings per share (QR)	4.86	4.63

There were no potentially dilutive shares outstanding at any time during the period. Therefore, the diluted earnings per share is equal to the basic earnings per share.

21 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>30 September 2017 (Unaudited) QR'000</i>
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	789,774	863,570	903,158
Due from banks	5,652,868	2,646,294	8,334,400
	6,442,642	3,509,864	9,237,558

22 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>30 September 2017 (Unaudited) QR'000</i>
Contingent liabilities			
Unused financing facilities	9,364,221	3,583,902	2,384,668
Guarantees	4,431,002	3,673,166	3,678,075
Letters of credit	391,107	472,461	361,396
Others	11,247	7,765	8,752
	14,197,577	7,737,294	6,432,891

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

23 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 of the Group 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:

	<u>30 September 2018 (Unaudited)</u>			<u>31 December 2017 (Audited)</u>			<u>30 September 2017 (Unaudited)</u>		
	<i>Associate companies</i> <i>QR'000</i>	<i>Board of Directors</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Associate companies</i> <i>QR'000</i>	<i>Board of Directors</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Associate companies</i> <i>QR'000</i>	<i>Board of Directors</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>
Assets:									
Financing assets	<u>11,810</u>	<u>781,578</u>	<u>2,451,013</u>	<u>13,568</u>	<u>615,487</u>	<u>3,249,739</u>	<u>14,000</u>	<u>623,240</u>	<u>3,239,732</u>
Equity of investment account holders	<u>11,257</u>	<u>242,900</u>	<u>131,715</u>	<u>13,822</u>	<u>188,973</u>	<u>178,340</u>	<u>11,794</u>	<u>143,593</u>	<u>150,267</u>
Off balance sheet items:									
Contingent liabilities and other commitments	<u>2,407</u>	<u>142,099</u>	<u>38,593</u>	<u>1,161</u>	<u>3,896</u>	<u>38,436</u>	<u>1,152</u>	<u>2,896</u>	<u>30,617</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

23 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>For the nine-month period ended 30 September 2018 (Unaudited)</i>			<i>For the nine-month period ended 30 September 2017 (Unaudited)</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:						
Income from financing activities	<u>537</u>	<u>23,727</u>	<u>92,316</u>	<u>578</u>	<u>25,709</u>	<u>133,639</u>
Share of equity of investment account holders in profit	<u>237</u>	<u>2,192</u>	<u>1,048</u>	<u>133</u>	<u>1,615</u>	<u>1,691</u>

Key management personnel compensation for the period comprised:

	<i>For the Nine-Month Period Ended 30 September</i>	
	<i>2018 (Unaudited) QR '000</i>	<i>2017 (Unaudited) QR'000</i>
Short term benefits	<u>9,673</u>	<u>9,427</u>
Long term benefits	<u>615</u>	<u>589</u>
	<u>10,288</u>	<u>10,016</u>

24 REGULATORY DISCLOSURES

Capital Adequacy Ratio

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 30 September 2018 was as follows:

	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>30 September 2017 (Unaudited) QR'000</i>
Common Equity Tier 1 (CET 1) capital	<u>4,944,431</u>	<u>5,041,567</u>	<u>5,082,938</u>
Additional Tier 1 capital	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Tier 2 capital	<u>261,141</u>	<u>-</u>	<u>-</u>
Total eligible capital	<u>6,205,572</u>	<u>6,041,567</u>	<u>6,082,938</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

24 REGULATORY DISCLOSURES (CONTINUED)

Risk weighted assets

	<i>30 September 2018 (Unaudited) QR'000</i>	<i>31 December 2017 (Audited) QR'000</i>	<i>30 September 2017 (Unaudited) QR'000</i>
Risk weighted assets for credit risk	34,419,735	30,591,262	31,842,866
Risk weighted assets for market risk	713,096	738,919	730,374
Risk weighted assets for operational risk	2,552,339	2,476,952	2,476,953
Total risk weighted assets	<u>37,685,170</u>	<u>33,807,133</u>	<u>35,050,193</u>
Common Equity Tier 1 (CET 1) Capital Adequacy Ratio*	<u>13.12%</u>	<u>14.91%</u>	<u>14.50%</u>
Total Capital Adequacy Ratio*	<u>16.47%</u>	<u>17.87%</u>	<u>17.35%</u>

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%