Embracing Challenges
Navigating Innovation

2019

Annual Report

His Highness
Sheikh Tamim Bin Hamad Al Thani
Amir of the State of Qatar

His Highness
Sheikh Hamad Bin Khalifa Al Thani
Father Amir

Contents

Towards a Promising Future

Commercial Bank remains firmly focused on building a promising future for the State of Qatar. Supporting Qatar's National Vision 2030, we work to strengthen our nation's human, social, economic and environmental development to create a prosperous and sustainable economy for many generations to come.

As part of our transformation change in terms of digitization, we are committed towards developing and providing innovative banking products and services which enhance the customer experience.

Living up to our belief that 'everything is possible', Commercial Bank continued to work together in 2019 as one team to deliver on our five-year strategic plan and achieve sustainable growth. The foundation of our strategic plan with the vision to be the 'Best Bank in Qatar' are the Five Cs of Commercial Bank:

- Corporate Earnings Quality
- Creativity and Innovation
- Compliance
- Client Experience
- Culture

We are living up to each of these Five Cs by taking real action to achieve growth in the present and position Commercial Bank for increasingly strong performance in the coming years as we continue our transformation journey.

About Commercial Bank

Incorporated in 1974 as the first private bank in the country, Commercial Bank is today one of the leading financial institutions in Qatar with a profitable track record since inception. We continue to play an important role in driving innovation and raising service standards in banking across the region through our investment in new technology, a clear focus on customers and prudent management.

Our country-wide network includes 29 full service branches, 173 ATMs and 7 cheque book printing machines, and we also own and operate the exclusive 'Diners Club' franchise in Qatar and Turkey. We are listed on the Qatar Exchange and were the first Qatari bank to list its Global Depository Receipts on the London Stock Exchange. Commercial Bank's bonds issuances are listed on the Irish Stock Exchange and the Swiss Exchange (SIX).

Expanding its geographical footprint, Commercial Bank is 100% owner of Alternatif Bank in Turkey and has strategic partnerships with the National Bank of Oman (S.A.O.G.) and United Arab Bank (P.J.S.C.).

These strategic alliances enable Commercial Bank to offer integrated services across the region, including cross-border services for corporate banking and capital markets, trade services for corporate banking customers, private banking services and syndicated loans in our alliance markets.

Our continual investment in technology and people, together with our strong capital base, provides a solid foundation for further growth. Commercial Bank has a robust financial position, with total assets of QAR 147.5 billion as at 31 December 2019 and a capital adequacy ratio of 16.4%. The Bank enjoys strong credit ratings of (A3) from Moody's, (A) from Fitch, and (BBB+) from Standard & Poor's.

True to our pioneering origins and history of success, we are dedicated to supporting Qatar's economic development and social infrastructure through Corporate Social Responsibility programmes and sponsorship of various events which help to raise Qatar's profile internationally.

Our business segments

Wholesale Banking Provides a range of conventional commercial and investment banking services and products to large, medium and small enterprises, including corporate lending, trade finance, syndicated loans, deposits, letter of credit and guarantees.

Retail Banking Provides a full suite of conventional retail banking services and products to retail customers in Qatar, including current and deposit accounts, wealth management, mortgage lending, personal and vehicle loans and credit card and other card services.

Subsidiaries

Alternatif Bank A fully owned subsidiary in Turkey that operates through a network of 48 branches.

Commercial Bank Financial Services (L.L.C.) A fully owned subsidiary that provides direct access to the Qatar Exchange, online trading and brokerage services.

Orient 1 Limited A fully owned subsidiary incorporated in Bermuda that owns an exclusive 'Diners Club' franchise in Turkey.

CBQ Finance Limited. A fully owned subsidiary incorporated in Bermuda and organised as a special purpose entity established to raise capital for Commercial Bank by issue of debt instruments.

CB Global Trading Limited. A fully owned subsidiary incorporated in Cayman Islands, an issuing vehicle for Derivatives.

CB Innovation Services (L.L.C.) A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority providing the Bank with Operations management services.

Associates

National Bank of Oman (S.A.O.G.) An associate entity that operates through 60 conventional branches and 6 Islamic branches in Oman, and one branch each in Egypt, Abu Dhabi and Dubai.

United Arab Bank (P.J.S.C.) An associate entity that operates through 11 conventional branches in the United Arab Emirates.

Massoun Insurance Services (L.L.C.) A joint arrangement entity that provides tailored corporate and personal insurance products to the Bank's customers.


Our Roots,

Our Pride

Since day one, we have always been holding on to our roots. Today, more than ever, we continue operating as a Qatari bank that takes pride in our country of origin. In the course of time, not only has Commercial Bank proven to be a Qatari bank, but also the nation's partner. Hand in hand, we have celebrated, faced, resisted and overcome for the sake of our country and people. We are proud of our accomplishments and to show the world that together we keep on going above and beyond.

Business at a Glance

Our voyages

1974 Commercial Bank is incorporated as Qatar's first private sector bank

1975 The Bank begins operations under a management services contract with Chase Manhattan Bank

1981 The contract with Chase Manhattan Bank officially ends and Commercial Bank is fully independent

1987 A new Commercial Bank head office opens on Grand Hamad Street

1990 ATMs are introduced in Qatar by Commercial Bank

1991 Commercial Bank acquires the Diners Club franchise for Qatar

1992 Point-of-sale machines are introduced in Qatar by Commercial Bank

1997 A dedicated Customer Call Centre is established

2005 Commercial Bank forms a strategic alliance with National Bank of Oman

2006 Commercial Bank signs an agreement to become the title sponsor for the Qatar Masters golf tournament

2007 Commercial Bank forms a strategic alliance with United Arab Bank in the UAE

2008 First Qatari bank to list Global Depository Receipts on the London Stock Exchange

2009 Commercial Bank Plaza, the new headquarters of Commercial Bank, is opened on 13 May 2009 by H. E. Sheikh Hamad bin Jassim bin Jaber Al-Thani, Prime Minister and Minister for Foreign Affairs of Qatar

2011 Incorporates Commercial Bank Investment Services (re-branded to Commercial Bank Financial Services)

2013 Commercial Bank acquires 74.24% shareholding in Alternatif Bank in Turkey

2015 Commercial Bank celebrates its 40th anniversary milestone as Qatar's first private bank

2016 Commercial Bank signs a debut USD 166 million 3-year Ninja loan facility – the first Ninja loan for a GCC financial institution Commercial Bank successfully completes the acquisition of the remaining 25% shareholding in Alternatif Bank

2017 Commercial Bank incorporates CB Innovation Services (L.L.C.), a management operation services captive entity that has successfully on-shored previously outsourced activities

2018 Commercial Bank receives 'Best Bank in Qatar' award from Global Finance, 'Best Remittance Service' and 'Best Cash Management Bank' in the Middle East Awards from the Asian Banker

2019 Commercial Bank embraces a new era of digitization by launching 'CB Fawri', 'CB Wallet', and 'SWIFT GPI'. Commercial Bank successfully upgrades its Mobile App and widens its digital infrastructure

Forward Looking Statements

Net Profit	Earnings per Share	Loans and Advances	Customer Deposits	Total Assets
QAR 2,021 million	QAR 0.44	QAR 88.0 bn	QAR 76.3 bn	QAR 147.5 bn

This document contains certain forward-looking statements with respect to certain plans and current goals and expectations of Commercial Bank and its associated companies relating to their future financial condition and performance.

These forward-looking statements do not relate only to historical or current facts. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including a number of factors which are beyond Commercial Bank's control.

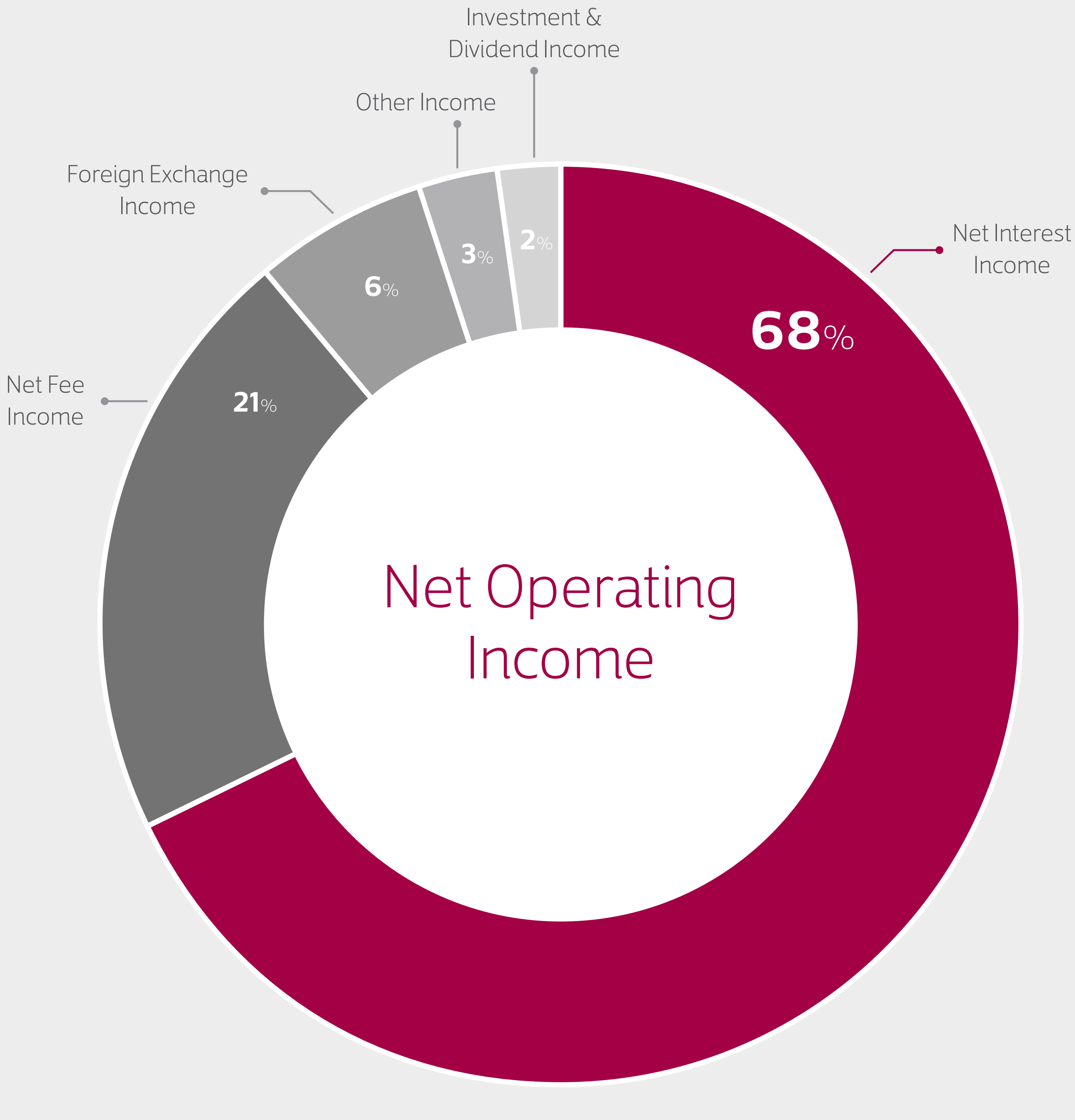
As a result, Commercial Bank's actual future results may differ materially from the plans, goals and expectations set forth in Commercial Bank's forward-looking statements.

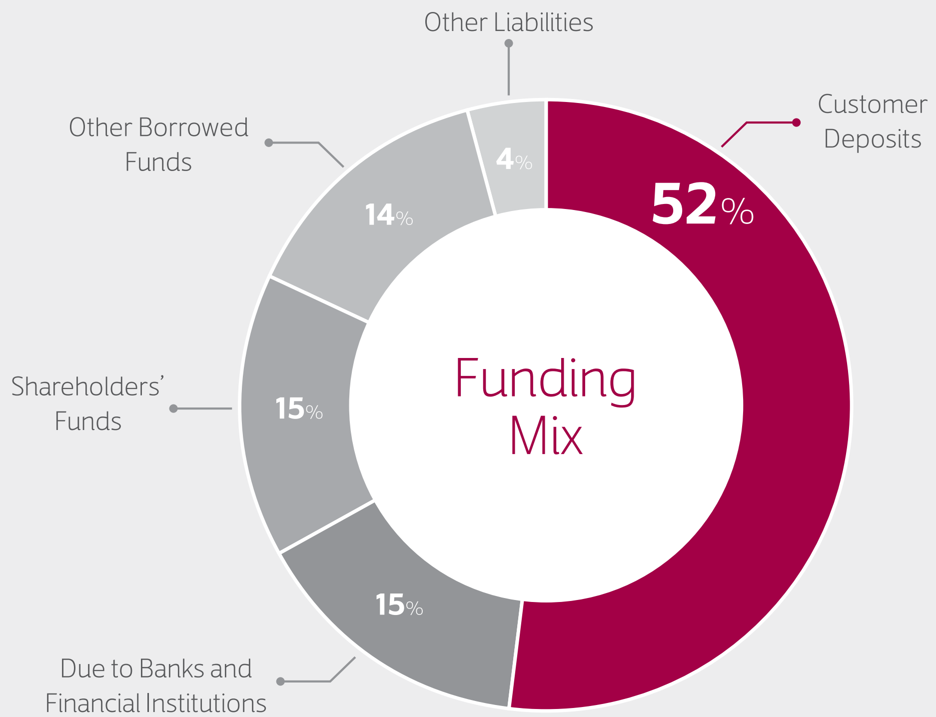
Any forward-looking statements made by or on behalf of Commercial Bank are made in the context of the time of publication of this report. Commercial Bank does not undertake to update forward looking statements to reflect any changes in Commercial Bank's expectations with regard to any changes in events, conditions or circumstances on which any such statement is based.

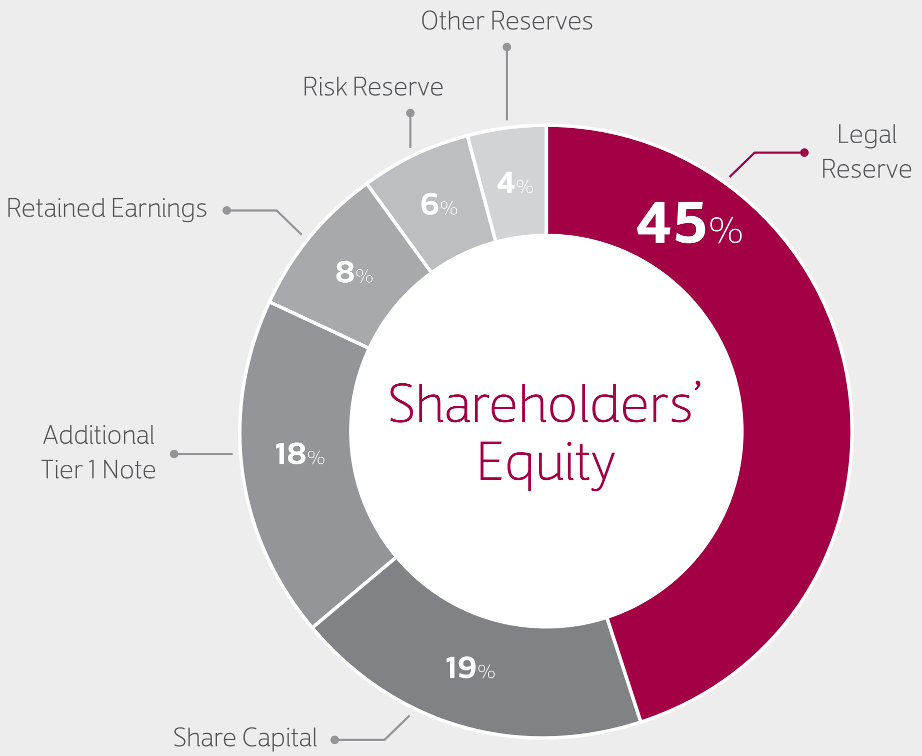
The information, statements and opinions contained in this presentation do not constitute a public offer under any applicable legislation, or an offer to sell or solicitation of an offer to buy any securities or financial instruments or any advice, or recommendation with respect to such securities or other financial instruments.

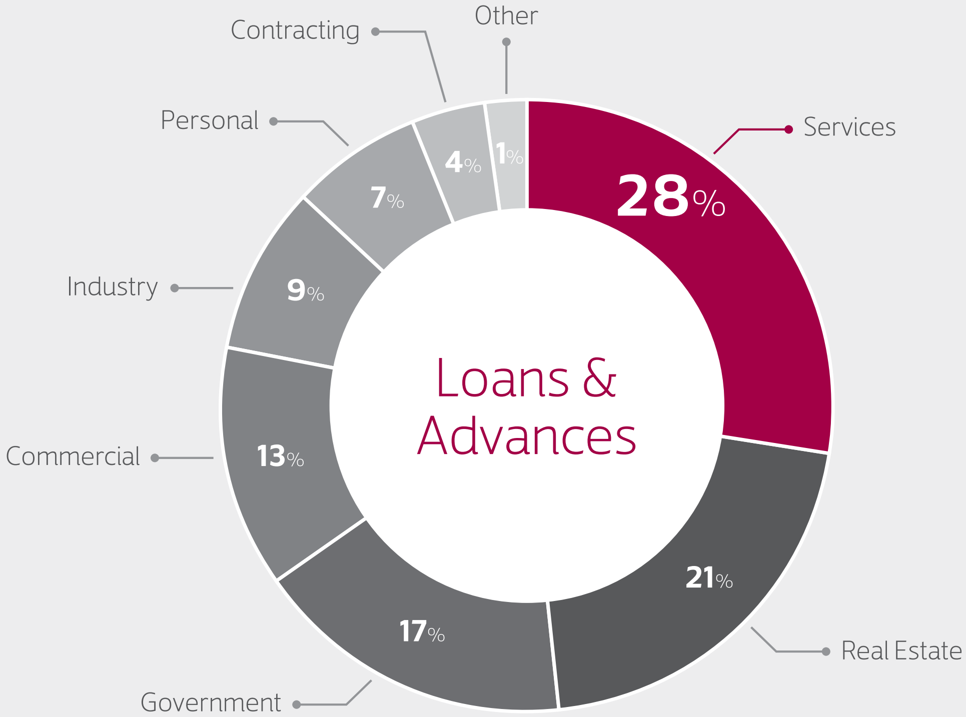
NET PROFIT (QAR MILLION)

2,021

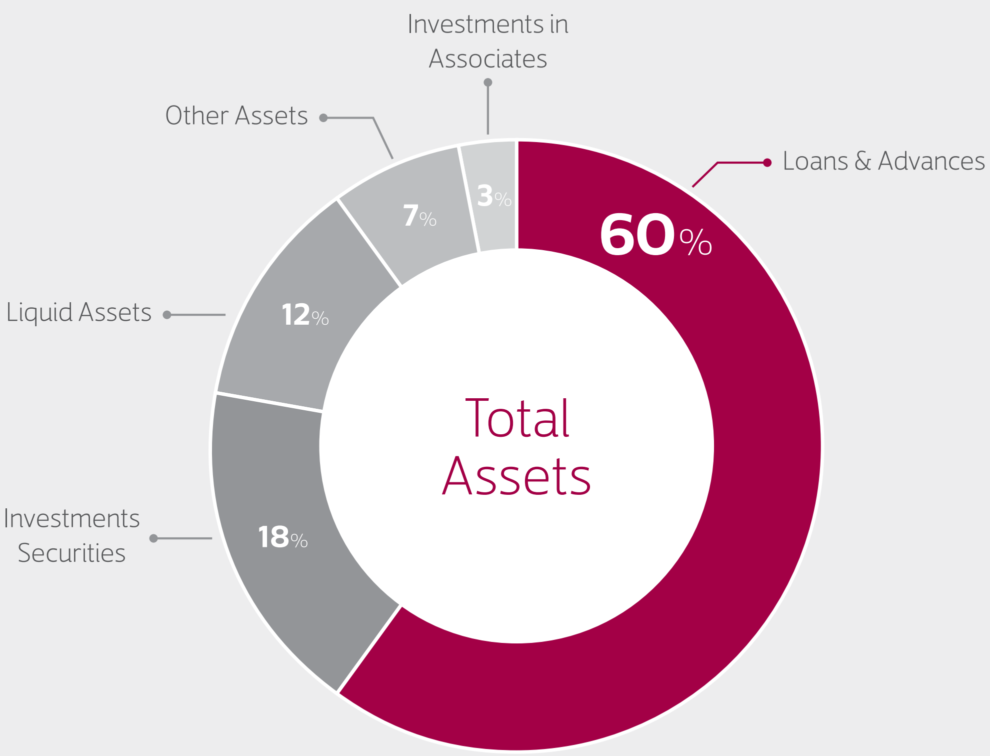

Investment &
Dividend Income
Other Income
Foreign Exchange
Income
Net Interest
Income
Net Fee
Income
68%
21%
6%
3%
2%
Net Operating
Income


Other Liabilities
Customer Deposits
Other Borrowed Funds
Shareholders' Funds
Due to Banks and Financial Institutions
4%
14%
15%
15%
52%
Funding Mix


Other Reserves
Risk Reserve
Legal Reserve
Retained Earnings
Additional Tier 1 Note
Share Capital
4%
6%
8%
18%
19%
45%
Shareholders' Equity



Loans & Advances
Services 28%
Real Estate 21%
Government 17%
Commercial 13%
Industry 9%
Personal 7%
Contracting 4%
Other 1%



Total Assets
Loans & Advances 60%
Investments Securities 18%
Liquid Assets 12%
Other Assets 7%
Investments in Associates 3%

Financial Highlights

In QAR million, except per share amounts and as stated otherwise	2019	2018	2017	2016	2015
Net interest income	**2,963**	2,482	2,518	2,341	2,534
Net operating income	**4,347**	3,508	3,529	3,578	3,949
Net profit	**2,021**	1,674	604	501	1,434
Total assets	**147,536**	134,928	138,449	130,380	123,421
Lending to customers	**88,009**	84,642	89,122	77,798	76,601
Basic/diluted earnings per share in QAR*	**0.44**	0.35	0.09	0.08	0.39
Dividends declared per ordinary share including bonus shares in QAR*	**0.20**	0.15	0.10	0.05	0.30
Closing market price per ordinary share in QAR (at year end)*	**4.70**	3.94	2.89	3.25	4.59
Book value per ordinary share in QAR*	**5.38**	4.91	5.25	5.91	5.30
Long-term debt (at year end)	**21,568**	24,451	20,908	22,495	20,523
Shareholders' equity (at year end)	**21,756**	19,856	21,022	19,301	17,299
Return on average shareholders' equity	**9.7%**	8.2%	3.0%	2.7%	8.2%
Return on average assets	**1.4%**	1.2%	0.4%	0.4%	1.2%
Capital adequacy ratio	**16.4%**	15.5%	16.1%	15.2%	13.5%
Full-time employees (at year end)	**2,320**	2,270	2,251	2,138	2,286

* 2015-2018 restated to reflect share split from QAR 10 to QAR 1 as per QFMA regulations

Key Highlights

▲20.7%

NET PROFIT OF
QAR 2,021 MILLION,
UP BY 20.7%

▲23.9%

NET OPERATING
INCOME OF QAR 4,347 MILLION,
UP BY 23.9%

Other key financial highlights

- Cost to income ratio of 28.3%, reduced from 33.4%.
- Net provisions QAR 654 million, down by 21.8%, NPL ratio reduced from 5.6% to 4.9% and coverage improved from 78.6% to 82.1%.
- Total assets of QAR 147.5 billion, up by 9.3%.
- CET1 improved from 10.5% to 11.1% and total CAR improved from 15.5% to 16.4% .
- Customer loans and advances of QAR 88.0 billion, up 4.0% led by growth in Government and Public Sector.
- Best 'Cash Management Bank' in Qatar award for the third year in a row, and "Best Transaction Banking Service" in Qatar from "The Asian Banker".
- 'Best Retail Bank' in Qatar award for the third year in a row and "Financial Technology Innovation Award 2019" for the 60 Seconds Online Remittance service and digital innovations.
- "Best Corporate Governance" in Qatar 2019 award by World Finance.


Towards a Br

righter Future

In 2016 we started on our corporate strategic path built on the Five Cs. In 2019 we moved forward with confidence, achieving success, earning prestigious awards and introducing innovative technologies that play a vital role in enhancing our customers' experience. All these accomplishments have paved the way for a promising future.

Chairman's Message

Abdulla Bin Ali Bin Jabor Al Thani
Chairman

On behalf of the Board of Directors, I am pleased to present Commercial Bank's Annual Report for the year ended on 31 December 2019.

Thanks to strong leadership and prudent macroeconomic management, Qatar's resilient economy continues to withstand the diplomatic and economic blockade imposed in 2017. Qatar has strong economic fundamentals, with a stable business environment that is supportive of foreign investments. This is recognised by major rating agencies and Qatar has maintained strong sovereign ratings of Aa3, AA- and AA- from Moody's, S&P and Fitch respectively. A clear indication of the confidence that international investors have in the economy was evident when Qatar successfully raised $12 billion from the bond markets in March 2019, which was more than four times oversubscribed and with lower spreads than in previous issues.

Real GDP growth is expected to increase from 1.49% last year to 1.97% in 2019, underpinned by a recovery in hydrocarbon output and continuing robust growth of the non-hydrocarbon sector. Qatar is blessed with deep natural resources, and gas reserves are forecasted to last for at least another 130 years. Qatar has competitive strengths in LNG compared to our regional neighbours and the lifting of the moratorium on the development of the North Field will cement Qatar's position as the world's largest LNG exporter for many years to come.

Qatar's economy is well diversified, with nominal non-hydrocarbon share of overall GDP forecast to be 65% in 2019, and Qatar continues to invest heavily in strengthening the private sector to secure the nation's long-term financial future. Spending on major infrastructure projects such as Hamad Port, the Special Economic Zones, roads and logistics centres in strategic locations across the country will boost economic diversification. Self-sufficiency projects continue strongly, especially in food products, with Baladna's IPO notable success in October 2019.

In further support of the private sector and economic diversification, the government has introduced new reforms designed to enhance Qatar's attractiveness to international businesses and to strengthen its position as a leading investment destination within the Middle East region. Foreign investors are permitted to invest in all sectors of the economy up to 100% compared to 49%, a new public-private partnership law will accelerate infrastructure development and commercial administration services have been streamlined.

Predictions for the global economy in 2020 are mixed, with optimistic views contrasting against fears of a global recession. Commentators point to trade tensions, a slowdown in China, record levels of global debt and the prospects of a sharp market correction as major risks.

Due to the coordinated efforts of many ministries, organisations and companies, all under the leadership of His Highness the Amir Sheikh Tamim Bin Hamad Al Thani, the economic outlook for Qatar in 2020 is positive, with the World Bank forecasting Qatar's GDP to grow continually up to the World Cup in 2022. Qatar will post a budget surplus in 2019 and favourable macroeconomic fundamentals, financial stability and large reserves will provide an environment that enables growth. As one of the leading financial institutions in the country, we are committed to supporting Qatar on its economic journey.

Commercial Bank is on its own economic journey, and we have a clear five-year strategic plan initiated in 2016 to transform the Bank. Within that plan, our key focus areas have been taking provisions for our legacy loan book, increasing our capital, reducing our cost to income ratio and continuing to build the Bank's 44-year-old franchise in terms of new technology and innovation.

Actions taken under our five-year strategic plan are delivering good results as demonstrated by the Bank achieving the highest annual net profit in its history in 2019. Commercial Bank, its subsidiaries and associates announced its financial results for the full year ended on 31 December 2019, and the Board of Directors have recommended, for approval at the Annual General Assembly on 23 March 2020, a cash dividend payout of QAR 0.2 per share.

On behalf of the Board of Directors, I would like to express our thankfulness and gratitude for the visionary leadership of His Highness The Amir Sheikh Tamim Bin Hamad Al Thani. Under the leadership of His Highness, Qatar is well-positioned to continue on its remarkable growth trajectory, and Commercial Bank is fully aligned with, and contributes to Qatar's national development objectives. I also want to convey our appreciation for the guidance and support we have received from His Excellency the Prime Minister and Minister of the Interior, His Excellency the Minister of Finance, His Excellency the Minister of Commerce and Industry, and His Excellency the Governor of Qatar Central Bank.

I would like to thank the Board of Directors for their continued guidance and all our employees for their collective efforts towards making 2019 a successful year for Commercial Bank, recognising that this success would not have been achieved without the loyalty of our customers and the continued support of our shareholders.

We have made good progress in reshaping our business under our five-year strategic plan, and in 2020 we will continue on our transformation journey towards delivering long-term sustainable growth for our shareholders and supporting the continued growth and prosperity of the Qatari economy.

Abdulla Bin Ali Bin Jabor Al Thani
Chairman

Board of Directors









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7	8	9

1. **Sheikh Abdulla Bin Ali bin Jabor Al Thani**
   Chairman
2. **Mr. Hussain Ibrahim Alfardan**
   Vice Chairman
3. **HE Mr. Abdul Rahman Bin Hamad Al Attiyah**
   Member
4. **Mr. Omar Hussain Alfardan**
   Managing Director
5. **Sheikh Jabor Bin Ali bin Jabor Al Thani**
   Member
6. **Sheikh Faisal Bin Fahad bin Jassim Al Thani**
   Member
7. **Mr. Mohd Ismail Mandani Al Emadi**
   Member
8. **HE Mr. Khalaf Ahmed Al Mannai**
   Member
   (Representing Qatar Insurance Company)
9. **HE Mr. Saleh Abdulla Mohamed Al Ibrahim Al Mannai**
   Member


One Team,

One Bank

Investing in our human capital and the wellbeing of our employees has always been a top priority. In 2019, we strived to develop their skills and employ experienced talents, while nurturing a collaborative, cross-departmental culture of “One Team, One Bank.”

Vice Chairman's Message

Mr. Hussain Ibrahim Alfardan
Vice Chairman

In 2019, Qatar's economy went from strength to strength, overcoming challenges of the economic blockade and a lower-oil-price environment to record good growth and a budget surplus. Commercial Bank too has overcome a challenging environment to achieve the highest net profit in the Bank's history in the third full year of our five-year strategic plan.

The Bank delivered a consolidated operating profit of QAR 3,119 million and a net profit of QAR 2,021 million as at 31 December 2019, representing a 33.6% and 20.7% increase over the same period last year, respectively.

Under our five-year strategic plan, our strategic intent is to de-risk and re-shape our balance sheet. We took the prudent decision to clean up our legacy loan book and significant provisions have been taken since 2016. This provisioning process is coming to an end, with net provisions for loans and advances decreasing by 21.8% in 2019 to QAR 654 million. In terms of de-risking, the Bank has proactively exited QAR 5.2 billion of riskier names since 2016, up from QAR 3.7 billion in 2018. In terms of re-shaping, the Bank's exposure to the real-estate sector decreased by 13% in 2019 and our exposure in government and public sector loans increased by 47% in 2019.

Income previously associated with provisions and de-risked loans has been substituted with high-quality sources. Operating income increased 23.9% in 2019 to QAR 4,347 million, supported by a 19.4% year-on-year increase in net interest income to QAR 2,964 million (despite the low global interest rate environment) and strong demand for the Bank's Transaction Banking and cash management services.

Our strategic focus on Transaction Banking and fee-based services such as remittances, cash management and wealth management supports long-term sustainable growth as it builds fee income that is not purely based on lending. Total fees and other income increased 34.8% to QAR 1,383 million in 2019 compared to 2018. Supported by the success of Transaction Banking and cash management services, low-cost deposits grew 15% during 2019 contributing to an improvement in net interest margins. Total loans and advances were QAR 88.0 billion in 2019, up 4% compared to 2018 and total customer deposits increased 6.3% to QAR 76.3 billion.

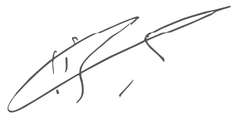
In line with our strategy to drive operational efficiencies across the business through investment in digitization and automation, eliminating waste and reducing staff costs while avoiding large scale redundancies, we continued to decrease our cost to income ratio down from 33.4% in 2018 to 28.3% in 2019.

During 2018, we implemented a one-time IFRS 9 charge of just over QAR 1.5 billion in line with best governance standards and a conservative approach, reducing our CET1 capital to 10.5% as at 31 December 2018. Our strategic intent is to maintain a minimum CET1 between 11.0 to 11.5%, and in 2019 we successfully increased CET1 to 11.1% back within our target range.

Our subsidiary Alternatif Bank reported a good set of results despite challenging market conditions and the depreciation of the Turkish Lira by circa 21%. The bank reported an increase in net profit to QAR 100 million, up 10% compared to 2018. Alternatif Bank grew customer deposits by 4% while loans and advances dropped by 3% at the end of the year, compared to the previous year.

Our associate bank in Oman, National Bank of Oman (NBO), performed steadily during 2019, reporting a net profit of QAR 485 million. UAB has been reclassified from an asset held for sale to an associate, and we have taken a goodwill charge of QAR 414 million.

On behalf of the Board of Directors, I would like to convey our sincere gratitude for the visionary and gracious leadership of His Highness The Amir, His Excellency the Prime Minister and Minister of the Interior, His Excellency the Minister of Finance, His Excellency the Minister of Commerce and Industry, and His Excellency the Governor of the Qatar Central Bank for their wisdom in guidance and support, which we continue to greatly appreciate.



Hussain Ibrahim Alfardan
Vice Chairman

Group Chief Executive Officer's Message

Mr. Joseph Abraham
Group Chief Executive Officer

In 2019, we successfully executed the third full year of our five-year strategic plan designed to reshape our business, build sustainable earnings, diversify risk and achieve growth. We are on track to deliver this plan, achieving in 2019 the highest net profit in the history of the Bank.

The foundation of our strategic plan with the vision of being the "Best Bank in Qatar" are the 5 Cs of Commercial Bank: Corporate earnings quality; Client experience; Creativity and innovation; Culture; and Compliance, together with a focus on best-in-class Transaction Banking. We strongly delivered against each of these 5 Cs in 2019.

Since beginning operations in 1975, Commercial Bank has built its franchise based on innovation and customer service. To continue this legacy, the Bank is undergoing a transformation change in terms of investment, digitization and building new capabilities in technology, while at the same time controlling waste.

Corporate earnings quality was strong in 2019, with good growth across the board. We increased our capital to 11.1% within our minimum CET1 target range of 11% to 11.5% and we continued to improve our cost to income ratio, moving down from 33.4% to 28.3% closer in line with the market. We have reshaped and diversified our loan book by proactively exiting high risk names, decreasing our concentration in real estate and increasing our share of high-quality government and public sector loans by 47% in 2019.

For the best Client experience, we revamped our brand design for branches and opened our first Doha Metro Rail branch at Doha Exhibition Convention Centre metro station with a digital self-service model. Mobile, Corporate and Internet Banking all added new digital features and functionality. We expanded contactless cards to over 2,590 terminals, increased remote cheque scanning and expanded our 60-second remittance service to over 30 countries. This has all contributed to our strategic focus on Transaction Banking by capturing more and more financial flows and increasing our low-cost deposits by 15% over the year.

Creativity and innovation are linked to Client experience and our digital transformation process. In 2019, we expanded and enhanced our digital products and services, while internally embedding digital into Commercial Bank's DNA throughout our organization. Our "One Bank" culture emphasizes strong collaboration across the Bank's different departments for the benefit of our clients and we continued to invest in our premises and people-related activities to promote teamwork and togetherness. Compliance is a key focus area for the Bank and we have invested significantly in this area to make substantial improvements over the course of 2019.

The disciplined execution of our five-year strategic plan is delivering results and market recognition has come in the form of numerous award wins in 2019 including "Best Retail Bank", "Best Cash Management Bank", "Best Transaction Banking Service" and "Best Mobile Banking App" by reputable providers.

Our Turkish subsidiary Alternatif Bank has delivered positive returns and improved net profit by 10% in a challenging macroeconomic environment and NBO has delivered solid results. United Arab Bank (UAB) in the U.A.E. has been reclassified from an asset held for sale to an associate and UAB has developed a strategic plan to improve results following the appointment of a new CEO in 2019. We are confident that our subsidiary and associates will make a greater contribution to the Commercial Bank Group in the future and we are looking forward to building on the successful recent collaborative work undertaken with Alternatif Bank in Turkey and NBO in Oman.

Our five-year strategic plan has not changed and our objective for 2020 is to continue to deliver our strategy with disciplined execution. Our committed staff have demonstrated that "everything is possible" in 2019 and with the support and guidance of our Board, we will continue to innovate, invest in our business and grow sustainably in 2020.

Joseph Abraham
Group Chief Executive Officer


Limitless

Ambitions

While shining bright in Qatar, we have widened our accomplishments and geographical reach to other countries and borders. Thanks to our international alliances with associate banks such as Alternatif Bank in Turkey and National Bank of Oman, we aspire to enhance international investments between countries and affirm Qatar's strategic role in the region.

Management Review of Operations

Financial Results

In 2019, Commercial Bank delivered a net profit of QAR 2,021 million, an increase of 20.7% compared to the QAR 1,674 million achieved in 2018.

Loans and advances to customers increased by 4.0% to QAR 88.0 billion at 31 December 2019, compared with QAR 84.6 billion in 2018. The increase was mainly in the government and public sector.

Our deposits increased by 6.3%, to QAR 76.3 billion at 31 December 2019 compared with QAR 71.8 billion in 2018, the increase is mainly in the current and call deposits.

Investment securities increased by 20.9% to QAR 26.8 billion as at 31 December 2019 compared with QAR 22.2 billion at the end of December 2018. The increase is mainly in Government bonds.

Financial Results (QAR million)	2019	2018
Net interest income	**2,963**	2,482
Non-interest income	**1,384**	1,026
Net operating income	**4,347**	3,508
Operating expenses	**(1,228)**	(1,173)
Impairment on loans & financial assets	**(654)**	(836)
Impairment on Associate	**(414)**	-
Share of results of associates	**(7)**	182
Income tax expense	**(23)**	(7)
Net profit for the year	**2,021**	1,674

Operating Expenses (QAR million)	2019	2018
Staff costs	**796**	676
General and administrative expenses	**227**	313
Depreciation and amortisation	**205**	184
Total operating expenses	**1,228**	1,173

Rehan Khan
EGM, Chief Financial Officer

Net Operating Income

Commercial Bank's net operating income reached QAR 4,347 million for the year ended 31 December 2019, an increase of 23.9% compared with QAR 3,508 million achieved in 2018. Net operating income for the Bank in Qatar increased by 25.1% to QAR 3,747 million compared to the same period in 2018.

Net interest income for the group increased by 19.4% to QAR 2,963 for the year ended 31 December 2019 compared with QAR 2,482 in 2018. Net Interest Margin increased to 2.5% compared to 2.1% in 2018. The increase in margins is mainly due to lower cost of funds and increased the proportion of high yielding assets.

Non-interest income increased by 34.8% to QAR 1,384 million for the year ended 31 December 2019 compared with QAR 1,026 million in 2018. The overall increase in non-interest income was due to increase in net fee and commission based income mainly from cards and transactional banking, foreign exchange gains and income from investment securities.

Operating Expenses

Total operating expenses slightly increased at a group level by 4.7% to QAR 1,228 million for the year ended 31 December 2019 compared with QAR 1,173 million in 2018. The increase was primarily driven by staff expenses on account of IFRS 2 accounting of its performance rights (share options) granted to staff.

Provisions for Impairment Losses

Provisions for loans and advances for the group reduced by 35.9% to QAR 594 million for the year ended 31 December 2019, compared to QAR 927 million provided in 2018. The non-performing loan ratio decreased to 4.9% in December 2019 compared to 5.6% in 2018, the loan coverage ratio increased to 82.1% as at December 2019 compared to 78.6% in December 2018.

The bank sets aside a risk reserve against its lending as part of shareholders' equity. At 31 December 2018, the risk reserve was QAR 1,421 million.

In addition, the group impaired its associate United Arab Bank by QAR 414 million in 2019, on conversion from asset held for sale to an associate as the book value of UAB was higher than the industry standard model used for its valuation.

Total Assets and Funding

Commercial Bank balance sheet increased by 9.3% in 2019, with total assets at QAR 147.5 billion compared to QAR 134.9 billion in 2018.

Balance sheet increase was driven by QAR 3.4 billion increase in loans and advances, increase of QAR 4.6 billion in investment securities and an increase of QAR 2.9 billion in due from banks.

Customers' deposits increased by 6.3% to QAR 76.3 billion at 31 December 2019, compared with QAR 71.8 billion in 2018, an increase of QAR 4.5 billion. Low-cost deposits grew by 15% in 2019, contributing to the improvement in NIMs.

Capital

Commercial Bank's capital position remains strong, the capital adequacy ratio increased to 16.4% as at 31 December 2019 compared to 15.5% at the end of 2018. The capital adequacy ratio is above the Qatar Central Bank's required minimum level of 14.0%.

Subsidiaries

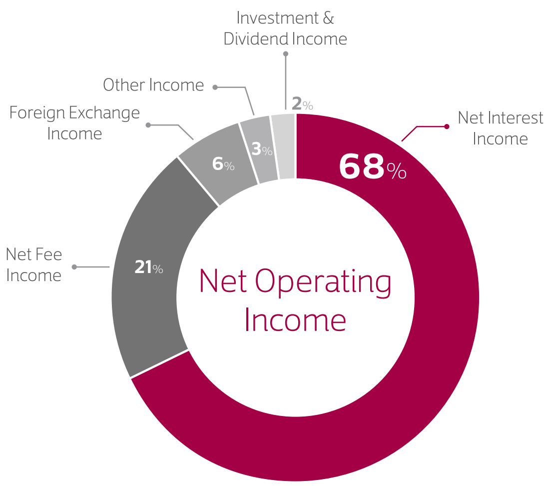
Alternatif Bank

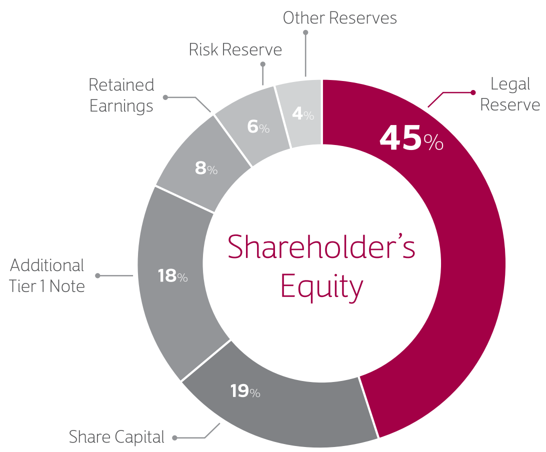
Alternatif Bank delivered a net profit of TL 155 million for the year ended 31 December 2019, with total assets of TL 30.2 billion and lending of TL 18.9 billion.

Alternatif Bank provides its customers in the corporate, commercial and retail banking segments with high value products, services and solutions. Alternatif Bank has 48 branches widely distributed around Turkey. In 2019, Alternatif Bank continued to work closely with its counterparts in Commercial Bank to implement best international practice and continue to realise synergies.

Commercial Bank Financial Services (L.L.C.)

Commercial Bank Financial Services (CBFS) is a fully owned subsidiary of Commercial Bank. CBFS provides direct access to the Qatar Exchange and offers seamless online trading capabilities for individuals, institutions, corporate and foreign counterparties. In addition to its electronic trading platform, CBFS is also licensed by Qatar Financial Markets Authority to act as Liquidity Provider for certain securities at Qatar Exchange. In 2019, CBFS delivered a net profit of QAR 9.1 million.





Management Review of Operations continued

Orient 1 Limited
A fully owned subsidiary that owns and manages an exclusive Diners Club franchise in Turkey.

CBQ Finance Limited
A fully owned subsidiary incorporated in Bermuda and organised as a special purpose entity established to raise capital for Commercial Bank by issue of debt instruments.

CB Global Trading Limited
A fully owned subsidiary incorporated in Cayman Islands, an intermediary vehicle for Derivatives.

CB Innovation Services (L.L.C.)
A fully owned subsidiary incorporated in Qatar under the Qatar Financial Centre Authority providing the Bank with operations management services.

Associates

National Bank of Oman (S.A.O.G.)
National Bank of Oman (NBO) achieved net profit of OMR 51 million, compared with OMR 50.6 million in 2018. Operating income maintained at OMR 128 million.

During 2019, NBO customer deposits increased by 3% to OMR 2.5 billion.

United Arab Bank (P.J.S.C.)
United Arab Bank (UAB) has been reclassified from an asset held for sale to an associate, and we have taken a goodwill charge of QAR 414 million. A new CEO for UAB was appointed in March 2019 and we will be working to ensure that UAB achieves improved results through implementation of a new strategic plan..

Massoun Insurance Services (L.L.C.)
Massoun Insurance Services is a Qatari incorporated joint venture company between Commercial Bank and Qatar Insurance Company. The company provides a range of insurance products which have been tailored to meet the specific needs of the Bank's retail and corporate customers.

Raju Buddhiraju
EGM, Wholesale Banking

Wholesale Banking

Commercial Bank's Wholesale Banking department offers a comprehensive range of financial services to corporate businesses in Qatar, international companies trading or implementing projects in Qatar, and corporate relationships across the Bank's strategic markets in Turkey, the GCC and other target geographies with high-growth potentials. These services include commercial banking, treasury, investment banking, cash management, trade, transaction banking, corporate finance and advisory services across different industries.

Wholesale Banking comprises Domestic Corporate Banking and Transaction Banking, and has strong and longstanding banking relationships with leading Qatari businesses, nurtured over the years through excellent customer service, tailored financial solutions, and the application of innovative technologies.

Business performance
In 2019, Wholesale Banking's business represented the growth of most of the Bank's total loan book and generated over half of the Bank's total revenues. In line with the Bank's five-year strategic plan, Wholesale Banking proactively initiated several new measures, such as:

- Growing the balance sheet in line with the market, primarily within the government and public sector;
- Strategically re-shaping the composition of the balance sheet to reflect the market;
- Proactively de-risking the balance sheet for sustainable growth;
- Building a strong pipeline of the right customers, with the right risk profile and the right quality of assets;
- Focusing on Transaction Banking;
- Diversifying revenue streams;
- Working closely with Alliance banks.

Growing the government and public sector balance sheet

Growth in the government and public sector balance sheet during 2019 was over 53%. The growth of this sector in Commercial Bank's book is estimated to be significantly faster than the market growth. We have identified new public sector customers to focus on, targeting cash management.

Re-shaping Wholesale Banking's balance sheet

The composition of the balance sheet has been re-shaped in two key areas to reflect stresses in the market and to ensure a quality mix of assets, which are:

- Growth of government and public sector lending from 21% of Wholesale Banking's portfolio in YTD 2018 to 29% in YTD 2019;
- Rationalisation of real estate exposure with a reduction from 27.8% of Wholesale Banking's portfolio in 2018 to 27.6% in 2019 in line with the bank's Strategic plan.

Growth of government and public sector Lending and rationalisation of real estate exposure remains a strategic aim, with a five-year target of 21% and 25% composition of the Wholesale Banking book respectively.

De-risking selected exposures

As part of prudent risk management, Wholesale Banking identified certain clients with exposure to be either partially or fully reduced to ensure Commercial Bank does not have very large exposure towards any client. In 2019, the total amount of intentionally de-risked assets was more than QAR 2.0 billion, with an additional target of over QAR 1.0 billion by 2020, for an optimized balance sheet containing high-quality customers and assets.

Growth and strong lending pipeline

Wholesale Banking's lending book grew by approximately 11% in 2019. Wholesale Banking's focus in 2019 was to grow its lending book with the right risk profile and the right quality, in conjunction with the strategic aims of reshaping and de-risking to maintain growth and ensure a sustainable revenue stream in the future. The lending pipeline originating from the public sector represents over 50% of the total lending pipeline.

Cross-selling

Diversification of the revenue, primarily an increase of the fee income that is not lending-based, is one of the major strategic aims of Wholesale Banking. Fee income was above 15% of Wholesale Banking's total operating income, resulting in part from cross-selling innovative new services to customers across Domestic, Corporate Banking, and Transaction Banking.

Working with Alliance banks

Wholesale Banking contributes to the efforts of enhancing synergies with our Alliance banks, Alternatif Bank and National Bank of Oman, through cross-selling activities, supporting Turkish companies as well as Qatari business in Oman.

Domestic Corporate Banking

Domestic Corporate Banking provides a comprehensive range of cross-product banking solutions to corporate clients operating in Qatar. This unit services client relationships across the following sectors: large corporates, mid-market corporates, contracting, ultrahigh net worth, government and public sector.

Domestic Corporate Banking was active in arranging large financings in the domestic syndicated and club loan markets, and was associated with a number of the successful transactions in 2019, including key arterial highways connecting stadiums being built for the 2022 World Cup, and supporting district cooling in the Lusail area.

In 2019, Domestic Corporate Banking continued to focus on organic growth of operations by delivering the best client experience and service quality through innovative banking solutions with state-of-the-art technologies.

This includes introducing host-to-host connectivity and providing a direct link with our customers to enhance the client experience.

Wholesale Banking continues to work very closely with Retail Banking through the successful Banking at Work unit, where a key strategic focus has been to enhance the total relationship value for each customer across all business portfolios.

Management Review of Operations continued

Commercial Bank wins two prestigious corporate awards by Global Finance

Transaction Banking

Commercial Bank has been continuously enhancing products and services to maintain its leadership position in Transaction Banking in Qatar. In 2019, the Bank rolled out new services and strengthened the product suite. Customer adoption of digital channels has improved substantially - 85% of payments, 98% of salaries and 50% of trade transactions are now conducted digitally. The Bank's efforts with regards to digitization are also recognized by Global Finance and Bank has been rewarded as "Best Trade Finance Services, Corporate Digital Banking" and "Best Online Cash Management Bank" in Qatar.

Recognizing Commercial Bank's continued focus on enhancing products and services for corporate customers and leading role in cash management, Commercial Bank was awarded the "Best Cash Management Bank in Qatar" and "Best Transaction Bank in Qatar" at the Asian Banker Middle East and Africa Transaction Banking Awards 2019. This is the third year in succession after 2017 & 2018.

Some of other significant initiatives are as follows:

- Automated insurance service for trade finance customers;
- Postdated cheque Management solution for the benefit of Real estate sector that provides control of data, remote submission of cheques and custody;
- Corporate Mobile App with rich features to conduct all payments and inquiries of bank accounts;
- Updated CB Smart Trade solution that helps ease transaction flow, faster turnaround time and real-time status updates;
- Corporate Mobile application enriched with seamless retrieval and approval of Salary and bulk payments initiated on line (Corporate Internet Banking);
- Swift GPI for corporates through CIB and mobile for online tracking customer transactions on real time basis;
- Multiple structured trade solutions for leading automobile Dealers and other commodity traders that assisted imports in Qatar on an extended credit period;
- Implemented customized B2B solutions for large public sector conglomerates engaged in Transportation, Aviation and Exports;
- International remittances have seen significant growth of 49% and exports share has moved up to 19% from 16%.

Transaction Banking has worked closely with international Block Chain initiatives for Trade Finance conducted by Voltron and MarcoPolo along with many international banks and in 2020 will move to testing phase from the current design phase. This would be a significant innovation which will add value to our customers.

International Banking

International Banking at Commercial Bank is responsible for providing correspondent banking services, corporate cross-border loans and other Wholesale Banking products to financial institutions, large corporates, sovereigns, non-bank financial institutions, and high to ultra-high net worth family offices based outside of Qatar. In 2019, the Bank's international corporate lending strategy focused mostly on transport, industry and services sectors with strong Qatari angles.

The corporate lending business maintained its strategic drive towards diversification, targeting landmark opportunities both on direct balance sheet transactions and cross-selling activities such as FX and derivatives.

Fahad Badar
EGM, International Banking

Commercial Bank's cross-border business strategy remains cautious and focused on portfolio diversification and revenues from trade finance flows and banks, and strategic relationships with large corporates in the EMEA region, Turkey, and selectively across the North American, Asia Pacific and Sub-Saharan African markets.

The lower risk and mostly short-term trade finance book saw reasonable activity in 2019 as credit demand picked up for strategic commodities across markets linked to Qatar. Another key pillar of our strategy was to collaborate more closely on correspondent banking services, credit products and other cross-border business activities of Commercial Bank with our Alliance bank partners to benefit from synergistic growth across the Commercial Bank Group.

Interests in Turkey

Turkey remains a key market for Commercial Bank, following the acquisition of Alternatif Bank in 2013. The International Banking department is providing complementary support through its balance sheet and products platform to capitalise on the increasing strategic investment and trade-related activity between Qatar and Turkey. Trade loans to financial institutions and relationships with large, diversified corporate groups in Turkey have been a key driver for the Commercial Bank Group with a focus on strengthening Alternatif Bank's business franchise in the country. Commercial Bank continues to work closely with its Alliance bank partners to develop a network of group-wide lending and cross selling opportunities, in addition to implementing a coordinated Group financial institutions strategy for its correspondent banking and corporate business.

Diversifying funding

The International Banking department also plays a key role in supporting the Bank's funding needs by leveraging its global relationships and supporting the Treasury Department in diversifying the Bank's funding. This is achieved by arranging bilateral and syndicated loans for the Bank and expanding treasury and corporate deposit relationships with regional and Asian sovereign wealth funds, asset managers, and other non-bank financial institutions.

Supporting business initiatives

Supporting major business initiatives that are relevant to the Qatari banking sector remains a key pillar of the International Banking business. In 2019, the Bank sponsored and participated in several major banking industry events and conferences. These included:

- The Annual Meetings of the International Monetary Fund (IMF) and the Institute of International Finance (IIF), where Commercial Bank was joined by its subsidiary, Alternatif Bank, Alliance bank partner, and National Bank of Oman;
- SIBOS in London, United Kingdom, a major industry event for banks and financial institutions around the world.

Commercial Bank continues to support its financing and services network with global trade and development institutions such as the ICC Banking Commission, SWIFT, the Institute of International Finance, the International Finance Corporation, IMF, Arab Trade Finance Program, ISDA and other development institutions.

2020 priorities

Moving forward, our strategic priorities in 2020 and beyond will be to manage and expand the business along the following lines:

- Focus on opportunistic growth in the network countries of our Alliance banks, with a view to strengthening the client proposition and create synergies in these markets;
- Diversify into Asia and Africa as trade and investment flows pick up and also grow into developed markets like the US, UK and select OECD countries for portfolio diversification and risk management purposes;
- Enhance the value proposition by developing structured finance, distribution, trade, and treasury capabilities, which lead to increased cross-selling and improve International Banking's portfolio returns;

Management Review of Operations continued

- Maintain a well-diversified portfolio with no large concentrations in line with regulatory and the Bank's governance standards, focusing on tangible collateral and security support for risk mitigation to withstand credit event downturns;
- Support the Commercial Bank Group's funding initiatives and balance sheet growth by leveraging Commercial Bank's international corporate network.

Retail and Enterprise Banking

Commercial Bank's Retail Banking team manages the banking and financial solutions for individuals and business interests of small and medium-sized enterprise (SMEs).

Our broad spectrum of products for individual customers includes accounts, deposits, loans, credit cards, insurance, and wealth management solutions to help our customers through different stages of their life journeys.

Our Enterprise banking teams support small and mediums sized businesses in a range of industries and provide tailor-made solutions as required by customers.

As a business group, we are fully aligned and committed to the Bank's 5-year transformation strategy underpinned by Five Cs - Corporate Earnings Quality, Client Experience, Creativity & Innovation, Culture and Compliance.

We are proud to have won a range of awards in 2019, as a testimony to our commitment and innovation, that makes it easy and convenient for our customers to bank with us:

- "Best Retail Bank in Qatar" by The Asian Banker;
- "The Best Remittance Product and Service of the year 2019" by the Asian Bankers;
- "Best Consumer Mobile Banking App" award by Global Finance.

Amit Sah
EGM, Consumer Banking

Business performance

Retail Banking continues to contribute significantly to Commercial Bank's overall performance.

Built on a strong franchise of customer service and innovation, Retail Banking has delivered strong performance in 2019 .

The Retail and Enterprise balance sheet remained healthy with lending to customers adjusted to QAR 18.1 billion and deposits growing to QAR 23.3 billion.

Increase in fee income compared to previous years has improved the quality and sustainability of earnings.

Coupled with careful management of net interest margins, control of direct costs and focus on increasing digitization, Retail Banking was able to deliver another year of strong performance.

Our innovative services, especially in remittances and product positioning including Wealth, have helped Retail Banking maintain consistency in performance through 2019.

We take great pride in delivering a quality service to all our customers, with our Private Banking and Sadara Premium Banking services leading with exceptional standards.

Commercial Bank opens a new branch in Ain Khaled

Commercial Bank wins "Best Consumer Mobile Banking App" award by Global Finance

Branch and ATM networks
We continued our strategic journey of aligning presence in emerging geographic and economic zones in Qatar by launching the country's 1st metro branch in DECC station, relocating our branch from Industrial Area to a new location in Ain Khaled and moving the Al Sadd branch to our flagship Le Boulevard Building.

Our modern look-and-feel new breed of metro branches offer customers increased self-service functionality and customers can conveniently use our branch through all opening hours of the metro station.

In addition to re-aligning our footprint, we have transformed and enriched customer experience for key branch services.

We continue to maintain one of the largest branch networks amongst all the banks in the country and as we reshape our distribution model, we will ensure fit for purpose physical distribution to complement our string digital banking presence.

For greater convenience for our SME and corporate customers, we have dedicated Corporate Cash Centres and Corporate Branches at five different locations, working extended hours.

Our branch network is supplemented by over 170 ATMs that are strategically located around Qatar to ensure optimum usage of the network by customers.

Customers can also conveniently do bill payments, transfers and generate or change PINs for their cards through our ATM network.

Retail Internet and Mobile Banking
Motivated by our continued digital success, we maintained persistent efforts in 2019 to enhance the range of services offered by our Internet Banking platform and Mobile Banking App.

The CB mobile app offers greater flexibility than ever before, greatly reducing the need to visit branches or call our helpline whilst continuing to being safe, secure and convenient.

Success of our 60-Seconds Remittances' initiative encouraged us to expand our reach to 30 countries including India, the Philippines, Sri Lanka, Pakistan, Nepal, Turkey, Jordan UK & Europe allowing customers to send faster payments and reducing reliance on other traditional methods.

Commercial Bank will be the 1st bank in Qatar to launch its own Mobile Wallet, when in Q1 -2020 we enable customers to use their mobile devices to perform 'Tap n Pay' transactions while making payments at any contactless POS terminals and even complete remote online e-commerce purchases via Masterpass checkout services without exposing their credit card details.

We are proud that our CB Mobile App consistently features as the #1 Financial App in Qatar, in both Apple and Android App stores.

Management Review of Operations continued

Cards

Commercial Bank's Cards and Payments business is keeping steady strides to provide its customers the most innovative and market best payment solutions. Commercial Bank was one of the first banks in Qatar to launch the comprehensive Contactless payment ecosystem comprising Contactless Credit Cards, Debit Cards and POS terminals in 2018. Leveraging the contactless payment platform, Commercial Bank will launch Qatar's 1st digital mobile wallet, enabling Android users to pay for goods and services.

We continue to invest in our flagship portfolio of the Limited-Edition Cards, which contributes greatly to the Card Business spends portfolio.

Overall, the cards business had a strong growth in spend and balances in 2019.

The Bank has achieved market dominating numbers of issuance of over 500,000 for Contactless Cards, rollout of over 8,000 POS terminals and processing more than 2million Contactless POS transactions in 2019.

In 2019, we introduced another market 1st product and changed the way customers perceive reward and loyalty, with regards to how they spend on Commercial Bank cards.

CB Fawri is the instant discount at POS terminals without customer having to ask for the discount. Over 36,000 transactions and savings worth QR 1.13 million have already been recorded.

Commercial Bank continues to play a key role in Qatar's merchant acquiring business and has forged ahead with fully integrated ECR payment system with retailers.

Commercial Bank is leading the low-salary segment keeping in line with the government's vision for WPS customers. Our low cost but efficient payroll card (PayCard) business model is the market leader with an estimated 50%+ market share of this segment.

The pace of innovation and technological change in the payments industry is very high, and Commercial Bank is staying at the forefront of this change.

Wealth management

Diversification requirements of our customers inspired us to expand our product range through key alliances and we continued increasing our investment in our people, processes and systems.

Partnering with NBK Capital, we successfully launched the exclusive CB Leasing and Finance Fund Ltd. product, which seeks to achieve its investment objectives of distributing income to investors monthly, by investing in equipment leasing and related transactions and asset backed and structured finance transactions.

Our focus on upskilling our people continued in 2019 with additional wealth advisors obtaining the International Certificate in Wealth and Investment Management (ICWIM) from the Chartered Institute for Securities and Investment (CISI).

In 2020, our focus will be on automating operational processes to allow customers near real-time execution of trades and more granularity & transparency of reporting.

Life in Qatar

Commercial Bank continues to dominate the market for new expat arrivals into Qatar with our innovative offer "Life in Qatar".

Customers can have their account numbers ready as soon as they apply, even before arriving in the country. A dedicated team who speaks their language welcomes them the minute they land in Qatar with their debit and credit cards.

Commercial Bank rewards 195 customers with individual gold coins

Tailored specifically for people moving to Qatar, it provides ease and convenience for those relocating and has already helped over 100,000 customers from over 144 different countries worldwide.

The "Life in Qatar" website provides necessary information that is relevant to relocation and continues to attract visitors daily.

The partnership with Qatar Visa Centres in selected overseas locations also enables inbound expat customers to resolve banking needs even before stepping foot in the country.

Focus on Qatari Youth Customers

In 2019, we launched Sadara Youth, a digital product designed to fit the needs and lifestyles of young Qatari customers.

Sadara Youth

This package is exclusively for Qatari Nationals aged between 18 and 25 years and provides a style of Banking through a dedicated Digital App that is educational and fun to use.

It is the 1st Mobile Banking application in Qatar that educates and rewards young customers as they learn to transact and acquaint themselves with day-to-day banking services.

The Sadara Youth package also delivers another 1st in Qatar by issuing a fashionably striking, vertical design Credit Card.

Enterprise banking

Commercial Bank remains committed to the development of the SME sector in line with the Qatar National Vision 2030.

Our SME strategy in 2019 has been to dominate Transaction Banking, drive digitization and build strong transaction revenues while moving away from assets-based lending.

Building upon the 360-degree view of our customers, we have been able to improve our relationship management and have successfully launched industry specific cash management and digital banking solutions. This enhancement of customer experience and led to increased engagement.

We continue to educate and migrate our customers to self-service digital banking services. Over two-thirds of the total SME base is now digitally active. The digital channels have given SMEs better control over cash flows and provided flexibility to securely transact from the comfort of their offices.

Parvez Khan
EGM, Treasury and Investments

Treasury and Investments

The Commercial Bank's Treasury and Investments Department is responsible for asset-liability management, capital and financial market investments, trading, and treasury sales. The department manages the overall funding and liquidity requirements of the Bank. This includes management of operational and strategic liquidity requirements, as well as accessing the international debt capital markets for funding needs.

Departmental functions

Proactive management allows the Bank to manage its funding base in a cost-efficient manner while ensuring its balance sheet is managed in accordance with the expectations of rating agencies, regulators, the Board of Directors and shareholders. The department's treasury function has been instrumental in maintaining a stable cost of funding, managing the duration of the Bank's liabilities in a volatile interest rate environment, seeking diversification of funding channels, and maintaining key liquidity ratios and related business regulatory ratios as required by the Qatar Central Bank.

The department's investments function is engaged in managing the Bank's investments in capital markets to achieve superior and stable returns. It continued to provide strong revenue generation in 2019 whilst ensuring a liquidity buffer for the Bank by focusing on liquid and diversified investments. It's goal in 2020 is to maintain returns momentum in a challenging geopolitical and monetary policy environment. The investment emphasis remains on active portfolio management to optimise returns and ensure effective risk management by flexible asset allocation, hedging, and duration management.

Management Review of Operations continued

Treasury Sales

The Treasury Sales unit provides a full suite of products to the Bank's customers, supporting their needs with regards to managing and hedging their foreign exchange, interest rate exposures and other asset classes. Commercial Bank Treasury and Investments department continues to grow its footprint as a leading market-maker in the regional rates, fixed income, treasury securities and FX markets, and in providing market access to corporates and institutions.

In 2019, Commercial Bank Treasury and Investments expanded its capacity to support client needs by adding digital execution capabilities and risk management solutions, both domestically as well as cross-border, demonstrating its ability to provide seamless client solutions across multiple geographies.

Treasury is also actively engaged with Commercial Bank subsidiary in Turkey – AlternatifBank to provide end-to-end origination, structuring, negotiation and execution.

Risk Management

Managing risk is a fundamental part of Commercial Bank's day-to-day business activities. As part of the overall corporate governance framework, the Board of Directors is responsible for overseeing a strong risk governance framework, including a strong risk culture, a well-developed risk appetite—articulated through the Bank's Risk Appetite Statement – and well-defined responsibilities for risk management and control functions. The keystone of the Bank's risk governance framework is the three lines of defense, namely:

1. The first line of defense consists of frontline business units and functions that create risk. These groups are the Bank's primary risk-takers, responsible for implementing effective internal controls and maintaining processes for identifying, assessing, controlling, and mitigating the risks associated with their activities, consistent with the Bank's Risk Appetite Statement and risk limits.

Paul Gossiaux
EGM, Chief Risk Officer

2. The second line of defense consists of independent risk management, which oversees risk-taking and assesses risks independent of frontline business units and functions that create risk. Independent risk management complements the frontline units' risk-taking activities through its monitoring and reporting responsibilities, including compliance with the Bank's risk appetite, and is responsible for identifying, measuring, monitoring, and controlling aggregate and emerging risks enterprise-wide.
3. The third line of defense consists of internal audit, which provides independent assurance to the Board on the effectiveness of governance, risk management, and internal controls. During 2019, Commercial Bank continued to enhance its risk systems infrastructure platforms, including introduction of an automated retail banking provision system, improvements in credit approval workflow, among others. The Bank also implemented improvements in ICAAP and IRRBB, and successfully completed its first review of Internal Controls over Financial Reporting in accordance with Qatar Financial Markets Authority.

In 2020, Commercial Bank will continue to employ clear Risk management objectives and well-established strategies through core risk management processes.

Credit Risk

Commercial Bank has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks decisions, with specific portfolio standards applying to all major lending areas. These incorporate obligor quality, income capacity, repayment sources, acceptable terms and security, and loan documentation tests.

The Bank assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security such as real estate, charge over income or assets, and financial securities is generally taken for business credit, except for government, major banks and corporate counterparties that are externally risk-rated and of strong financial standing.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes legal risk but excludes strategic and reputational risk.

The Operational Risk Management ('ORM') Department supports the achievement of Commercial Bank's financial and business goals. ORM manages operational risk using industry standard operational risk tools. The primary objectives of the ORM Department are:

- Maintenance of an effective internal control environment and system of internal control;
- Demonstration of effective governance, including a consistent approach to operational risk management across the Bank;
- Transparency, escalation and resolution of risk and control incidents and issues.

Market Risk

Market Risk, the potential loss in value or earnings arising from changes in market factors, is managed by the Bank's Market Risk Department with full oversight by the Asset and Liability Committee ('ALCO'), which provides specific guidelines for market risk management.

Commercial Bank uses value-at-risk ('VaR') as one of the measures for Market Risk. VaR measures potential loss using historically observed market volatility. Stressed VaR is used at the Bank to measure the potential for economic loss from extreme market events.

For assessing interest rate risk, metrics include earnings-at-risk (EaR), change in yield ('PV01') and economic value of equity ('EVE').

The results of these measures are reported to the ALCO and the Management Risk Committee on a regular basis.

Liquidity and Funding Management

Commercial Bank follows a balanced liquidity management strategy through the combined use of liquid asset holdings and borrowed liquidity to meet its liquidity needs. The Bank's funding policies provide that:

- Liquidity requirements be measured using several approaches including sources and uses, structure of funds, and liquidity indicators;
- An appropriate level of assets is retained in highly liquid form;
- The level of liquid assets complies with stressed scenario assumptions to provide for the risk of the Bank's committed but undrawn lending obligations;
- Establishment of credit lines.

Board Risk-related Committees

The two Board Committees that have primary responsibility and oversight for risk are:

1. The Board Risk Committee ('BRC'), which is responsible for all aspects of enterprise wide risk management including, but not limited to, credit risk, market risk, liquidity risk and operational risk. The BRC reviews policy on all risk issues and maintains oversight of all Bank risks.
2. The Board Executive Committee ('BEC') is responsible for evaluating and granting credit facilities within authorised limits as per Qatar Central Bank and Board guidelines. The Board of Directors or its sub-committees are regularly updated on any potential risk that the Bank may face.

Risk Management continues to be very well positioned to manage risk resulting from the increasing sophistication, scope and diversity of the Bank's business and operations.

In summary, the governance framework, policies and administrative procedures and practices relating to risk management in Commercial Bank align well with global best practice, the recommendations of the Basel Committee and the guidelines of Qatar Central Bank.

Management Review of Operations continued

Commercial Bank celebrates National Day

Commercial Bank Lead Sponsor of the Euromoney Qatar Conference 2019

Marketing

The Marketing Department of Commercial Bank establishes and promotes the Bank's reputation and brand identity to stakeholders and customers through effective communication using both traditional and digital media channels.

Marketing works closely with the Bank's main business units and supports functions to develop integrated marketing campaigns targeting different customer segments with diverse products and services based on ongoing research, consumer insight and return on investment analysis. Marketing also runs the Bank's sponsorships and key events, as well as its Corporate Social Responsibility (CSR) programmes.

Commercial Bank is proud of its leading position as a digital bank. Through exemplary thought leadership in digital marketing – alongside our proactive approach to digital media, introduction of first-to market technologies, quality content offering, and customer engagement on and through social media – Commercial Bank continues to dominate Qatar's digital banking spaces.

Following a national vision

Commercial Bank's successes and achievements this year emerged from the Bank's commitment towards Qatar National Vision 2030, which inspired us to achieve results, in alignment with the country's key strategic messages and fulfilment of the Qatar National Vision 2030.

As part of its Qatar National Day 2019 celebrations, Commercial Bank has organized several visits to various entities, such as schools, hospitals, Hamad International Airport, and centers for people with special needs, where limited-edition souvenirs and gifts were distributed. The bank also organized activities for its employees to celebrate the rich heritage, culture and history of Qatar and to reflect the love and loyalty of the Bank's employees towards His Highness the Amir Sheikh Tamim bin Hamad Al Thani.

Moreover, Commercial Bank organized several pre- and post-event activities at its branches, where people enjoyed Arda performance, Arabian coffee and sweets, and a limited-edition set of National Day souvenirs that was distributed. As part of the event programme, a special song was dedicated to Qatar, "Shofto El-Gomar". The exclusive operetta was performed during the National Day celebration before the audience by the young singer Nasser Al Kubaisi and was widely very well received.

Supporting Qatar's economy

Commercial Bank is committed to helping support the development of Qatar's economy and future sustainability in line with the goals of the economic pillar of Qatar National Vision 2030.

To promote excellence within the country's financial sector, the Bank was a Lead Sponsor of the Euromoney Qatar Conference 2019, held under the patronage of HE Sheikh Abdullah bin Nasser bin Khalifa Al Thani, Prime Minister and Minister of Interior.

Group CEO Joseph Abraham and COO Leonie Lethbridge spoke at this major industry event, which focused on the future of Qatar, and on how the small but resourceful and capital-rich Qatari economy is transforming its already sizeable role in the global economy to meet the new demands of 21st century business and finance. Commercial Bank has also hosted the author and futurist Brett King for the very first time in Qatar, who shared with the audience his thoughts about the future of banks and the strategies banks need to follow in order to flourish. In the future, banks will predict customers' needs and serve them when and where they need them, as predicting customer experiences with banking built into them is key. King expressed that banks need to think technology first and be technology savvy, as by 2025, customers should be able to receive more advice on their money every day via their phone than they will in one year from an employee sitting behind their desk, as advising, distribution and banking experiences will be digital.

Commercial Bank has been working towards developing and enhancing the localization process of the energy sector's supply chain and to expand the small and medium enterprise (SME) landscape in Qatar. In order to achieve this goal, the bank has announced its support of an important national initiative by QP 'Tawteen', a 'Localisation Programme for Services and Industries in the Energy Sector' by Qatar Petroleum (QP).

Corporate Social Responsibility (CSR)

Since its inception over forty-five years ago, Commercial Bank has been committed to supporting Qatar's national development by giving back to the wider community through a comprehensive range of meaningful corporate social responsibility programmes formulated and implemented by the Bank's Marketing Department.

As part of the Bank's humanitarian and social initiatives, Commercial Bank engaged in a range of initiatives during the holy month of Ramadan that focused on community engagement and social responsibility fulfillment, including a variety of activities aiming to spread the spirit of the holy month of Ramadan and the values of giving in a creative and innovative way. The Bank also launched a social media initiative – #CastYourKindness – to encourage charity and compassion amongst employees through volunteering in distributing Iftar boxes every Saturday to people around Qatar.

Hussein M Ali Al-Abdulla
EGM, Chief Marketing Officer

Additionally, as part of our support to the community, the Bank's team joined the Center for Empowerment and Elderly Care (Ihsan) for a special Iftar meal. Several employees have participated in the Bank's initiatives during Ramadan to demonstrate our commitment to "One Bank" and "One Team" culture.

Sports, health, and fitness

At Commercial Bank, our people are our greatest asset, and we are committed to invest in their wellbeing. Improving the nation's health is also one of the most important parts of the human development pillar of the Qatar National Vision 2030, and we promote sports and wellness activities for our staff not only during National Sports Day but throughout the year, advertising the message that sport and physical exercise perform a vital function for the community, promoting active and healthy lifestyles and cultivating values of dedication, teamwork, competition and good sportsmanship.

Since the beginning of 2019, Commercial Bank has embarked on a series of well-organized events and activities that showcased its commitment towards promoting sports. The Bank's participation in Ooredoo Marathon was a big success, as over 130 employees and their families have participated, confirming that Commercial Bank is a big supporter of healthy and active lifestyle.

Additionally, Commercial Bank participated in the celebrations of the National Sport Day with a mix of physical activities, staff wellness and a community outreach programme. To engage with the wider Qatari society, volunteers from Commercial Bank distributed special National Sports Day gifts at Qatar Society for Rehabilitation of Special Needs, independent schools, the children's floor at Hamad Hospital and at Al Wakrah Hospital.

Management Review of Operations continued

In the same context, Commercial Bank Staff Club prepared an exclusive CB Olympics event for staff which turned out to be an intense competition, spreading a positive energy that represents the Bank's character. The CB Olympics event was a day full of challenges designed to promote competition, teamwork, and boost employees' morals. Commercial Bank Staff Club is keen on fulfilling the Bank's obligation towards promoting sports and wellness activities for our staff by providing a selection of fitness training programmes designed and scheduled to run throughout the year for the benefit our staff.

Commercial Bank remains committed to enhancing Qatar's sporting reputation by bringing the best international competitors to Qatar annually for a golf tournament that attracts a global audience. As a result of this commitment, the Bank and Qatar Golf Association (QGA) has signed a three-year sponsorship agreement to host the Qatar Masters Golf Tournament. With this agreement, Commercial Bank will continue to be the official Title Sponsor for QGA's Qatar Masters Golf tournament until 2022. We are proud of being the title sponsor of Qatar Masters 2019 for the 14th year in a row which is a source of pride for Commercial Bank. It is the live proof of the bank's keenness on playing an active role in spreading awareness to the public in the field sport.

Furthermore, the Bank launched an exciting and innovative campaign to promote the Commercial Bank Qatar Masters Golf Tournament which focused on generating awareness about the event itself, as well as on educating the public in Qatar about golf in the context of the Qatari culture. Additionally, the Bank has also hosted several educational events for over 5000 students ranging from a variety of schools and universities in Qatar in several malls.

In its efforts to enhance awareness of key health issues in Qatar in 2019, Commercial Bank has partnered with Qatar Cancer Society (QCS) as a Gold Sponsor for their 'Walk to Support' campaign. The Bank has conducted a variety of joint exciting awareness-raising activities and workshops in October to support the society within its mission to raise awareness on breast cancer. Emphasizing on the importance of Breast Cancer Awareness Month, Commercial Bank has launched the remarkable 'One Image' campaign exclusively for its employees. The bank's employees got the opportunity to attend the informative "Breast Cancer Awareness Sessions" and enjoy exciting activities held on the side. As part of the "One Image" campaign, Commercial Bank's female employees attended a workshop entitled "Our Passion in our Health," which was delivered by

Commercial Bank participates at the Education City Career Fair

Commercial Bank Staff Club presents an exclusive CB Olympics event for staff

Commercial Bank Gold Sponsor for Qatar Cancer Society (QCS) 'Walk to Support' campaign

Commercial Bank and Qatar Golf Association (QGA) signed a three-year sponsorship agreement to host the Qatar Masters Golf Tournament

Commercial Bank participates in Ooredoo Marathon

specialists in the Health Education Department at the Qatar Cancer Society. The awareness campaign was concluded by the participation of Commercial Bank's employees along with their families in the "Walk to Support" initiative expressing encouragement and compassion for those living with breast cancer.

Qatari youth

Commercial Bank takes pride in being a Qatari bank and supporting all four pillars of the Qatar National Vision 2030 through our activities, with a focus on strengthening the economy through our services and investing in Qatar's human capital talent as one of the largest private sector employers in the country.

The Bank's National Development Programme invests heavily in the skills and training of young Qataris and we look forward to continuing to support Qatar on its journey towards sustainable development and prosperity, for the benefit of current and future generations.

The Bank remains committed to a policy of attracting, recruiting, training and developing Qatari nationals and fostering home-grown ideas and talents. Commercial Bank's policy on Qatarization is to offer excellent opportunities to young nationals embarking on a banking career and to continually explore the market to select and to provide exciting career opportunities for experienced nationals.

In 2019, Commercial Bank's National Development Team participated at the Education City Career Fair twice to recruit Qatari nationals as the next generation of highly skilled banking leaders. Bringing together representatives of leading organizations and companies in Qatar, this initiative mainly targets high-school students and seeks to familiarize them with the dynamics and challenges of Qatar's labor market.

Additionally, Commercial Bank launched the new Nationalization Forum, which aims to introduce the National Talent Council (NTC), its initiatives, and upcoming programs for nationals across the bank. In the development of a prosperous and sustainable nationalization strategy at Commercial Bank, and in light of the Qatar National vision 2030, the forum is a great asset for everyone to get updates on the current Nationalization strategy, initiatives and upcoming programs, the forum also serves as a channel to obtain feedback and inquiries that will give the NTC a much greater understanding to improve and drive Nationalization in Commercial Bank.

Management Review of Operations continued

Commercial Bank spreads awareness on how to protect ourselves in a digital world

Spreading awareness on how to protect ourselves in a digital world

As part of the Commercial Bank's role in protecting the interests of their customers, the Bank has held a media round table in order spread awareness on how to protect ourselves in a digital world, and to help our customers and the public to act wisely to avoid becoming a victim. This effort comes as a result to our keenness to equip our valued customers with the knowledge on how to act when they receive a phishing email or a phishing SMS. A secondary audience is the general public, as Commercial Bank plays a vital role in spreading awareness to the public as well.

2019 Awards

In recognition of its leading digital services in the local market, Commercial Bank has won a number of awards from reputable bodies like Global Finance magazine, The Asian Banker, and World Finance magazine. Commercial Bank is committed to digital innovation to enhance the experience of our clients, and receiving these awards from renowned awarding bodies reflects the strength and breadth of our best-in-class digital products and validates our strategy of investing in innovative technologies.

In 2019, Commercial Bank was awarded:

- 'Best Corporate Governance in Qatar 2019' by World Finance magazine
- 'Best Remittance Product and Service of the Year 2019' for 60 Seconds Remittance Service by The Asian Banker
- 'Best Retail Bank in Qatar 2019' by The Asian Banker
- 'Best Cash Management Bank in Qatar in 2019' by The Asian Banker
- 'Best Transaction Banking service in Qatar in 2019' by The Asian Banker
- 'Best Mobile Banking App 2019' by Global Finance
- 'Best Online Cash Management 2019' by Global Finance
- 'Best Trade Finance Services 2019' by Global Finance

Human Capital

In 2019, Commercial Bank continued to invest in its entrepreneurial and performance culture. Initiatives included:

- Reinvigorating our performance management system and putting more focus on people, conversations and development;
- Setting new, challenging performance standards for our leaders and teams;
- Restructuring the Human Capital team and introducing of HC Operations, to deliver common HC services and proactive support to employees;
- Introducing staff clubs and gym classes, where employees are encouraged to unleash hobbies and lifestyle to fit with work life work balance;
- Attracting and recruiting the right talent that will contribute further in delivering on the Bank's strategic plan;

Jassim Al Thani
Chief Human Capital Officer

- Partnering with the ministries and education institutions; in partnership with the Ministry of Labour to source national talent and provide them with career opportunities within the Bank Nationalization plans, the bank contributes to education and development in collaboration with universities and schools through events and training programmes;
- Restructuring concept to all nationalization themes, from internal development initiatives, mentorship, top talent program and enhanced development programs to attract, retain and motivate the right candidates;
- Newly forming Conflict Management Office CMO, in alignment with conflict of interest declaration policy, CMO manages and mitigates declarations and conflicts, a new process introduced through the digital forms in employee files, allows declarations to be made, tracked and updated and most importantly clarified with CMO to assure business integrity;
- Newly reintroducing e-learning approaches, developed with the business expertise in Commercial Bank. We've launched e-learning story-based courses, built on real life sceneries and cases, enhancing and delivering compliances and on-demand learning.

Enhanced career experiences

In 2019, going strong with our nationalization programs, building on inner focused development, progressing our internal talents to higher positions and enabling them to take significant roles in the business, from the newly-introduced head of branches into the development of our nationals supported by the National Talent Committee NTC.

Initiating our talent transfer and secondment program, enabling knowledge sharing and building experiences, initially with Alternatif Bank. We've built the secondment program to enable us and our partners to develop and learn through exposing our talents to different assignments and learnings.

Learning and development

We invest in making Commercial Bank a great place for learning. We target our development resources toward our people who are skilled in sharing knowledge and training others through leader-led training. This strengthens our creativity and innovation culture.

With on-demand learning portal, we have provided all compliance courses through e-learning. With other development initiatives, we are pursuing our study support initiative for staff working towards full- or part-time study programmes, focused on Qatari nationals and endorsed by the NTC.

The Board of Directors regularly reviews compensation and benefits to ensure we pay fairly and competitively, reward high performers, and link incentive payments to the overall performance of the Bank. The Board of Directors also focuses on risk management by considering:

- The split between salary and incentives;
- The balance between profit, risk and the time horizons associated with those risks.

We disclose our remuneration policies and practices in our financial reports.

Human Capital operations

In 2019, building on digitization and lessening prints, HC operations started with digitization of forms and lessening prints, increasing efficiency and speed for basic services and allowing comprehensive views on effectiveness.

Newly intake in 2019, Commercial Bank has successfully attracted skilled and competent new graduate nationals across various strategic business units. These employees have been able to contribute significantly and successfully towards the Bank's strategic goals.

Moreover, focusing on world-class and uplifting experiences, Commercial Bank successfully attracted global new key talents and leaders to accelerate its strategic vision, with technology and customer focus in mind.

Developing our nationals is one of our strategic pillars. Through experiences and knowledge transfer, we have promoted new national leaders from our talent pool.

Management Review of Operations continued

Operations

Banking operations have undergone rapid change over the past few years. There is an increasing pressure to provide more innovative product solutions that improve client experience while simultaneously reducing the cost to transact.

At Commercial Bank, we have a unique ability to upscale transaction volumes efficiently, thanks to a strategic change in our operating model and the intelligent use of new technologies. By onboarding previously outsourced functionalities in 2017, we centralized technology, operations and client capabilities under one roof. This essentially gave us control to streamline and refine our processes, employ end-to-end digitalization and smart technologies such as robotic process automation. It also allowed Commercial Bank to develop a competitive edge for customization and creativity, allowing bespoke tailing for client solutions.

Expanding our digital footprint

At Commercial Bank, our digital conversion strategy is at the forefront of improving client experience and transacting at the lowest possible cost. Digital solutions provide the customer with convenient, fast and efficient products and services, while allowing Commercial Bank to automate processing end-end, eradicating manual tasks and enabling capacity to scale at low cost. This year's client centric advancement in technology includes:

- Digital Account Opening, providing fast efficient onboarding and instant card insurance;
- Digital Wallet, for smart and secure payments;
- Online Trade Portal: allowing customers an efficient, convenient vehicle to lodge applications for trade products.

Leonie Ruth Lethbridge
EGM, Chief Operating Officer

Our digital footprint continues to grow with active digital users increasing 15% year on year, with an increasing client base migrating to mobile banking. Recognizing this customer preference, Commercial Bank has developed a leading edge Mobile App. It is the most competent financial mobile app in Qatar and in many cases has 2x functionality compared to competitors' apps. Self-service rate transactions increased to 96% supported by continued growth in our award-winning "60 seconds remittance" programme, mobile banking transactions and increasing usage in cheque printing machines and electronic forms.

Investment in key systems supporting future technological change

This year marked some significant upgrades to key infrastructure, including the core banking system and the customer relationship management (CRM) system. The core banking upgrade sets the bank up for the future, enabling seamless integration with other applications while the new CRM system is aligned to our Sadara customer segment uplift, providing more structured client coverage and allowing greater client insights.

Transaction Banking continues to be at the forefront of the banks strategy

Transaction Banking presents an opportunity to create diversified sustainable earnings, supporting fee income, low-cost deposits and the benefits of economies of scale. We continued to enhance our cash management offering providing flexible, tailored client solutions, which were recognized by the industry by winning the "Best Cash Management Bank in Qatar" for the third year in a row by Asian banker.

Trade and payments have been another area of focus with the development of the online trade portal, for convenient fast trade applications. Our reputation for meeting bespoke client mandates is growing, making us win the "Best Trade Services" award by Global Finance.

Commercial Bank is a market leader for credit card propositions in Qatar with over 51% market share (non-govt), over 14K POS locations, and more than QAR7bn spend from over 1 million cards. This year, we have also launched many new products and offerings including:

- CB Fawri, the merchant loyalty platform giving customers instant discounts, have provided customers more than QAR 2m in POS purchases.
- First in the market to launch Metal cards for LE customers and the Vertical card for Sadara Youth.
- More than 3 million taps made by the contactless payment platform, which is paving the way for future digital transactions.

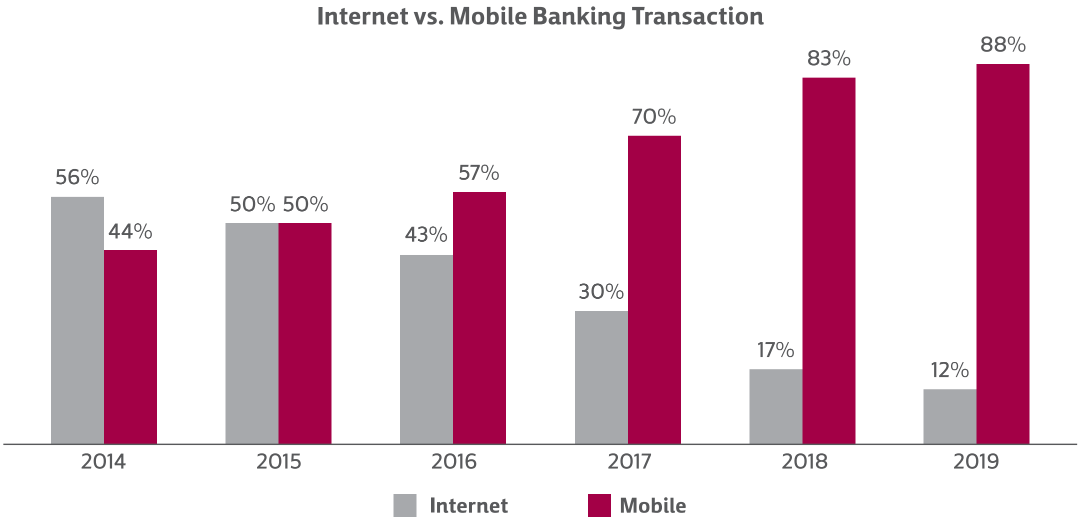
Modernizing the branch network to meet customer requirements

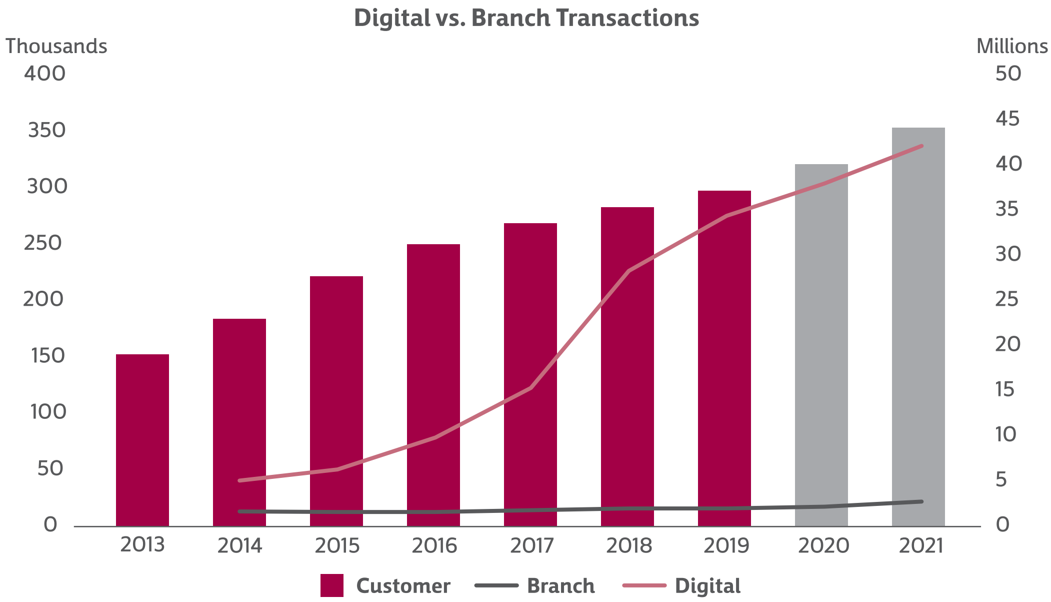
While digital technology is of critical importance to Commercial Bank and we fully embrace the global trend towards cashless transactions, our branch continues to be the favored banking channel for many of our customers. This year, we have introduced SMARTBanking to the Doha Metro. Conveniently located, the smaller sized bespoke branches feature predominantly automated services for speedy transactions but it also has some branch presence. We have established new premium suites for our Private Banking and Sadara customers that are tailored for individual attention, access to premium services and privacy. While our core branches are undergoing a modern look and feel upgrade to enhance our customer experiences. Heavy volume branches are being modified to high volume cash, cheque and mainstream services.

Commercial Bank wins "Best Cash Management Bank in Qatar" by Asian Banker

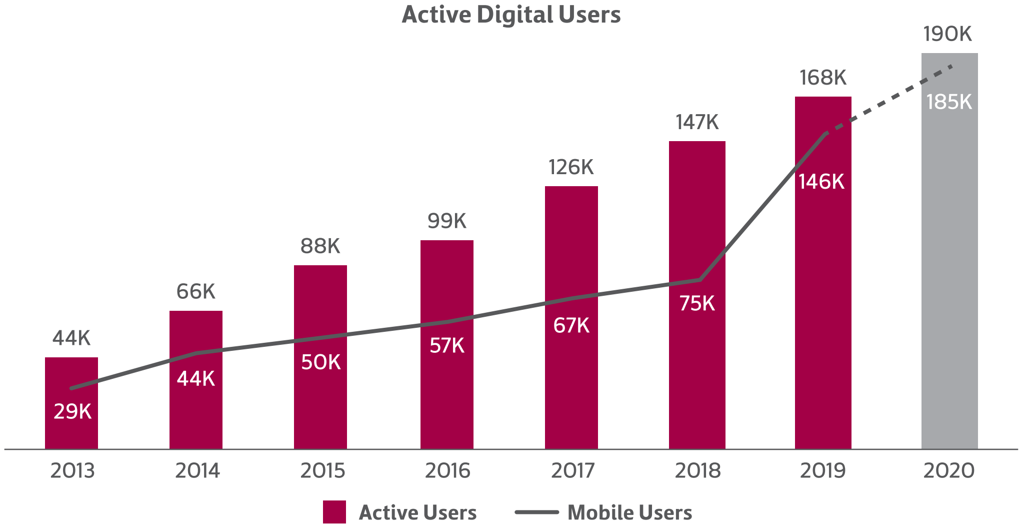
Commercial Bank wins "Best Trade Services" by Global Finance

Management Review of Operations continued

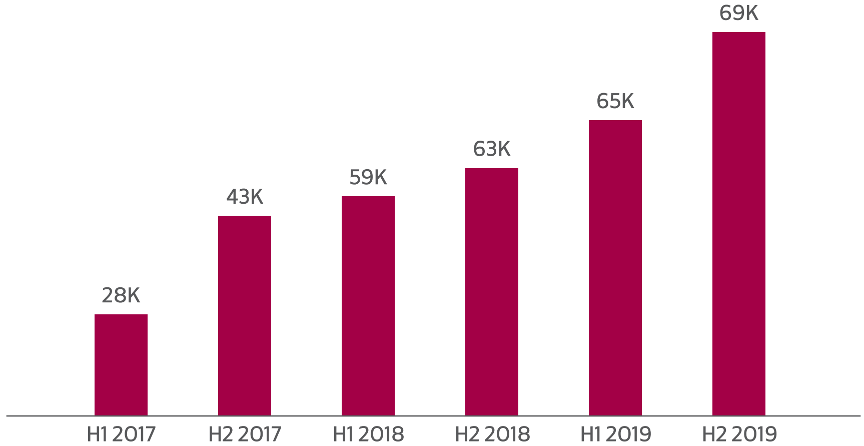




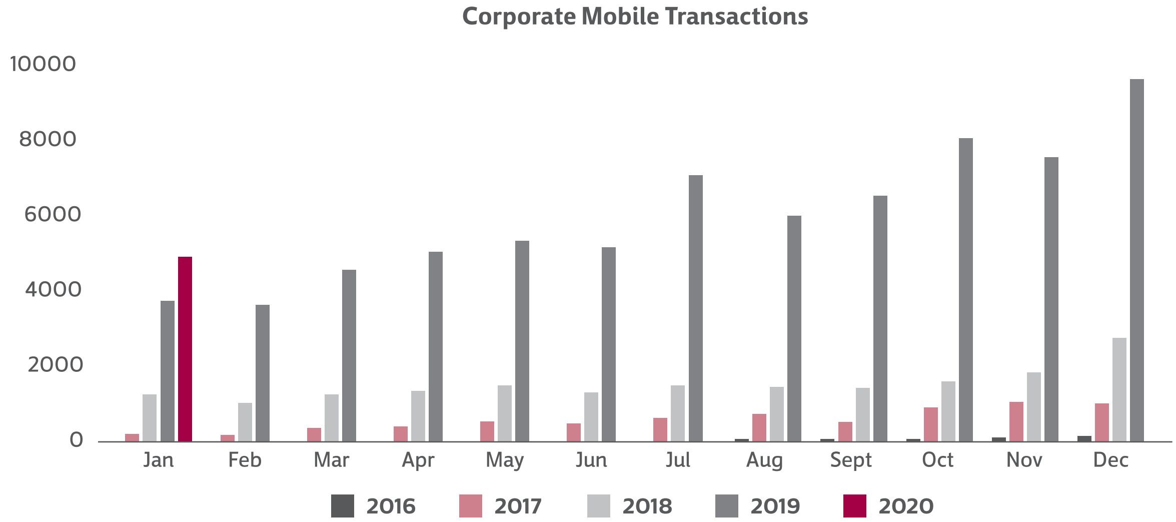
Active Digital Users

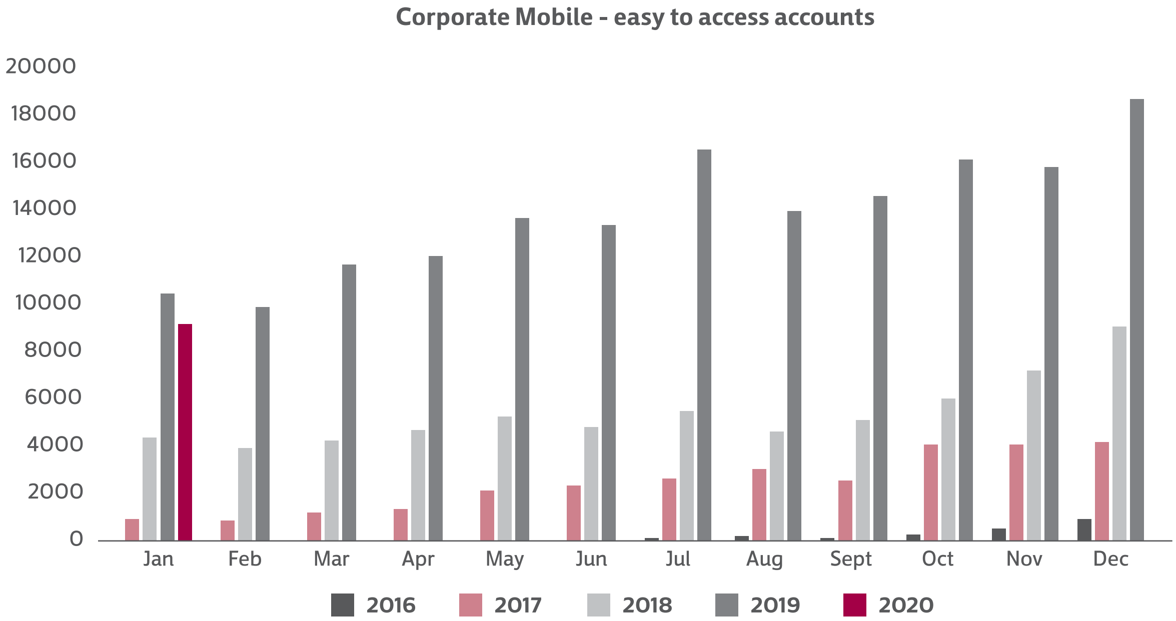


Biometric Registered Customers



Management Review of Operations continued





Acknowledgement

Commercial Bank's successful business performance in 2019 has only been possible through the dedication and hard work of our valued employees and the leadership team. We are also extremely grateful for the ongoing support and guidance provided by the Chairman, Vice Chairman and Managing Director and Members of the Board. Under their leadership, we have continued to achieve growth and have maintained our reputation of being one of Qatar's oldest and most successful banks for more than four decades.

In conclusion, we would like to express our sincere gratitude to His Highness Sheikh Tamim Bin Hamad Al Thani, Amir of the State of Qatar, for his visionary leadership of Qatar. We would also like to thank His Excellency the Prime Minister and Minister of the Interior, His Excellency the Minister of Finance, the Qatar Central Bank and the Ministry of Commerce and Industry for their continued guidance and support of the Bank throughout this past year.

The Qatar Central Bank, under the leadership of His Excellency the Governor Sheikh Abdullah Bin Saud Al Thani, has shown prudence with clear and consistent leadership of the banking industry enabling Qatar's financial sector to prosper. We are very proud of our success over the years and are optimistic about what the future will bring for Commercial Bank and for Qatar.

In 2019, Commercial Bank celebrated success and achievements that we are proud of. We recorded the highest annual net profit in the Bank's history, introduced technological innovations, launched ground-breaking products and services, and earned prestigious awards. With these achievements, we are ready to rise to the challenge and look forward to a prosperous and successful year ahead as we believe that "everything is possible."

The best is


yet to come

Corporate Governance

COMMERCIAL BANK'S CORPORATE GOVERNANCE REFLECTS OUR COMMITMENT TO COMPLY WITH LOCAL REGULATIONS AND INTERNATIONALLY ACCEPTED STANDARDS INCLUDING TRANSPARENT DISCLOSURE FOR THE BEST INTERESTS OF OUR STAKEHOLDERS.

Effective governance is, at its core, simply about doing the right things for stakeholders. It is enabled by having the right checks and balances throughout the organization to ensure that the right things are always done. It comprises the processes and structures which affect the way an organization is directed, managed and monitored and its activities are reported, including: the elements of internal control, ethics, various risk functions, policies and procedures, internal audit, external audit and formal committees that promote greater transparency and facilitate efficient and effective management for the best interests of stakeholders.

The Board of Directors firmly believes that good corporate governance is fundamental in ensuring the proper management of Commercial Bank in the interests of all of our stakeholders. We recognise that the way we interact with stakeholders is key for the success of our business and the transparent disclosure of our governance assists investors in their investment decisions.

Corporate Governance developments

During 2019, Commercial Bank's core governance documents were reviewed and updated, namely the Corporate Governance Charter, Board of Directors Charter and Board Committees Charter.

Commercial Bank aims to be a leading ESG company in Qatar and within its international peer group. Due to the nature of Commercial Bank's business, the governance component of ESG is especially critical for the interests of all our stakeholders, with the Bank's corporate governance best practices detailed in the Annual Corporate Governance Report 2019. In 2019 the Bank enhanced its ESG disclosure practices by participating in the QSE's voluntary ESG disclosure initiative. Commercial Bank's ESG data for 2017 to 2019 is publicly available via the QSE's Sustainability and ESG Dashboard. In partnership with a local provider, in 2019 Commercial Bank commenced recycling of paper printed in Bank premises, with segregated bins provided for the separation of paper, plastic and metal waste. Secure bins are also provided for the shredding and recycling of confidential paper waste.

Commercial Bank also received the "Best Corporate Governance in Qatar 2019" award by World Finance magazine based on the strength of our corporate governance framework and how this framework supports good governance.

Commercial Bank continued its progress in aligning and developing the governance of the Group's subsidiary, including changes in the board and committees of Alternatif Bank, in the context of board succession planning at the subsidiary level.

We regularly monitor developments in corporate governance guidelines, regulations and best practice standards in all jurisdictions relevant to our business operations. In 2019, the QFMA issued new investor relations rules with mandatory requirements on listed companies as part of the QSE's efforts to further develop the investor relations environment including appointing a dedicated IRO, hosting a dedicated investor relations section on the Bank's website and holding quarterly investor conference calls.

In 2019, Commercial Bank established four new internal Management Committees involved in the day-to-day management of the Bank due to governance requirements and the changing nature of the Bank's operations. The new Management Committees are the Operational Risk Committee, Technology Risk Committee, Information Security Committee and Compliance Risk Committee.

Refer to "Management Committees" section in the Annual Corporate Governance Report for further information.

Corporate Governance framework

The Board understands that sound corporate governance principles and practices are fundamental to maintaining the trust of its stakeholders, which is also critical in business growth, sustainability and profitability. The Board is committed to implement the corporate governance principles of justice, equality among stakeholders without discrimination, transparency and disclosure, while upholding the values of corporate social responsibility and acting in the public interest of Commercial Bank and stakeholders over their personal interests, as well as performing their duties, tasks and functions in good faith, integrity, honour and sincerity.

The implementation of these principles is driven by a qualified Board aided by a seasoned and experienced Executive Management team. The Board ensures that the Bank adheres to these corporate governance principles in its day-to-day activities at all times.

Refer to "Board of Directors" section in the Annual Corporate Governance Report for further information.

Commercial Bank's Code of Conduct provides a clear statement of our conduct expectations and ethical values, supported by our conduct and ethics standards.

Refer to "Governance Framework" section in the Annual Corporate Governance Report for further information.

Corporate Governance continued

Our governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the respective Board Committees, the Group CEO, CRO, and the board of directors of the Bank's subsidiaries, in accordance with their respective responsibilities and levels of authority.

Refer to "Board of Directors" and "Board Committees" sections in the Annual Corporate Governance Report for further information.

The main rules, procedures and practical application of Commercial Bank's governance are contained in the Bank's Corporate Governance Charter, Board of Directors Charter and Board Committees Charter. These charters reflect Commercial Bank's long-standing ethical governance practices and the regulatory requirements mandated by:

- guidelines and instructions issued by the Qatar Central Bank on 26 July 2015 by virtue of Circular No. 68/2015 (QCB Corporate Governance Guidelines);
- the Commercial Companies Law promulgated by Law No. 11 of 2015 (CCL); and
- the Governance Code for Companies and Legal Entities Listed on the Main Market issued by Qatar Financial Markets Authority pursuant to Decision No. 5 of 2016 (QFMA Corporate Governance Code).

These charters also follow the recommendations of international best practice for corporate governance developed by leading international frameworks.

Complying with rules and regulations

We fully adhere to the principles set out in the QCB Corporate Governance Guidelines and to the provisions of the QFMA Corporate Governance Code as at 31 December 2019.

The detailed Annual Corporate Governance Report 2019 is an attachment to this Annual Report, forms an integral part of it, and is presented to shareholders for approval at the Bank's AGM in 2020. The Annual Corporate Governance Report 2019 can also be viewed on Commercial Bank's website at www.cbq.qa

2019

Consolidated Financial Statements
31 December 2019

Independent Auditor's Report

To the Shareholders of The Commercial Bank (P.S.Q.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Commercial Bank (P.S.Q.C.) (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>1. Impairment of loans and advances to customers</td><td></td></tr>
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The process for estimating impairment provision on credit risk associated with loans and advances in accordance with IFRS 9 Financial instruments (IFRS 9) involves significant judgement.
IFRS 9 requires use of the Expected Credit Loss (“ECL”) model for the purposes of calculating impairment provision. ECL model requires the Group to exercise significant judgement using subjective assumptions when determining both the timing and the amounts of ECL for loans and advances. Due to the complexity of requirements under IFRS 9, significance of judgements applied and the Group’s exposure to loans and advances forming a major portion of the Group’s assets, the audit of ECL for loans and advances is a key audit matter.
As at 31 December 2019, the Group’s gross loans and advances amounted to QR 90,923 million and the related allowances for impairment amounted to QR 3,686 million, comprising QR 935 million of ECL against Stage 1 and 2 exposures and QR 2,751 million against exposures classified under Stage 3.
The basis of calculation of ECL is presented in the summary of significant accounting policies and notes 4 (b) and 10 to the consolidated financial statements.
</td><td>
Our audit procedures in this area focused on the following key areas:

We assessed:

the Group’s IFRS 9 based impairment provisioning policy including significant increase in credit risk criteria with the requirements of IFRS 9;
Group’s ECL modeling techniques and methodology against the requirements of IFRS 9; and
the theoretical soundness and tested the mathematical integrity of the models.

We obtained an understanding of the design and tested the operating effectiveness of relevant controls over the credit process and ECL model.
We have also tested completeness and accuracy of the data used and reasonableness of the management assumptions, involving specialists where needed.
We understood and assessed the significant modeling assumptions for exposures.
For a sample of exposures, we performed procedures to evaluate:

Appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL;
Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group’s staging; and
The ECL calculation.

Assessed the impairment allowance for individually impaired loans and advances (stage 3) in accordance with IFRS.

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Independent Auditor's Report continued

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
2. Impairment of investments in associates	
The determination of recoverable amounts of the Group's investments in associates relies on management's estimates of future cash flows and their judgment with respect to the associates' performance. Due to the uncertainty of forecasting and discounting future cash flows, the level of management's judgement involved and the significance of the Group's investment in associates, this audit area is considered as a key audit matter. As at 31 December 2019, the Group's investment in associates amounted to QR 4,021 million. Refer to the significant accounting policies and note 12 to the consolidated financial statements.	Our audit procedures focused on the following key areas: • We obtained the calculation of recoverable amounts of the Group's investments in associates. • With the assistance of our own specialists, we assessed the assumptions and compared the estimates used to externally available industry, economic and financial data and methodologies used by the management to determine the recoverable amount of the investments in associates. • We assessed the forecasts of future cash flows prepared by management. • Discussions with management on the performance of the associates and their future outlook.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's annual report (the "Annual Report"), but does not include the Bank's consolidated financial statements and our auditor's report thereon. The Bank's 2019 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of Qatar Central Bank regulations, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report continued

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We have obtained all the information and explanations, which we considered necessary for the purpose of our audit. We have read the report of the Board of Directors to be included in the Annual Report and the financial information contained therein is in agreement with the books and records of the Bank. We confirm that we are not aware of any contraventions by the Bank of its Articles of Association and the amendments thereto, the applicable provisions of Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015, having occurred during the financial year which might have had a material effect on the Bank's consolidated financial position or performance as at and for the year ended 31 December 2019.

Ahmed Sayed
of Ernst & Young
Qatar Auditors Registry Number 326
Doha - State of Qatar
Date: 26 February 2020

Consolidated Statement of Financial Position

QAR '000s

As at 31 December	Notes	2019	2018 (Restated)
ASSETS			
Cash and balances with central banks	8	6,075,044	6,729,798
Due from banks	9	12,396,433	9,474,893
Loans and advances to customers	10	88,009,448	84,642,464
Investment securities	11	26,844,226	22,206,077
Investment in associates and a joint arrangement	12	4,021,239	4,512,940
Property and equipment	14	2,853,712	2,718,913
Intangible assets	15	236,377	283,049
Other assets	16	7,100,005	4,359,615
TOTAL ASSETS		**147,536,484**	134,927,749
LIABILITIES			
Due to banks	17	22,530,782	13,950,459
Customer deposits	18	76,296,592	71,785,783
Debt securities	19	9,524,590	16,071,746
Other borrowings	20	12,043,167	8,379,734
Other liabilities	21	5,385,126	4,883,568
TOTAL LIABILITIES		**125,780,257**	115,071,290
EQUITY			
Share capital	22	4,047,254	4,047,254
Legal reserve	22	9,841,333	9,745,152
General reserve	22	26,500	26,500
Risk reserve	22	1,421,236	886,151
Fair value reserve	22	600,094	(96,333)
Treasury shares	22	(38,860)	(179,507)
Foreign currency translation reserve	22	(1,946,677)	(1,816,866)
Other reserves	22	859,893	959,764
Revaluation reserve	22	1,283,920	1,283,920
Retained earnings		1,661,524	1,000,413
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**17,756,217**	15,856,448
Non-controlling interests		10	11
Instruments eligible for additional capital	22	4,000,000	4,000,000
TOTAL EQUITY		**21,756,227**	19,856,459
TOTAL LIABILITIES AND EQUITY		**147,536,484**	134,927,749

The consolidated financial statements were approved by the Board of Directors on 29th January 2020 and were signed on its behalf by:

Sheikh Abdulla Bin Ali Bin Jabor Al Thani
Chairman

Mr. Hussain Ibrahim Alfardan
Vice Chairman

Mr. Joseph Abraham
Group Chief Executive Officer

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

Consolidated Income Statement

QAR '000s

For the year ended 31 December	Notes	2019	2018 (Restated)
Interest income	25	6,795,410	6,077,322
Interest expense	26	(3,832,227)	(3,595,000)
Net interest income		**2,963,183**	2,482,322
Fee and commission income	27	1,289,220	1,117,965
Fee and commission expense	28	(374,374)	(360,727)
Net fee and commission income		**914,846**	757,238
Net foreign exchange gain	29	281,045	202,247
Net income from investment securities	30	68,993	(18,826)
Other operating income	31	118,578	85,576
Net operating income		**4,346,645**	3,508,557
Staff costs	32	(796,352)	(676,466)
Depreciation	14	(149,994)	(129,227)
Amortization of intangible assets	15	(55,023)	(54,749)
Net impairment reversal/(losses) on investment securities		6,797	(399)
Net impairment losses on loans and advances to customers	10	(594,427)	(927,164)
Net impairment (losses)/reversal on other financial assets		(66,108)	92,055
Impairment on Investment in an Associate		(413,881)	-
Other expenses	33	(226,644)	(312,893)
Profit before share of results of associates and a joint arrangement		**2,051,013**	1,499,714
Share of results of associates and a joint arrangement	12	(6,799)	181,483
Profit before tax		**2,044,214**	1,681,197
Income tax expense		(23,173)	(7,272)
Profit for the year		**2,021,041**	1,673,925
Attributable to:			
Equity holders of the bank		2,021,040	1,673,924
Non-controlling interests		1	1
Profit for the year		**2,021,041**	1,673,925
Earnings per share			
Basic/diluted earnings per share (QAR)	34	**0.44**	0.35

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

Consolidated Statement of Comprehensive Income

QAR '000s

For the year ended 31 December	Notes	2019	2018 (Restated)
Profit for the year		**2,021,041**	1,673,925
Other comprehensive income for the year:			
Items that are, or may be subsequently reclassified to profit or loss:			
Foreign currency translation differences from foreign operation	23	(129,811)	(432,940)
Share of other comprehensive income of investment in associates and a joint arrangement	23	28,059	(24,959)
Net movement in cash flow hedges-effective portion of changes in fair value	23	9,053	24,436
Net change in fair value of investments in debt securities designated at FVOCI :	23		
Net change in fair value		663,769	2,128
Net amount transferred to consolidated statement of income		(9,091)	(10,001)
Items that may not be subsequently reclassified to profit or loss:			
Net change in fair value of equity investments designated at FVOCI	23	(34,072)	(19,484)
Share of other comprehensive income of investment in associates and a joint arrangement	23	(6,008)	(5,423)
Revaluation reserve on land and buildings	23	-	19,126
Other comprehensive income /(loss) for the year		**521,899**	(447,117)
Total comprehensive income for the year		**2,542,940**	1,226,808
Attributable to:			
Equity holders of the bank		2,542,939	1,226,807
Non-controlling interests		1	1
Total comprehensive income for the year		**2,542,940**	1,226,808

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserve
Balance as at 1 January 2019		4,047,254	9,745,152	26,500	886,151	(96,333)
Profit for the year		-	-	-	-	-
Other comprehensive income		-	-	-	-	651,710
Total comprehensive income for the year		-	-	-	-	651,710
Transfer to legal reserve	22	-	8,803	-	-	-
Transfer to risk reserve		-	-	-	535,085	-
FVOCI instrument loss transferred to Retained earnings	22	-	-	-	-	44,717
Dividend for instruments eligible for additional capital	22	-	-	-	-	-
Net movement in other reserve		-	-	-	-	-
Provision for Sports and Social Activities Support Fund	24	-	-	-	-	-
Movement in treasury shares	22	-	87,378			
Transactions with equity holders, recognised directly in equity						
Contributions by and distributions to equity holders of the bank:						
Dividends for the year 2018	22	-	-	-	-	-
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-
Net movement in non-controlling interests		-	-	-	-	-
Balance as at 31 December 2019		**4,047,254**	**9,841,333**	**26,500**	**1,421,236**	**600,094**

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

QAR '000s

Treasury shares	Foreign currency translation reserve	Other reserves	Revaluation reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instruments eligible for additional capital	Total equity
(179,507)	(1,816,866)	959,764	1,283,920	1,000,413	15,856,448	11	4,000,000	19,856,459
-	-	-	-	2,021,040	2,021,040	1	-	2,021,041
-	(129,811)	-	-	-	521,899	-	-	521,899
-	(129,811)	-	-	2,021,040	2,542,939	1	-	2,542,940
-	-	-	-	(8,803)	-	-	-	-
-	-	-	-	(525,000)	10,085	-	-	10,085
-	-	-	-	(44,717)	-	-	-	-
-	-	-	-	(240,000)	(240,000)	-	-	(240,000)
-	-	(99,871)	-	99,871	-			
-	-	-	-	(50,526)	(50,526)	-	-	(50,526)
140,647	-	-	-	16,334	244,359	-	-	244,359
-	-	-	-	(607,088)	(607,088)	-	-	(607,088)
-	-	-	-	(607,088)	(607,088)	-	-	(607,088)
-	-	-	-	-	-	(2)	-	(2)
(38,860)	**(1,946,677)**	**859,893**	**1,283,920**	**1,661,524**	**17,756,217**	**10**	**4,000,000**	**21,756,227**

Consolidated Statement of Changes in Equity continued

For the year ended 31 December 2018	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserve (Restated)
Balance as at 1 January 2018		4,047,254	9,742,066	26,500	1,890,408	(44,500)
Transition adjustments on adoption of IFRS 9 on 1 January 2018 (Restated)		-	-	-	(1,529,257)	(18,530)
Balance as at 1 January 2018 (Restated)		4,047,254	9,742,066	26,500	361,151	(63,030)
Profit for the year (Restated)		-	-	-	-	-
Other comprehensive loss (Restated)	22	-	-	-	-	(33,303)
Total comprehensive income for the year (Restated)		-	-	-	-	(33,303)
Transfer to legal reserve	22	-	3,086	-	-	-
Transfer to risk reserve		-	-	-	525,000	-
Net movement in other reserves and fair value reserve (Restated)		-	-	-	-	-
Dividend for Instruments eligible for additional capital	22	-	-	-	-	-
Provision for Sports and Social Activities Support Fund	24	-	-	-	-	-
Transactions with equity holders, recognised directly in equity						
Contributions by and distributions to equity holders of the bank:						
Dividends for the year 2017	22	-	-	-	-	-
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-
Net movement in non-controlling interests		-	-	-	-	-
Balance as at 31 December 2018		4,047,254	9,745,152	26,500	886,151	(96,333)

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

QAR '000s

	Treasury shares	Foreign currency translation reserve	Other reserves (Restated)	Revaluation reserve	Retained earnings (Restated)	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instruments eligible for additional capital	Total equity
	(179,507)	(1,383,926)	1,064,189	1,264,794	594,226	17,021,504	15	4,000,000	21,021,519
	-	-	(209,281)	-	51,510	(1,705,558)	-	-	(1,705,558)
	(179,507)	(1,383,926)	854,908	1,264,794	645,736	15,315,946	15	4,000,000	19,315,961
	-	-	-	-	1,673,924	1,673,924	1	-	1,673,925
	-	(432,940)	-	19,126	-	(447,117)	-	-	(447,117)
	-	(432,940)	-	19,126	1,673,924	1,226,807	1	-	1,226,808
	-	-	-	-	(3,086)	-	-	-	-
	-	-	-	-	(525,000)	-	-	-	-
	-	-	104,856	-	(104,856)	-	-	-	-
	-	-	-	-	(240,000)	(240,000)	-	-	(240,000)
	-	-	-	-	(41,580)	(41,580)	-	-	(41,580)
	-	-	-	-	(404,725)	(404,725)	-	-	(404,725)
	-	-	-	-	(404,725)	(404,725)	-	-	(404,725)
	-	-	-	-	-	-	(5)	-	(5)
	(179,507)	(1,816,866)	959,764	1,283,920	1,000,413	15,856,448	11	4,000,000	19,856,459

Consolidated Statement of Cash Flows

QAR '000s

For the year ended 31 December	Notes	2019	2018 (Restated)
Cash flows from operating activities			
Profit before tax		2,044,214	1,681,197
Adjustments for:			
Net impairment losses on loans and advances to customers		594,427	927,164
Impairment (reversal) / losses on investment securities		(6,797)	399
Net impairment losses / (reversal) on other financial assets		66,108	(92,055)
Depreciation	14	149,994	129,227
Amortization of intangible assets and transaction costs		90,926	97,592
Gain on Sale of Treasury shares		(87,378)	-
Net (gain) / loss income on investment securities	30	(64,642)	24,131
Gain on disposal of property and equipment		3,902	(91)
Impairment on Investment in an Associate		413,881	-
Share of results of associates and a joint arrangement	12	6,799	(181,483)
Operating profit before working capital changes		**3,211,434**	2,586,081
Working capital changes			
Change in due from banks		(3,845,259)	908,197
Change in loans and advances to customers		(5,821,742)	(898,316)
Change in other assets		(2,341,566)	(1,322,483)
Change in due to banks		10,167,792	673,265
Change in customer deposits		5,702,956	(3,148,142)
Change in other liabilities		490,037	522,206
Contribution to social and sports fund		(41,580)	(15,091)
Net cash flows from / (used in) operating activities		**7,522,072**	(694,283)
Cash flows from investing activities			
Acquisition of investment securities		(8,620,481)	(7,323,607)
Investment in associate participating in right issue		-	(272,491)
Proceeds from sale of treasury shares		228,025	-
Dividend received from associates and a joint arrangement	12	93,072	76,627
Proceeds from sale/maturity of investment securities		4,255,059	3,977,082
Acquisition of property and equipment and intangible assets	14&15	(157,359)	(286,431)
Proceeds from the sale of property and equipment and other assets		6,801	4,184
Net cash flows used in investing activities		**(4,194,883)**	(3,824,636)

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

Consolidated Statement of Cash Flows continued

QAR '000s

For the year ended 31 December	Notes	2019	2018 (Restated)
Cash flows from financing activities			
Proceeds from issue of debt securities	19	3,486,978	9,508,091
Repayment of debt securities	19	(9,932,780)	(5,055,194)
Repayment of other borrowings	20	(3,735,723)	(6,634,330)
Proceeds from other borrowings	20	7,793,321	6,583,404
Payment of Lease Liability		(39,499)	-
Payment on Coupon of instrument eligible for Tier 1 Capital		(240,000)	(240,000)
Dividends paid (note 16)		(607,088)	(404,725)
Net cash flows (used in) / from financing activities		**(3,274,791)**	3,757,246
Net increase / (decrease) in cash and cash equivalents		52,398	(761,673)
Effect of exchange rate fluctuation		19,027	424,784
Cash and cash equivalents as at 1 January		9,984,546	10,321,435
Cash and cash equivalents at the end of the year	36	**10,055,971**	9,984,546
Net cash flows from interest and dividend:			
Interest paid		3,829,417	3,455,544
Interest received		6,916,197	5,864,966
Dividend received		4,350	5,305

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

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

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

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Capital of the subsidiary	Activity of the subsidiary	Percentage of ownership	
				2019	2018
Alternatifbank A.S. ("ABank")	Turkey	TRY 1,730,655,000	Banking services	100%	100%
Commercial Bank Financial Services (L.L.C.)	Qatar	QAR 100,000,000	Brokerage services	100%	100%
CBQ Finance Limited	Bermuda	US$ 1,000	Debt issuance for the Bank	100%	100%

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The Group presents its consolidated statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement of assets/liabilities within twelve months after the end of the reporting date ("current") and more than twelve months after the reporting date ("non-current") is presented in Note 4(c) (iii).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are measured at fair value:

- derivative financial instruments;
- investments measured at fair value through profit or loss ('FVTPL');
- other financial assets designated at fair value through profit or loss ('FVTPL');
- financial investment measured at fair value through other comprehensive income ('FVOCI');
- land and buildings; and
- the carrying values of recognised assets and liabilities that are hedged items in quantifying fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

2. BASIS OF PREPARATION (continued)

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) New standards, amendments and interpretations

New standards, amendments and interpretations effective from 1 January 2019

The following standards, amendments and interpretations, which became effective as of 1 January 2019, are relevant to the Group:

IFRS 16 Leases	01-Jan-19
IFRIC 23 Uncertainty over Income Tax Treatment	01-Jan-19
IFRS 9 (Amendments) Prepayment Features with Negative Compensation	01-Jan-19
IFRS 9/IAS 39 and IFRS (Amendments) Interest Rate Benchmark Reform	01-Jan-19

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

(i) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exception are short-term and low-value leases.

The Group has applied the standard from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts, prior to the date of the standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) New standards, amendments and interpretations (continued)

(i) IFRS 16 Leases (continued)

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

- Used the Group's previous assessment of which existing contracts are or contain lease;
- Where the unexpired lease term of less than 12 months or leases are of low value (USD 5,000 or less), then the Group has elected to use the short term lease exemption.

The Group's activities as a lessor are not material and there is no significant impact on the financial statements.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019.

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

	31 December 2019	1 January 2019
Right of use Asset (Property & Equipment)	132,616	142,020
Lease Liability (Other Liabilities)	133,333	130,373

	31 December 2019
Depreciation charge for Right of Use Asset	34,220
Interest expense on lease liabilities	11,149

Standards issued but not yet effective

A number of standards and amendments to standards are issued but not yet effective and the Group has not adopted these in the preparation of these consolidated financial statements. The below standards may have a significant impact on the Group's consolidated financial statements, however, the Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates.

Amendments to IFRS 3: Definition of a Business
Amendments to IAS 1 and IAS 8: Definition of Material

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred of any non-controlling interest and the acquisition-date fair value of any previous equity interest over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income.

Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

(ii) Non-controlling interests (NCI)

In accordance with IFRS 3, for each business combination, the acquirer can measure, at the acquisition date, components of NCI in the acquired business that represent ownership interests and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation at either:

(a) fair value on the acquisition date; or
(b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

NCI is measured only on initial recognition. The Group measures the NCI at fair value, including its share of goodwill.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The accounting policies of subsidiaries are consistent with the accounting policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(iv) Transactions eliminated on consolidation

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) Associates and joint arrangements

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

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

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

The Bank performs impairment assessment of investment in associates on an annual basis. Impairment testing involves calculating the value in use (VIU) by estimating the present values of future cash flows based on management's estimates of future earnings available to ordinary shareholders and observable market inputs. Where the carrying amount exceeds the VIU, an impairment would be recognized in the statement of income and the carrying amount will be reduced.

Intergroup gains on transactions between the Group and its associates and joint arrangement are eliminated to the extent of the Group's interest in the associates and joint arrangements. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates' financial statements are being prepared using similar accounting policies and period end as the parent.

(vi) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in Note 38.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign Currency

(i) Foreign currency transactions and balances

Foreign currency transactions that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(ii) Foreign operations

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in equity and NCI as 'foreign currency translation reserve". When the Group has any foreign operation that is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

(d) Financial assets and financial liabilities

(i) Recognition and initial measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(ii) Classification

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated.

The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

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

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

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

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The reclassification takes place from the start of the first reporting period following the change.

Financial liabilities

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

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(iii) Derecognition (continued)

A financial asset (in whole or in part) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

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

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

(iv) Modification of financial assets and liabilities

Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

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

Financial Liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(v) Offsetting

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

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

(vi) Measurement principles

- **Amortized cost measurement**

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

- **Fair value measurement**

  'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

  When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

  If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

  The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

  If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(vi) Measurement principles (continued)

- **Fair value measurement** (continued)
  Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

  The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

(vii) Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

The Group applies three-stage approach to measure expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL - not credit impaired Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, ECL are recognised on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date. Interest is computed on the gross carrying amount of the asset.

Stage 2: Lifetime ECL - not credit impaired Stage 2 includes financial assets that have had a significant increase in credit risk (SICR) since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Stage 3: Lifetime ECL - credit impaired Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Measurement of ECL

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

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

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Cash and cash equivalents includes amounts due from banks and with an original maturity of 90 days or less.

(f) Loans and advances to customers

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

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

(g) Investment Securities

The 'investment securities' include:

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

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

- Interest income using the effective interest method;
- Expected credit losses and reversals; and
- Foreign exchange gains and losses.

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

The Group elects to present in OCI changes in the fair value of certain investments in equity. The election is made on an instrument by instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never subsequently reclassified to consolidated income statement, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in consolidated income statement, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Derivatives

(i) Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships.

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

The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Fair value hedges

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

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss as a reclassification adjustment.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'Other gains/ (losses) – net'.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Derivatives

(i) Derivatives held for risk management purposes and hedge accounting (continued)

Cash flow hedge (continued)
Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'Other gains/ (losses) – net'.

(ii) Derivatives held for trading purposes

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

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, if any, except for land and building which are subsequently measured at fair value.

Revaluations of freehold land and buildings are carried out by an independent valuer. Net surpluses arising on revaluation are credited to a revaluation reserve, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. A decrease as a result of a revaluation is recognised as an expense, except that it is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. On disposal the related revaluation surplus is credited to retained earnings.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

The depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land and Capital work in progress are not depreciated.

During 2019, the Group conducted a useful economic life review of the buildings, which resulted in changes in the useful life of certain buildings.

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

Buildings	20 - 30 years
Leasehold improvements	6 - 10 years
Furniture and equipment	3 - 8 years
Motor vehicles	5 years

(vi) Right-of-use assets (Leases)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases less than 12 months and leases of low-value assets (USD 5,000 or less). The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	2 - 40 years

Notes to the Consolidated Financial Statements continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property and equipment (continued)

(vi) Right-of-use assets (Leases) (continued)

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date. Right-of-use assets are subject to impairment in line with the policy for the impairment of non-financial assets.

The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

(j) Impairment of goodwill and intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

The estimated useful economic life of intangible assets with finite lives are; Brand 18 to 19 years, Customer relationship 11 to 12 years, Core deposit 13 to 16 years and Internally developed software and others 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of goodwill and intangible assets (continued)

(ii) Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(k) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Provisions

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

(m) Financial guarantee contract and loan commitments

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

(n) Employee benefits

Defined contribution plans

The Bank provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included in staff cost in the consolidated income statement. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefits (continued)

Defined benefit plan

The Bank makes provision for end of service benefits payable to its expatriate employees on the basis of the employees' length of service in accordance with the employment policy of the Bank and the applicable provisions of the Labour Law. This provision is included in other provisions as part of other liabilities in the consolidated statement of financial position. The expected costs of these benefits are accrued over the period of employment.

Alternatifbank, under Turkish Labour Law, is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires. There are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary subject to a maximum threshold per employee for each year of service. There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

Employees (including senior management) of the Bank receive remuneration in the form of share-based payments, whereby employees are granted share appreciation rights, which are settled in cash (cash settled transactions).

Cash settled transactions

The cost of cash settled transactions is measured at fair value at the grant date using Black Scholes model, further details of which are given in Note 21. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense Note 32. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

(o) Share capital and reserves

(i) Share issue costs

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

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's equity holders.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Interest income and expense

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

For the financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense include:

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

Interest income on investment (debt) securities measured at FVOCI and measured at amortised cost is calculated using effective interest rate method and is also included in interest income.

(q) Fee and commission income and expense

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income from investment securities

Gains or losses on the disposal of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

Unrealised gains or losses on fair value changes from remeasurement of investment securities classified as held for trading or designated as fair value through profit or loss are recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated income statement on derecognition of such securities.

(s) Dividend income

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

(t) Income tax expenses

Taxes are calculated based on tax laws and regulations in the countries in which the Group operates. Tax is recognized based on an evaluation of the expected tax charge/credit. Income tax and deferred tax mainly arising from Alternatif bank operations.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

(u) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer of the Bank as its chief operating decision maker.

All transactions between operating segments are conducted on an arm's length basis directly associated with each segment are included in determining operating segment performance.

(w) Fiduciary activities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Repossessed collateral

Repossessed collaterals in settlement of customers' debts are stated under "Other assets" at carrying value of debts or fair value if lower. According to QCB instructions, the Group should dispose of any land and properties acquired in settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended with the approval of QCB.

(y) Comparatives

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

4. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Group's business involves taking risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Financial instruments

Financial instruments comprise the Group's financial assets and liabilities. Financial assets include cash and balances with Central banks, due from banks, loans and advances, investment securities, derivative financial assets and certain other assets and financial liabilities include customer deposits, borrowings under repurchase agreements and interbank takings, debt issued and other borrowed funds, derivative financial liabilities and certain other liabilities. Financial instruments also include rights and commitments included in off- balance sheet items.

Note 3(d) describes the accounting policies followed by the Group in respect of recognition and measurement of the key financial instruments and their related income and expense.

Risk management

The Group derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations. Market risk, which includes foreign currency, interest rate risks and other price risks, is the risk of fluctuation in asset and commodity values caused by changes in market prices and yields. Liquidity risk results in the inability to accommodate liability maturities and withdrawals, fund asset growth or otherwise meet contractual obligations at reasonable market rates. Operational risk is the potential for loss resulting from events involving people, processes, technology, legal issues, external events or execution or regulatory issues.

4. FINANCIAL RISK MANAGEMENT (continued)

a) Introduction and overview (continued)

Risk and other committees

The governance structure of the Group is headed by the Board of Directors. The Board of Directors evaluates risk by engaging with the Group Chief Executive Officer and Chief Risk Officer along with the following Board and Management Committees:

1) Board Risk Committee is responsible for all aspects of risk management across the Group including but not restricted to credit risk, market risk, and operational risk. This committee sets the policy on all risk issues and maintains oversight of all Group risks through the Management Risk Committee.

2) Board Audit and compliance Committee is responsible for setting the policy on all audit issues and maintains oversight of all Bank audit issues through the Chief Internal Auditor. In addition, the committee is also responsible for compliance & anti-money laundering which is managed through the Chief Compliance Officer.

3) Board Executive Committee is responsible for evaluating and granting credit facilities and approval of the Group's investment activities within authorized limits per Qatar Central Bank and Board of Directors' guidelines. In addition, this committee is also responsible for all policies and strategies of the business and compliance of corporate governance.

4) Management Credit Committee (MCC) is the third highest-level authority on all Counterparty Credit Risk Exposures, after the Board of Directors and Board Executive Committee. The MCC also is responsible for watch list and non performing assets to minimize risks, prevent losses, maximize recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions. MCC exercises its credit authorisation as conferred upon them by the Delegation of Authority ("DoA") as approved by the Board.

5) Management Risk Committee is the highest management authority on all risk related issues in the Group and its subsidiaries and affiliates in which it has strategic investments. This committee provides recommendations on all risk policy and portfolio issues to the Board Risk Committee.

6) Asset and Liability Committee (ALCO) is a management committee which is a decision making body relating to Asset and Liability management (i.e. balance sheet structure, funding, pricing, hedging, setting limits etc.). Under the overall risk management framework, ALCO is a key component of risk management within the Bank.

7) Investment Committee (IC) is the decision making committee for Bank's investment activities, with a view to optimize returns, ensuring that the investment book provides a liquidity buffer for the bank and mitigate market risk attached to the nature of targeted investment.

8) Crisis Management Committee (CMC) is the authority for management of a crisis, entailing business continuity, prevention, planning, testing, and evaluation. The CMC's objective is to mitigate and minimize the consequences of crisis events.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize the Group's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Loans and advances are the largest sources of credit risk for the Group. Other sources of credit risk exist throughout the activities of the Group, including in the banking book and in the trading book, and both on and off the balance sheet. The Group also faces credit risk (or counterparty risk) in various financial instruments other than loans, including: acceptances, interbank transactions, trade financing, foreign exchange transactions, derivative instruments, and in the extension of commitments and guarantees, as well as the settlement of transactions. The Group maintains well defined, written policies and procedures for identifying, measuring, monitoring, and controlling credit risk, governing credit-granting activities in conformance with the risk appetite and limits defined by the Board. All extensions of credit are made on an arm's length basis in accordance with the Group's credit-granting approval process by a combination of authorized individuals, groups or credit committees, depending on the size and nature of the credit, who have the experience, knowledge and background to exercise prudent judgement in assessing, approving and managing credit risks.

(i) Credit risk measurement

1. Loans and advances

The Group's aim is to maintain a sound asset portfolio by optimizing its loan mix. This is being achieved through a strategy of reducing exposure to non-core client relationships while selectively increasing the size of the consumer portfolio comprising of consumer loans, vehicle loans, credit cards and residential mortgages. In measuring credit risk of loan and advances to customers and to banks, the Group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

(i) The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They combine statistical analysis along with the business relationship officers and credit risk officers assessment and are independently validated. Clients of the Group are segmented based on a 10-point rating scale (22 notches including modifiers) for the corporate book and product based application scores for the retail products. The Group's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, the probability of default changes with the migration of ratings. The rating tools are kept under review and upgraded as necessary.

The ratings of the major rating agency are mapped to Group's rating grades based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the carrying value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur. For undrawn facilities, the Group applies credit conversion factors that are prescribed by Qatar Central Bank and are aligned to Bank of International Settlements (BIS) guidelines.

(iii) Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Credit risk measurement (continued)

2. Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's and Moody's ratings or their equivalents are used by Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to improve the overall asset quality, enhance yield and provide a readily available source to meet the funding requirement.

(ii) Risk limit control and mitigation policies

Portfolio diversification

Portfolio diversification is an overriding principle, therefore, the credit policies are structured to ensure that the Group is not over exposed to a given client, industry sector or geographic area. To avoid excessive losses if any single counter-party is unable to fulfil its payment obligations, large exposure limits have been established per credit policy following the local regulations. Limits are also in place to manage exposures to a particular country or sector. These risks are monitored on an ongoing basis and subject to an annual or more frequent review, when considered necessary.

Collateral

In order to proactively respond to credit deterioration, the Group employs a range of policies and practices to mitigate credit risk.

The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Lending against lien marked deposits;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; working capital credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Credit-related commitments (continued)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as at the reporting date. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honours its obligation but the counterparty fails to deliver the counter-value.

(iii) Maximum exposure to credit risk before collateral held or other credit enhancements

(Figures in QAR '000s)

	2019	2018
Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows:		
Balances with central banks	5,250,971	6,111,773
Due from banks	12,396,433	9,474,893
Loans and advances to customers	88,009,448	84,642,464
Investment securities - debt	26,408,148	21,436,688
Other assets	1,690,200	1,426,928
Total as at 31 December	**133,755,200**	123,092,746
Other credit risk exposures are as follows:		
Guarantees	21,353,539	22,057,901
Letters of credit	1,706,950	2,148,781
Unutilised credit facilities	4,287,871	4,373,836
Total as at 31 December	**27,348,360**	28,580,518
	161,103,560	151,673,264

The above table represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(iv) Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorized by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

(Figures in QAR '000s)

2019	**Qatar**	**Other GCC**	**Other Middle east**	**Rest of the world**	**Total**
Balances with central banks	3,698,747	-	1,552,224	-	5,250,971
Due from banks	4,275,094	675,608	4,089,664	3,356,067	12,396,433
Loans and advances to customers	73,308,248	474,138	13,491,026	736,036	88,009,448
Investment securities - debt	19,914,595	364,868	4,059,685	2,069,000	26,408,148
Other assets	1,302,765	516	276,834	110,085	1,690,200
	102,499,449	**1,515,130**	**23,469,433**	**6,271,188**	**133,755,200**

2018	Qatar	Other GCC	Other Middle east	Rest of the world	Total
Balances with central banks	4,661,672	-	1,450,101	-	6,111,773
Due from banks	2,742,306	630,912	2,407,217	3,694,458	9,474,893
Loans and advances to customers	70,419,832	581,968	12,413,261	1,227,403	84,642,464
Investment securities - debt	17,204,539	256,110	2,507,842	1,468,197	21,436,688
Other assets	738,229	27,274	415,971	245,454	1,426,928
	95,766,578	1,496,264	19,194,392	6,635,512	123,092,746

2019	**Qatar**	**Other GCC**	**Other Middle east**	**Rest of the world**	**Total**
Guarantees	9,723,889	1,303,244	253,249	10,073,157	21,353,539
Letters of credit	1,326,800	463	-	379,687	1,706,950
Unutilised credit facilities	3,179,533	828,211	-	280,127	4,287,871
	14,230,222	**2,131,918**	**253,249**	**10,732,971**	**27,348,360**

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(iv) Concentration of risks of financial assets with credit risk exposure (continued)

Geographical sectors (continued)

(Figures in QAR '000s)

2018	Qatar	Other GCC	Other Middle east	Rest of the world	Total
Guarantees	11,101,817	1,346,053	1,657,008	7,953,023	22,057,901
Letters of credit	1,910,758	3,300	-	234,723	2,148,781
Unutilised credit facilities	3,293,914	828,219	-	251,703	4,373,836
	16,306,489	2,177,572	1,657,008	8,439,449	28,580,518

Industry sectors

The following table breaks down the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements, as categorized by the industry sectors of the Group's counterparties.

(Figures in QAR '000s)

	Gross exposure 2019	Gross exposure 2018
Funded		
Government	39,234,483	30,554,077
Government agencies	3,975,558	5,912,184
Industry	8,091,993	7,127,587
Commercial	13,710,085	10,052,752
Services	38,612,198	34,749,235
Contracting	2,857,702	3,055,669
Real estate	19,495,282	22,513,464
Consumers	5,907,053	6,175,154
Other sectors	1,870,846	2,952,624
Total funded	**133,755,200**	123,092,746
Un-funded		
Government institutions & semi government agencies	3,446,069	1,471,520
Services	11,986,717	3,632,236
Commercial and others	11,915,574	23,476,762
Total un-funded	**27,348,360**	28,580,518
Total	**161,103,560**	151,673,264

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality

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

(Figures in QAR '000s)

	2019				2018
Cash and Balances with Central Banks (Excluding Cash on Hand) and Due from Banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade - ORR 1 to 4	9,174,366	-	-	9,174,366	9,763,533
Sub-investment grade - ORR 5 to 7	5,459,786	3,043,808	-	8,503,594	5,816,904
Substandard - ORR 8	-	-	-	-	-
Doubtful - ORR 9	-	-	-	-	-
Loss - ORR 10	-	-	-	-	-
Total - Gross	**14,634,152**	**3,043,808**	**-**	**17,677,960**	15,580,437
Loss allowance	(7,515)	(33,037)	-	(40,552)	(13,698)
	14,626,637	**3,010,771**	**-**	**17,637,408**	15,566,739
Accrued interest				9,996	19,927
Carrying amount				**17,647,404**	15,586,666

	2019				2018
Loans and advances to Customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade - ORR 1 to 4	36,969,262	110,704	-	37,079,966	12,522,973
Sub-investment grade - ORR 5 to 7	34,143,968	15,204,195	-	49,348,163	70,134,165
Substandard - ORR 8	-	545	962,594	963,139	1,025,370
Doubtful - ORR 9	-	-	1,345,136	1,345,136	1,902,502
Loss - ORR 10	-	-	2,179,512	2,179,512	1,963,246
Total - Gross	**71,113,230**	**15,315,444**	**4,487,242**	**90,915,916**	87,548,256
Loss allowance	(61,964)	(872,666)	(2,751,042)	(3,685,672)	(3,846,625)
	71,051,266	**14,442,778**	**1,736,200**	**87,230,244**	83,701,631
Accrued Interest				779,204	940,833
Carrying amount				**88,009,448**	84,642,464

ORR = Obligatory Risk Rating

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality (continued)

(Figures in QAR '000s)

	2019				2018
Investment Securities - Debt	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade - ORR 1 to 4	17,397,199	270,761	-	17,667,960	18,102,960
Sub-investment grade - ORR 5 to 7	6,947,653	295,715	-	7,243,368	2,818,337
Substandard - ORR 8	-	-	-	-	-
Doubtful ORR 9	-	-	-	-	-
Loss - ORR 10	-	-	-	-	-
Total - Gross	**24,344,852**	**566,476**	**-**	**24,911,328**	20,921,297
Loss allowance	(4,071)	-	-	(4,071)	(24,053)
	24,340,781	**566,476**	**-**	**24,907,257**	20,897,244
Accrued interest				138,199	96,238
Carrying amount				**25,045,456**	20,993,482

	2019				2018
Loan Commitments and financial Guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Investment grade - ORR 1 to 4	5,490,388	100,661	-	5,591,049	12,847,456
Sub-investment grade - ORR 5 to 7	17,271,678	4,141,518	-	21,413,196	15,245,527
Substandard - ORR 8	-	8,509	45,426	53,935	75,362
Doubtful ORR 9	-	-	518	518	26,295
Loss - ORR 10	-	-	289,662	289,662	385,878
Total - Gross	**22,762,066**	**4,250,688**	**335,606**	**27,348,360**	28,580,518
Loss allowance	(26,345)	(41,764)	(27,644)	(95,753)	(103,972)
Carrying amount	**22,735,721**	**4,208,924**	**307,962**	**27,252,607**	28,476,546

Rescheduled loans and advances to customers

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non impaired. The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality (continued)

Collateral

The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indices of similar assets.

The Group has collateral in the form of blocked deposits, pledge of shares or legal mortgage against loans and advances to customers. Aggregate collateral for stage 1 as at 31 December 2019 is QAR 56,806 million (2018: QAR 61,363 million), stage 2 QAR 13,272 million (2018: QAR 21,520 million) and stage 3 QAR 3,587 million (2018: QAR 3,670 million).

(vi) Repossessed collateral

During the year, the Group acquired ownership of land and building by taking possession of collateral held as security for an amount of QAR 1,922 million (2018: QAR 450 million).

Repossessed properties proceeds are used to reduce the outstanding indebtedness and are sold as soon as practicable. Repossessed property is classified in the consolidated statement of financial position within other assets.

(vii) Write-off policy

The Group writes off a loan or an investment in debt security balance, and any related allowances for impairment losses, when the relevant Credit Committees determines that the loan or security is uncollectible. QCB approval is required for local write offs when the amount to be written off exceeds Qatari Riyal one hundred thousand.

This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 1,076 million (2018: QAR 2,863 million).

(viii) Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis including internal credit risk grading system, external risk ratings, where available, delinquency status of accounts, credit judgement and, where possible, relevant historical experience. The Group may also determine that an exposure has undergone a significant increase in credit risk based on particular Qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its Quantitative analysis on a timely basis.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(viii) Inputs, assumptions and techniques used for estimating impairment (continued)

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

i) Two 'absolute' notches downgrade for ratings better than Rating Grade 5 at the time of origination and one 'absolute' notch rating downgrade for rated customers;
ii) Facilities restructured during previous twelve months;
iii) Facilities overdue by 30 days as at the reporting date in case of Retail Products and overdue by 60 days for corporate customers.

Credit risk grades

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

Generating the term structure of Probability of Default (PD)

The Group uses its own database of default history to model estimates of PD for respective ratings that are used in credit decision making. Yearly transition matrices are developed to capture the rating migration of borrowers and yearly PDs are calculated over 5 years to get the through-the-cycle (TTC) PD. In order the transform the TTC PD to point in time, a credit index for the last five historical years is calculated based upon minimizing the sum of the squared differences between the TTC PD and Point-in-time (PIT) PD matrix elements. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group has exposures.

Renegotiated financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. This may involve extending the payment arrangements and documenting the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are restructured due to credit reasons in past 12 months will be classified under Stage 2.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is rated 9 (Doubtful) or 10 (Loss).

In assessing whether a borrower is in default, the Group also considers indicators that are:

- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied for regulatory capital purposes.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(viii) Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors.

LGD is the magnitude of the likely loss if there is a default. The Group has applied LGD factors based on the type of collateral available and has used the LGD floors that are prescribed by QCB for certain collateral types.

LGD estimation includes:

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

Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Incorporation of forward-looking information

Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

The assessment of Significant Increase in Credit Risk (SICR) and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(viii) Inputs, assumptions and techniques used for estimating impairment (continued)

Incorporation of forward-looking information (continued)
The Group employs statistical models to incorporate macro-economic factors on historical default rates. In the case that none of the macro-economic parameters are statistically significant or the results of forecasted PDs are too deviated from the present forecast of the economic conditions, qualitative PD overlay is used by management based on portfolio analysis.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the 'base economic scenario') are based on available information and include mean reversion approaches for long-term forecasts. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, other possible scenarios are assessed along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non linearities are captured. At 31 December 2019, the Group concluded that three scenarios appropriately captured non linearities for all portfolios. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the base, and other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historically data estimate of expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

The most significant period end assumption used for ECL estimate as at 31 December 2019 is the oil price and revenue (as a % of GDP) given the high level of correlation between this and other economic indicators. The scenarios 'base', 'best' and 'worst' were used for all portfolios The weightings assigned to each economic scenario at 31 December 2019 were base (70%), best (15%) and worst (15%).

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(viii) Inputs, assumptions and techniques used for estimating impairment (continued)

(Figures in QAR '000s)

Movement in ECL	2019				2018
Opening Balance as at 1 January	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Due from banks and balances with central banks	619	13,079	-	13,698	31,632
Loans and advances to customers	50,382	952,226	2,844,017	3,846,625	5,478,995
Investment Securities (Debt)	236	23,817	-	24,053	23,654
Loan Commitments and Financial Guarantees	25,711	76,308	1,953	103,972	269,339
	76,948	**1,065,430**	**2,845,970**	**3,988,348**	5,803,620
ECL Charge for the Period (net)					
Due from banks and balances with central banks	7,019	19,958	-	26,977	(17,934)
Loans and advances to customers	2,750	(39,394)	963,815	927,171	1,401,477
Investment Securities (Debt)	4,041	(10,838)	-	(6,797)	399
Loan Commitments and Financial Guarantees	6,122	(34,116)	67,125	39,131	(74,120)
	19,932	**(64,390)**	**1,030,940**	**986,482**	1,309,822
Write offs / Transfer					
Due from banks and balances with central banks	-	-	-	-	-
Loans and advances to customers	-	(10,084)	(1,024,756)	(1,034,840)	(2,772,216)
Investment Securities (Debt)	-	-	-	-	-
Loan Commitments and Financial Guarantees	-	-	(41,198)	(41,198)	(90,965)
	-	**(10,084)**	**(1,065,954)**	**(1,076,038)**	(2,863,181)
Exchange differences					
Due from banks and balances with central banks	(123)	-	-	(123)	-
Loans and advances to customers	8,832	(30,082)	(32,034)	(53,284)	(261,631)
Investment Securities (Debt)	-	-	-	-	-
Loan Commitments and Financial Guarantees	(5,488)	(428)	(236)	(6,152)	(282)
	3,221	**(30,510)**	**(32,270)**	**(59,559)**	(261,913)

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(viii) Inputs, assumptions and techniques used for estimating impairment (continued)

(Figures in QAR '000s)

	2019				2018
Closing Balance as at 31 December	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Due from banks and balances with central banks	7,515	33,037	-	40,552	13,698
Loans and Advances to Customers	61,964	872,666	2,751,042	3,685,672	3,846,625
Investment Securities (Debt)	4,277	12,979	-	17,256	24,053
Loan Commitments and Financial Guarantees	26,345	41,764	27,644	95,753	103,972
	100,101	**960,446**	**2,778,686**	**3,839,233**	3,988,348

Inter Bank Offered Rate (IBOR) Reforms

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives etc. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(i) Management of liquidity risk

The management of liquidity risk is governed by the Group's liquidity policy. The primary objective of liquidity risk management; over which ALCO has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behaviour or abnormal market conditions. ALCO emphasises the maximisation and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements. ALCO has in place a contingency plan, which is periodically reviewed. The Group's ability to raise wholesale and/or long term funding at competitive costs is directly impacted by the Bank's credit ratings, which are as follows:

Moody's: Long Term A3, Short Term P2, financial strength Ba1 and outlook Stable.
Fitch: Long Term A, Short Term F1, financial strength bb+ and outlook Stable.
Standard & Poor's: Long Term BBB+, Short Term A-2, financial strength bb+ and outlook stable

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator, QCB under the heading 'Liquidity adequacy ratio' (LAR). The minimum ratio limit set by QCB is 100%.

Following table sets out the LAR position of the Group during the year as follows:

	2019 (%)	2018 (%)
At 31 December	**108.11**	106.60
Average for the year	**109.14**	105.57
Maximum for the year	**120.18**	111.84
Minimum for the year	**100.48**	95.06

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis

The following table sets out the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

(Figures in QAR '000s)

	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
2019								
Cash and balances with central banks	6,075,044	1,631,106	-	-	1,631,106	-	-	4,443,938
Due from banks	12,396,433	7,554,562	560,646	2,875,551	10,990,759	1,405,674	-	-
Loans and advances to customers	88,009,448	9,618,237	2,450,468	11,421,574	23,490,279	19,093,568	45,425,601	-
Investment securities	26,844,226	19,971	365,272	1,890,660	2,275,903	13,047,121	11,085,124	436,078
Investment in associates and a joint arrangement	4,021,239	-	-	-	-	-	-	4,021,239
Property and equipment and all other assets	10,190,094	1,776,949	26,089	-	1,803,038	4,690,583	-	3,696,473
Total	**147,536,484**	**20,600,825**	**3,402,475**	**16,187,785**	**40,191,085**	**38,236,946**	**56,510,725**	**12,597,728**
Due to banks	22,530,782	10,951,690	4,768,171	4,483,820	20,203,681	2,073,717	253,384	-
Customer deposits	76,296,592	44,985,571	11,455,043	14,842,913	71,283,527	5,013,065	-	-
Debt securities	9,524,590	143,726	297,430	752,320	1,193,476	7,069,889	1,261,225	-
Other borrowings	12,043,167	422,229	1,334,034	5,340,550	7,096,813	4,946,354	-	-
Other liabilities	5,385,126	3,288,364	1,142,730	545,907	4,977,001	408,125	-	-
Total	**125,780,257**	**59,791,580**	**18,997,408**	**25,965,510**	**104,754,498**	**19,511,150**	**1,514,609**	**-**
Difference	**21,756,227**	**(39,190,755)**	**(15,594,933)**	**(9,777,725)**	**(64,563,413)**	**18,725,796**	**54,996,116**	**12,597,728**

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

(Figures in QAR '000s)

	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
2018 (Restated)								
Cash and balances with central banks	6,729,798	3,172,984	-	-	3,172,984	-	-	3,556,814
Due from banks	9,474,893	5,451,328	2,742,734	1,208,136	9,402,198	72,695	-	-
Loans and advances to customers	84,642,464	5,627,287	2,368,452	7,918,349	15,914,088	23,776,426	44,951,950	-
Investment securities	22,206,077	253,067	-	2,510,762	2,763,829	8,970,428	9,702,429	769,391
Investment in associates and a joint arrangement	4,512,940	-	-	-	-	-	-	4,512,940
Property and equipment and all other assets	7,361,577	1,119,690	17,856	67,524	1,205,070	2,594,198	-	3,562,309
Total	134,927,749	15,624,356	5,129,042	11,704,771	32,458,169	35,413,747	54,654,379	12,401,454
Due to banks	13,950,459	7,612,664	2,352,838	2,567,534	12,533,036	1,164,040	253,383	-
Customer deposits	71,785,783	41,519,760	13,534,260	12,501,134	67,555,154	4,230,629	-	-
Debt securities	16,071,746	290,559	487,244	7,185,615	7,963,418	6,846,644	1,261,684	-
Other borrowings	8,379,734	172,030	1,496,057	1,884,124	3,552,211	4,827,523	-	-
Other liabilities	4,883,568	3,217,720	942,387	567,555	4,727,662	155,906	-	-
Total	115,071,290	52,812,733	18,812,786	24,705,962	96,331,481	17,224,742	1,515,067	-
Difference	19,856,459	(37,188,377)	(13,683,744)	(13,001,191)	(63,873,312)	18,189,005	53,139,312	12,401,454

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives)

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

(Figures in QAR '000s)

2019	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Due to banks	22,530,782	24,001,339	11,148,211	4,851,681	5,542,683	2,164,738	294,026
Customer deposits	76,296,592	77,685,628	45,794,237	11,656,175	15,125,744	5,109,472	-
Debt securities	9,524,590	11,999,211	155,456	303,258	920,432	7,839,350	2,780,715
Other borrowings	12,043,167	12,639,842	432,450	1,481,117	5,471,222	5,255,053	-
Total liabilities	**120,395,131**	**126,326,020**	**57,530,354**	**18,292,231**	**27,060,081**	**20,368,613**	**3,074,741**

2018	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Due to banks	13,950,459	14,544,569	7,765,249	2,392,305	2,804,214	1,283,573	299,228
Customer deposits	71,785,783	73,484,438	42,493,340	13,871,045	12,797,217	4,322,836	-
Debt securities	16,071,746	17,813,184	330,178	514,117	7,518,549	7,543,965	1,906,375
Other borrowings	8,379,734	9,082,420	212,890	1,545,051	2,116,633	5,207,846	-
Total liabilities	110,187,722	114,924,611	50,801,657	18,322,518	25,236,613	18,358,220	2,205,603

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives) (continued)

Derivative financial instruments:

Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

(Figures in QAR '000s)

2019	Total	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Derivatives Held for Trading:					
Forward foreign exchange contracts:					
Outflow	(23,838,530)	(7,255,454)	(2,133,677)	(9,976,329)	(4,473,070)
Inflow	23,884,092	7,327,951	2,135,873	9,947,720	4,472,548
Interest rate swaps:					
Outflow	(806,861)	(159)	(3,665)	(267,615)	(535,422)
Inflow	826,333	1,661	9,207	279,601	535,864
Derivatives Held as Fair Value Hedges:					
Interest rate swaps:					
Outflow	(348,207)	(3,902)	(17,550)	(89,924)	(236,831)
Inflow	304,973	4,506	14,934	76,081	209,452
Derivatives Held as Cash Flow Hedges:					
Forward foreign exchange contracts:					
Outflow	(2,399,405)	-	(87,966)	(2,311,439)	-
Inflow	2,233,481	-	15,137	2,218,344	-
Interest rate swaps:					
Outflow	(28,455)	(9,111)	(19,344)	-	-
Inflow	15,210	5,003	10,207	-	-
Total Outflows	**(27,421,458)**	**(7,268,626)**	**(2,262,202)**	**(12,645,307)**	**(5,245,323)**
Total inflows	**27,264,089**	**7,339,121**	**2,185,358**	**12,521,746**	**5,217,864**

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives) (continued)

Derivative financial instruments:

Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

(Figures in QAR '000s)

2018	Total	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Derivatives Held for Trading:					
Forward foreign exchange contracts					
Outflow	(21,165,182)	(13,099,457)	(3,803,913)	(4,234,125)	(27,687)
Inflow	21,422,087	13,190,695	3,903,026	4,242,510	85,856
Interest rate swaps:					
Outflow	(291,328)	(719)	(7,170)	(274,028)	(9,411)
Inflow	322,395	1,637	14,915	295,184	10,659
Derivatives Held as Fair Value Hedges:					
Interest rate swaps:					
Outflow	(354,777)	(5,140)	(21,612)	(91,194)	(236,831)
Inflow	310,303	5,572	18,132	77,147	209,452
Derivatives Held as Cash Flow Hedges:					
Forward foreign exchange contracts:					
Outflow	(1,972,842)	-	(165,234)	(1,807,608)	-
Inflow	1,691,766	-	105,719	1,586,047	-
Interest rate swaps:					
Outflow	(45,252)	(9,606)	(27,292)	(8,354)	-
Inflow	40,968	10,133	24,152	6,683	-
Total Outflows	(23,829,381)	(13,114,922)	(4,025,221)	(6,415,309)	(273,929)
Total inflows	23,787,519	13,208,037	4,065,944	6,207,571	305,967

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(v) Off-balance sheet items

The table below summarises contractual expiry dates of the Group's off - financial position financial instruments:

(Figures in QAR '000s)

2019	Below 1 Year	Above 1 Year	Total
Loan commitments	1,854,247	2,433,624	4,287,871
Guarantees and other financial facilities	12,131,603	10,928,886	23,060,489
Capital commitments	421,352	-	421,352
Total liabilities	**14,407,202**	**13,362,510**	**27,769,712**

2018	Below 1 Year	Above 1 Year	Total
Loan commitments	1,968,142	2,405,694	4,373,836
Guarantees and other financial facilities	12,816,899	11,389,783	24,206,682
Capital commitments	157,569	-	157,569
Total liabilities	14,942,610	13,795,477	28,738,087

(d) Market risks

The Group takes exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios and by product type.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and soverign bond investments.

(i) Management of market risks

Overall authority for market risk is vested in ALCO. Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(i) Management of market risks (continued)

The Group's proprietary investments are managed according to the Group's internal investment policy, which has been approved by the Board of Directors and drafted in accordance with the Qatar Central Bank guidelines. The Group's trading activities are conducted by Treasury and Investments Division. These activities are subject to business line guidelines and policies. The Group employs several techniques to measure and control activities including sensitivity analysis, position limits and risk based limits.

Investment proposals are approved at the Investment Committee and decisions driven by the investment strategy, which is developed by the business line under ALCO oversight and approved by the Board.

(ii) Exposure to interest rate risk – non – trading portfolio

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group Treasury in its day-to-day monitoring activities.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

The Asset and Liability Management ("ALM") process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Group's non-trading financial instruments.

The Group's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to the net interest rate income caused by changes in market interest rates. The Group typically manages the interest rate risk of its non-trading financial instruments by segmenting these assets and liabilities into two broad portfolios: non–discretionary and discretionary. The non-discretionary portfolio consists of the Group's customer driven loans and deposit positions and securities required to support regulatory requirements. To manage the resulting interest rate sensitivity of the Group's non-discretionary portfolio, the Group uses a discretionary portfolio of securities, long dated deposits, inter-bank takings and placements, and when warranted, derivatives. Strategically positioning the discretionary portfolio, the Group largely manages the interest rate sensitivity in the non-discretionary portfolio.

The following table summarises the interest sensitivity position at year end, by reference to the re-pricing period or maturity of the Group's assets and liabilities.

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non – trading portfolio (continued)

A summary of the Group's interest rate gap position on non-trading balances are as follows:

(Figures in QAR '000s)

	Repricing in:						
2019	**Carrying amount**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Non-interest sensitive**	**Effective interest rate %**
Cash and balances with central banks	6,075,044	2,392,663	-	-	-	3,682,381	-
Due from banks	12,396,433	8,115,209	4,281,224	-	-	-	3.01%
Loans and advances to customers	88,009,448	37,268,422	43,780,437	4,785,851	705,096	1,469,642	6.67%
Investment securities	26,844,226	1,621,866	2,895,737	11,659,216	10,231,329	436,078	4.73%
Investment in associates and a joint arrangement	4,021,239	-	-	-	-	4,021,239	-
Property and equipment and all other assets	10,190,094	-	-	-	-	10,190,094	-
	147,536,484	**49,398,160**	**50,957,398**	**16,445,067**	**10,936,425**	**19,799,434**	**-**
Due to banks	(22,530,782)	(15,918,496)	(6,612,286)	-	-	-	3.61%
Customer deposits	(76,296,592)	(44,590,651)	(15,265,298)	(5,013,065)	-	(11,427,578)	3.71%
Debt securities	(9,524,590)	(441,156)	(1,064,513)	(6,757,695)	(1,261,226)	-	3.95%
Other borrowings	(12,043,167)	(2,434,614)	(9,529,003)	(79,550)	-	-	3.84%
Other liabilities	(5,385,126)	(97,059)	(30,449)	(19,197)	(65,236)	(5,173,185)	-
Equity	(21,756,227)	-	-	-	-	(21,756,227)	-
	(147,536,484)	**(63,481,976)**	**(32,501,549)**	**(11,869,507)**	**(1,326,462)**	**(38,356,990)**	**-**
Interest rate sensitivity gap	**-**	**(14,083,816)**	**18,455,849**	**4,575,560**	**9,609,963**	**(18,557,556)**	**-**
Cumulative Interest rate sensitivity gap	**-**	**(14,083,816)**	**4,372,033**	**8,947,593**	**18,557,556**	**-**	**-**

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non – trading portfolio (continued)

A summary of the Group's interest rate gap position on non-trading balances are as follows:

(Figures in QAR '000s)

2018	Carrying amount	Repricing in: Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Effective interest rate %
Cash and balances with central banks	6,729,798	3,100,216	-	-	-	3,629,582	-
Due from banks	9,474,893	8,170,614	1,231,479	72,800	-	-	2.72%
Loans and advances to customers	84,642,464	39,381,081	38,914,437	4,159,870	471,349	1,715,727	6.18%
Investment securities	22,206,077	1,602,503	3,535,118	7,570,881	8,728,185	769,390	4.24%
Investment in associates and a joint arrangement	4,512,940	-	-	-	-	4,512,940	-
Property and equipment and all other assets	7,361,577	-	-	-	-	7,361,577	-
	134,927,749	52,254,414	43,681,034	11,803,551	9,199,534	17,989,216	-
Due to banks	(13,950,459)	(10,933,365)	(3,017,094)	-	-	-	4.47%
Customer deposits	(71,785,783)	(43,626,394)	(12,501,134)	(4,230,677)	-	(11,427,578)	3.53%
Debt securities	(16,071,746)	(229,825)	(2,395,058)	(12,185,179)	(1,261,684)	-	2.93%
Other borrowings	(8,379,734)	(1,768,303)	(6,134,016)	(477,415)	-	-	4.07%
Other liabilities	(4,883,568)	-	-	-	-	(4,883,568)	-
Equity	(19,856,459)	-	-	-	-	(19,856,459)	-
	(134,927,749)	(56,557,887)	(24,047,302)	(16,893,271)	(1,261,684)	(36,167,605)	-
Interest rate sensitivity gap	-	(4,303,473)	19,633,732	(5,089,720)	7,937,850	(18,178,389)	-
Cumulative Interest rate sensitivity gap	-	(4,303,473)	15,330,259	10,240,539	18,178,389	-	-

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non – trading portfolio (continued)

Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no a symmetrical movement in yield curves and a constant financial position, is as follows:

(Figures in QAR '000s)

Sensitivity of net interest income	50 bp parallel increase	50 bp parallel decrease
2019		
At 31 December	**17,838**	**(17,838)**
Average for the year	**45,392**	**(45,392)**
2018		
At 31 December	68,654	(68,654)
Average for the year	65,555	(65,555)

Sensitivity to reported Fair value reserve in equity of interest rate movements	50 bp parallel increase	50 bp parallel decrease
2019		
At 31 December	**344**	**(344)**
Average for the year	**176**	**(176)**
2018		
At 31 December	9	(9)
Average for the year	720	(720)

Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss; and
- Fair value reserves arising from increases or decreases in fair values of debt securities which are reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(iii) Exposure to other market risks – non-trading portfolios

Foreign currency transactions

The Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities. The table shows the net foreign currency exposure by major currencies at the end of the reporting period along with the sensitivities if there were to be a change in the currency exchange rate.

(Figures in QAR '000s)

Net foreign currency exposure:	2019	2018
Pounds Sterling	**(498,768)**	(143,989)
Euro	**(324,782)**	(3,097,484)
USD	**(8,241,260)**	(12,519,651)
Other currencies	**2,058,159**	(1,997,530)

(Figures in QAR '000s)

	Increase (decrease) in profit or loss		Increase (decrease) in fair value reserve	
5% increase in currency exchange rate	2019	2018	2019	2018
Pound Sterling	**(24,938)**	(7,199)	**-**	-
Euro	**(16,239)**	(154,874)	**-**	-
USD	**(412,063)**	(625,983)	**-**	307
Other currencies	**102,908**	99,876	**-**	-

Open exchange position in other currencies represents Group's investment in subsidiary, associates and a joint arrangement denominated in TL, OMR and AED.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks The non-trading equity price risk exposure arises from equity securities classified as fair value through other comprehensive income. A 10 per cent increase in the Qatar Exchange market index at 31 December 2019 would have increased equity by QAR nil (2018: QAR Nil). An equivalent decrease would have resulted in an equivalent but opposite impact.

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(iii) Exposure to other market risks – non-trading portfolios (continued)

Equity price risk (continued)

The Group is also exposed to equity price risk and the sensitivity analysis there of is as follows:

(Figures in QAR '000s)

	2019	2018
Increase / (decrease) in other comprehensive income:		
Qatar Exchange	-	-

The above analysis has been prepared on the assumption that all other variables such as interest rate, foreign exchange rate, etc. are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above and is subject to impairment assessment at the end of each reporting period.

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid Control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address Operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

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 equity holders' 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 period. The Capital Adequacy Ratio (CAR) of the group is calculated in accordance with the Basel Committee guidelines as adopted by Qatar Central Bank (QCB). From 1st January 2014 QCB adopted Basel III guidelines for CAR calculation.

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

(Figures in QAR '000s)

	Basel III 2019	Basel III 2018
Common Equity Tier 1 (CET 1) Capital	13,020,429	11,898,725
Additional Tier 1 Capital	3,962,723	3,962,963
Tier 1 Capital	**16,983,152**	15,861,688
Tier 2 Capital	2,282,590	1,772,890
Total Eligible Capital	**19,265,742**	17,634,578
Risk Weighted Assets for Credit Risk	108,221,142	105,121,959
Risk Weighted Assets for Market Risk	2,559,342	1,494,331
Risk Weighted Assets for Operational Risk	7,026,182	7,032,731
Total Risk Weighted Assets	**117,806,666**	113,649,021
Total Capital Ratio	**16.35%**	15.52%

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

	CET 1 ratio Without Capital Conservation buffer	CET 1 ratio Including Capital Conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB' buffer	Total capital including conservation buffer, DSIB' buffer and ICAAP Pillar II capital charge
2019						
Actual	**11.05%**	**11.05%**	**14.42%**	**16.35%**	**16.35%**	**16.35%**
Minimum QCB limit	**6.00%**	**8.50%**	**10.50%**	**12.50%**	**13.00%**	**14.00%**
2018						
Actual	10.47%	10.47%	13.96%	15.52%	15.52%	15.52%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.00%	14.00%

5. USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has resources to continue in the business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(ii) Allowances for credit losses

Assessment of whether credit risk on the financial assets has increased significantly since initial recognition and incorporation of forward looking information in the measurement of ECL, refer to note 4(b)(viii).

(iii) Determing fair values

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

5. USE OF ESTIMATES AND JUDGMENTS (continued)

(a) Key sources of estimation uncertainty (continued)

(iii) Determing fair values (continued)

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(iv) Goodwill impairment

Goodwill is tested annually for impairment; assets are grouped together into smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to the CGU which is expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(b) Critical accounting judgements in applying the Group's accounting policies

(i) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which 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 value based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5. USE OF ESTIMATES AND JUDGMENTS (continued)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(i) Valuation of financial instruments (continued)

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 and comparison to similar instruments for which market observable prices exist.

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

(Figures in QAR '000s)

	Level 1	Level 2	Level 3	Carrying amount
2019				
Derivative assets	-	764,320	-	764,320
Investment securities	1,004,890	5,651,830	29,102	6,685,822
	1,004,890	**6,416,150**	**29,102**	**7,450,142**
Derivative liabilities	-	526,643	-	526,643
	-	**526,643**	**-**	**526,643**
2018				
Derivative assets	-	371,716	-	371,716
Investment securities	35,825	4,891,639	164,951	5,092,415
	35,825	5,263,355	164,951	5,464,131
Derivative liabilities	-	353,499	-	353,499
	-	353,499	-	353,499

There have been no transfers between level 1 and level 2.

Reconciliation of level 3 investments are as follows :

	2019	2018
Balance at 1 January	164,951	84,107
Cost movement	(68,340)	113,879
Profit and loss movement	(16,934)	(23,793)
Fair value reserve movement	(50,575)	(9,242)
Balance at 31 December	**29,102**	164,951

5. USE OF ESTIMATES AND JUDGMENTS (continued)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(ii) Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 3 (d) (ii) for further information.

(iii) Qualifying hedge relationships

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

(iv) Impairment of investments in equity and debt securities

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward–looking information in the measurement of ECL. Refer to note 4 (b) (viii) Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

(v) Useful lives of property and equipment

The Group's management determines the estimated useful life of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence. During 2019, the Group conducted a useful economic life review of the buildings, which resulted in changes in the useful life of certain buildings. The useful life of these identified buildings increased from 20 years to 30 years.

(vi) Useful life of intangible assets

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

(vii) Fair value of land and buildings

The fair value of land and building is determined by valuations from an external professional real estate valuer using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement.

(viii) Leases - Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates).

6. OPERATING SEGMENTS

For management purposes, the Group is divided into four operating segments, which are based on business lines, together with its associates and joint arrangement companies, as follows:

Commercial Bank:

1. **Wholesale Banking** provides an extensive range of conventional funded and non-funded credit facilities, demand and time deposit services, currency exchange facilities, interest rate swaps and other derivative trading services, loan syndication and structured financing services to corporate, commercial and multinational customers. Money market funds and proprietary investment portfolio are also managed by this operating segment.

2. **Retail Banking** provides personal current, savings, time and investment account services, credit card and debit card services, consumer and vehicle loans, residential mortgage services and custodial services to retail and individual customers.

Subsidiaries:

3. **Alternatif Bank:** A subsidiary that provides banking services through its branch network in Turkey. Abank also has its subsidiaries. The Group reported Abank group result under this operating segment.

4. **Other Principal Subsidiaries:**
    a) Commercialbank Financial Services L.L.C. provides brokerage services in the State of Qatar.
    b) CBQ Finance Limited, a SPV used for debt issuance for the bank,

Unallocated assets, liabilities and revenues are related to certain central functions and non-core business operations. (For example, Group headquarters, staff apartments, common property & equipment, cash functions and development projects and related payables, net of intra-group transactions).

Associates and joint arrangement Companies – includes the Group's strategic investments in the National Bank of Oman in the Sultanate of Oman, United Arab bank in the United Arab Emirates and Massoun Insurance Services L.L.C. which operate in the State of Qatar. All Associates and joint arrangement Companies are accounted for under the equity method.

Management monitors the results of the operating segments separately to make decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis.

6. OPERATING SEGMENTS (continued)

(a) By operating segment

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

(Figures in QAR '000s)

2019	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	Alternatif Bank	Others	Unallocated	Total
Net interest income	1,658,244	982,968	**2,641,212**	383,831	5,181	(67,041)	**2,963,183**
Net fee, commission and other income	671,412	556,855	**1,228,267**	189,876	21,177	(55,858)	**1,383,462**
Segmental revenue	**2,329,656**	**1,539,823**	**3,869,479**	**573,707**	**26,358**	**(122,899)**	**4,346,645**
Net Impairment reversal on investment securities	6,856	-	**6,856**	(59)	-	-	**6,797**
Net impairment loss on loans and advances to customers and other financial assets	(204,912)	(240,822)	**(445,734)**	(214,829)	28	-	**(660,535)**
Impairment for investment in an associate	-	-	**-**	-	-	(413,881)	**(413,881)**
Segmental profit			**2,588,971**	**100,126**	**13,197**	**(674,454)**	**2,027,840**
Share of results of associates and a joint arrangement							**(6,799)**
Net profit for the year							**2,021,041**
Other information							
Loans and advances to customers	58,349,751	18,125,456	**76,475,207**	11,534,241	-	-	**88,009,448**
Investments in associates and a joint arrangement	-	-	**-**	-	-	-	**4,021,239**
Assets (other than above)	41,446,278	1,389,525	**42,835,803**	4,434,806	297,193	7,937,995	**55,505,797**
							147,536,484
Customer deposits	43,306,921	23,282,182	**66,589,103**	9,686,498	20,991	-	**76,296,592**
Liabilities (other than above)	41,202,171	868,859	**42,071,030**	7,278,368	30,321	103,946	**49,483,665**
							125,780,257
Contingent items	22,080,759	224,543	**22,305,302**	4,483,058	560,000	-	**27,348,360**

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,789 million, Liabilities: QAR 1,262 million).

Notes to the Consolidated Financial Statements continued

6. OPERATING SEGMENTS (continued)

(a) By operating segment (continued)

(Figures in QAR '000s)

2018 (Restated)	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	Alternatif Bank	Others	Unallocated	Total
Net interest income	1,307,822	845,913	2,153,735	390,494	5,135	(67,042)	2,482,322
Net fee, commission and other income	299,102	575,600	874,702	89,729	27,405	34,399	1,026,235
Segmental revenue	1,606,924	1,421,513	3,028,437	480,223	32,540	(32,643)	3,508,557
Net Impairment reversal / (losses) on investment securities	(399)	-	(399)	-	-	-	(399)
Net impairment loss on loans and advances to customers and other financial assets	(374,247)	(336,829)	(711,076)	(124,573)	540	-	(835,109)
Segmental profit			1,441,990	90,642	13,911	(54,101)	1,492,442
Share of results of associates and a joint arrangement							181,483
Net profit for the year							1,673,925
Other information							
Loans and advances to customers	53,187,845	19,455,991	72,643,836	11,949,749	-	48,879	84,642,464
Investments in associates and a joint arrangement	-	-	-	-	-	-	4,512,940
Assets (other than above)	32,527,616	1,292,358	33,819,974	5,868,200	273,094	5,811,077	45,772,345
							134,927,749
Customer deposits	40,858,866	21,644,591	62,503,457	9,270,185	-	12,141	71,785,783
Liabilities (other than above)	34,638,044	777,470	35,415,514	7,372,989	38,069	458,935	43,285,507
							115,071,290
Contingent items	23,208,775	628,245	23,837,020	4,183,497	560,001	-	28,580,518

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,015 million, Liabilities: QAR 613 million).

6. OPERATING SEGMENTS (continued)

(b) By geography

(Figures in QAR '000s)

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
2019							
Cash and balances with central banks	4,431,379	-	1,643,665	-	-	-	6,075,044
Due from banks	4,275,094	675,608	4,089,664	1,364,764	838,935	1,152,368	12,396,433
Loans and advances to customers	73,308,248	474,138	13,491,026	596,344	-	139,692	88,009,448
Investment securities	19,951,886	612,636	4,060,018	231,367	594,220	1,394,099	26,844,226
Investment in associates and a joint arrangement	7,924	4,013,315	-	-	-	-	4,021,239
Property and equipment and all other assets	8,798,664	15,738	1,163,612	202,962	-	9,118	10,190,094
Total assets	**110,773,195**	**5,791,435**	**24,447,985**	**2,395,437**	**1,433,155**	**2,695,277**	**147,536,484**
Due to banks	6,865,322	1,895,718	2,396,674	10,799,162	-	573,906	22,530,782
Customer deposits	54,401,976	2,225,789	9,516,489	1,588,987	853,982	7,709,369	76,296,592
Debt securities	-	-	1,733,336	7,791,254	-	-	9,524,590
Other borrowings	501,300	782,157	3,062,483	3,235,029	2,196,931	2,265,267	12,043,167
Other liabilities	4,307,492	17,250	642,387	340,816	15,154	62,027	5,385,126
Equity	21,756,217	-	10	-	-	-	21,756,227
Total liabilities and equity	**87,832,307**	**4,920,914**	**17,351,379**	**23,755,248**	**3,066,067**	**10,610,569**	**147,536,484**

6. OPERATING SEGMENTS (continued)

(b) By geography (continued)

(Figures in QAR '000s)

Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2019							
Net interest income	3,464,077	(44,592)	534,091	(598,299)	(47,543)	(344,551)	2,963,183
Net fee, commission and other income	1,054,288	68,913	228,124	10,141	-	21,996	1,383,462
Net operating income	**4,518,365**	**24,321**	**762,215**	**(588,158)**	**(47,543)**	**(322,555)**	**4,346,645**
Staff cost	(663,231)	-	(133,112)	-	-	(9)	(796,352)
Depreciation	(125,482)	-	(24,512)	-	-	-	(149,994)
Amortization of intangible assets	(46,268)	-	(8,755)	-	-	-	(55,023)
Impairment loss on investment securities	6,856	-	(59)	-	-	-	6,797
Net impairment loss on loans and advances to customers	(377,030)	28	(217,425)	-	-	-	(594,427)
Net impairment losses on other financial assets	(68,704)	-	2,596	-	-	-	(66,108)
Impairment on Investment in an Associate	-	(413,881)	-	-	-	-	(413,881)
Other expenses	(156,899)	-	(69,517)	-	-	(228)	(226,644)
Profit before share of results of associates and a joint arrangement	**3,087,607**	**(389,532)**	**311,431**	**(588,158)**	**(47,543)**	**(322,792)**	**2,051,013**
Share of results of associates and a joint arrangement	2,571	(9,370)	-	-	-	-	(6,799)
Profit for the year before tax	**3,090,178**	**(398,902)**	**311,431**	**(588,158)**	**(47,543)**	**(322,792)**	**2,044,214**
Income tax expenses	(377)	-	(22,796)	-	-	-	(23,173)
Net profit for the year	**3,089,801**	**(398,902)**	**288,635**	**(588,158)**	**(47,543)**	**(322,792)**	**2,021,041**

6. OPERATING SEGMENTS (continued)

(b) By geography (continued)

(Figures in QAR '000s)

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
2018 (Restated)							
Cash and balances with central banks	5,206,929	-	1,522,869	-	-	-	6,729,798
Due from banks	2,742,307	630,912	2,407,217	1,217,740	1,338,149	1,138,568	9,474,893
Loans and advances to customers	70,419,832	581,968	12,413,262	683,061	-	544,341	84,642,464
Investment securities	17,321,411	736,731	2,527,474	55,933	774,792	789,736	22,206,077
Investment in associates and a joint arrangement	12,603	4,500,337	-	-	-	-	4,512,940
Property and equipment and all other assets	5,984,569	10,481	1,170,600	194,000	-	1,927	7,361,577
Total assets	101,687,651	6,460,429	20,041,422	2,150,734	2,112,941	2,474,572	134,927,749
Due to banks	5,314,714	823,977	2,193,552	5,597,166	-	21,050	13,950,459
Customer deposits	51,801,046	2,457,201	9,089,715	1,185,586	16,539	7,235,696	71,785,783
Debt securities	-	-	2,567,407	13,504,339	-	-	16,071,746
Other borrowings	212,031	503,399	1,447,427	3,832,769	1,107,196	1,276,912	8,379,734
Other liabilities	3,941,445	-	698,379	216,985	13,473	13,286	4,883,568
Equity	19,856,448	-	11	-	-	-	19,856,459
Total liabilities and equity	81,125,684	3,784,577	15,996,491	24,336,845	1,137,208	8,546,944	134,927,749

6. OPERATING SEGMENTS (continued)

(b) By geography (continued)

(Figures in QAR '000s)

Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2018 (Restated)							
Net interest income	2,797,758	44,576	387,357	(520,112)	(59,742)	(167,515)	2,482,322
Net fee, commission and other income	939,302	(5,059)	93,789	(18,679)	9,174	7,708	1,026,235
Net operating income	3,737,060	39,517	481,146	(538,791)	(50,568)	(159,807)	3,508,557
Staff cost	(532,741)	-	(143,461)	-	-	(264)	(676,466)
Depreciation	(119,438)	-	(9,789)	-	-	-	(129,227)
Amortization of intangible assets	(47,339)	-	(7,410)	-	-	-	(54,749)
Impairment loss on investment securities	(399)	-	-	-	-	-	(399)
Net impairment loss on loans and advances to customers	(822,184)	541	(105,521)	-	-	-	(927,164)
Net impairment losses on other financial assets	111,108	-	(19,053)	-	-	-	92,055
Other expenses	(215,477)	-	(97,265)	-	-	(151)	(312,893)
Profit before share of results of associates and a joint arrangement	2,110,590	40,058	98,647	(538,791)	(50,568)	(160,222)	1,499,714
Share of results of associates and a joint arrangement	3,785	177,698	-	-	-	-	181,483
Profit for the year before tax	2,114,375	217,756	98,647	(538,791)	(50,568)	(160,222)	1,681,197
Income tax expenses	(189)	-	(7,083)	-	-	-	(7,272)
Net profit for the year	2,114,186	217,756	91,564	(538,791)	(50,568)	(160,222)	1,673,925

Notes to the Consolidated Financial Statements continued

7. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

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

(Figures in QAR '000s)

Consolidated statement of financial position	Fair value through Profit & loss		Fair value through other comprehensive income				
2019	Debt instruments	Equity instruments	Debt instruments	Equity instruments	Amortised Cost	Total carrying amount	Fair value
Cash and balances with central banks	-	-	-	-	6,075,044	6,075,044	6,075,044
Due from banks	-	-	-	-	12,396,433	12,396,433	12,396,433
Loans and advances to customers	-	-	-	-	88,009,448	88,009,448	88,009,448
Investment securities	1,362,693	430,878	4,921,729	5,199	20,123,727	26,844,226	27,063,912
	1,362,693	**430,878**	**4,921,729**	**5,199**	**126,604,652**	**133,325,151**	**133,544,837**
Due to banks	-	-	-	-	22,530,782	22,530,782	22,530,782
Customer deposits	-	-	-	-	76,296,592	76,296,592	76,296,592
Debt securities	-	-	-	-	9,524,590	9,524,590	9,736,064
Other borrowings	-	-	-	-	12,043,167	12,043,167	12,043,167
	-	**-**	**-**	**-**	**120,395,131**	**120,395,131**	**120,606,605**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

Accounting classifications and fair values (continued)

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

(Figures in QAR '000s)

Consolidated statement of financial position	Fair value through Profit & loss		Fair value through other comprehensive income				
2018	Debt instruments	Equity instruments	Debt instruments	Equity instruments	Amortised Cost	Total carrying amount	Fair value
Cash and balances with central banks	-	-	-	-	6,729,798	6,729,798	6,729,798
Due from banks	-	-	-	-	9,474,893	9,474,893	9,474,893
Loans and advances to customers	4,619	-	-	-	84,637,845	84,642,464	84,642,464
Investment securities	443,206	658,617	3,899,727	110,774	17,093,753	22,206,077	22,201,752
	447,825	658,617	3,899,727	110,774	117,936,289	123,053,232	123,048,907
Due to banks	-	-	-	-	13,950,459	13,950,459	13,950,459
Customer deposits	-	-	-	-	71,785,783	71,785,783	71,785,783
Debt securities	-	-	-	-	16,071,746	16,071,746	16,079,143
Other borrowings	-	-	-	-	8,379,734	8,379,734	8,379,734
	-	-	-	-	110,187,722	110,187,722	110,195,119

8. CASH AND BALANCES WITH CENTRAL BANKS

(Figures in QAR '000s)

	2019	2018
Cash	824,073	618,025
Cash reserve with central banks *	3,619,864	3,531,400
Other balances with central banks	1,629,546	2,566,633
	6,073,483	6,716,058
Accrued interest	1,561	13,740
	6,075,044	6,729,798

* The cash reserve with central banks is mandatory reserve not available for use in the Group's day to day operations.

9. DUE FROM BANKS

(Figures in QAR '000s)

	2019	2018
Current accounts	2,009,118	1,794,590
Placements	6,540,135	5,182,478
Loans to banks	3,879,297	2,505,336
	12,428,550	9,482,404
Accrued interest	8,435	6,187
Allowance for impairment of due from bank	(40,552)	(13,698)
	12,396,433	9,474,893

10. LOANS AND ADVANCES TO CUSTOMERS

a) By type

(Figures in QAR '000s)

	2019	2018
Loans	79,403,992	80,356,664
Overdrafts	9,734,710	5,069,471
Bills discounted	303,614	367,098
Bankers acceptances	1,480,885	1,766,122
	90,923,201	87,559,355
Deferred profit	(7,285)	(11,099)
	90,915,916	87,548,256
Accrued interest	779,204	940,833
Allowance for impairment of loans and advances to customers**	(2,751,042)	(2,844,016)
ECL on loans and advances to customers	(934,630)	(1,002,609)
Net loans and advances to customers *	**88,009,448**	84,642,464

*The aggregate amount of non-performing loans and advances to customers amounted QAR 4,487 million which represents 4.94% of total loans and advances to customers (2018: QAR 4,891 million 5.59% of total loans and advances to customers).

**Allowance for impairment of loans and advances to customers includes QAR 711 million of interest in suspense (2018: QAR 563 million).

10. LOANS AND ADVANCES TO CUSTOMERS (continued)

b) By sector

(Figures in QAR '000s)

2019	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies	9,194,619	5,845,271	-	4,049	**15,043,939**
Non-banking financial institutions	847,212	29,475	12,618	-	**889,305**
Industry	8,168,393	8,015	5,510	10,423	**8,192,341**
Commercial	10,488,416	256,924	52,223	973,560	**11,771,123**
Services	23,018,547	1,257,758	108,689	231,998	**24,616,992**
Contracting	2,710,789	666,143	124,574	260,232	**3,761,738**
Real estate	18,764,910	237,111	-	-	**19,002,021**
Personal	5,006,804	1,407,199	-	-	**6,414,003**
Others	1,204,302	26,814	-	623	**1,231,739**
	79,403,992	**9,734,710**	**303,614**	**1,480,885**	**90,923,201**
Accrued interest					779,204
Less: Deferred profit					(7,285)
Allowance for impairment of loans and advances to customers					(2,751,042)
ECL on loans and advances to customers					(934,630)
					(2,913,753)
Net loans and advances to customers					**88,009,448**

2018	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies	7,741,511	2,476,875	-	-	10,218,386
Non-banking financial institutions	1,575,772	-	25,236	-	1,601,008
Industry	7,408,275	10,405	6,083	11,614	7,436,377
Commercial	7,916,044	288,218	72,704	732,073	9,009,039
Services	24,312,889	238,557	150,710	451,151	25,153,307
Contracting	3,468,394	367,274	112,365	568,770	4,516,803
Real estate	21,784,703	162,561	-	-	21,947,264
Personal	5,191,694	1,476,295	-	-	6,667,989
Others	957,382	49,286	-	2,514	1,009,182
	80,356,664	5,069,471	367,098	1,766,122	87,559,355
Accrued interest					940,833
Less: Deferred profit					(11,099)
Allowance for impairment of loans and advances to customers					(2,844,016)
ECL on loans and advances to customers					(1,002,609)
					(2,916,891)
Net loans and advances to customers					84,642,464

10. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Movement in allowance for impairment of loans and advances to customers

(Figures in QAR '000s)

	2019	2018
Balance at 1 January	3,846,625	4,274,363
Transition adjustment on adoption of IFRS 9 on 1 January 2018	-	1,315,988
Allowance made during the year	1,086,841	1,913,098
Recoveries / reversals during the year	(159,670)	(511,621)
Net allowance for impairment during the year *	927,171	1,401,477
Written off / transferred during the year	(1,034,840)	(2,883,572)
Exchange differences	(53,284)	(261,631)
Balance at 31 December	**3,685,672**	3,846,625

*This includes net interest suspended during the year QAR 212.6 million (2018: QAR 474.3 million) as per QCB regulations.

Net impairment losses on loans and advances to customers

(Figures in QAR '000s)

	2019	2018
Gross allowance made during the year	1,086,841	1,913,098
Less: Recoveries / reversals during the year	(159,670)	(511,621)
	927,171	1,401,477
Less: Interest suspended during the year	(212,595)	(474,313)
Less: Recoveries on previously written off loans	(120,149)	-
	594,427	927,164

10. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Movement in allowance for impairment of loans and advances to customers (continued)

	Commercial Bank					
	Stage 1		Stage 2		Stage 3	
	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking
Balance at 1 January 2019	30,393	43,181	680,475	11,938	1,449,129	1,009,833
Adjustment due to reclassification between segments	481	(481)	(41,060)	41,060	(59,756)	59,756
Allowance made during the year	14,149	(1,762)	87,048	(9,176)	250,230	446,077
Recoveries/reversal during the year	-	-	-	-	(4,242)	(72,550)
Written off / transferred during the year	-	-	(10,084)	-	(303,257)	(227,189)
Exchange differences	-	-	-	-	-	-
Balance at 31 December 2019	**45,023**	**40,938**	**716,379**	**43,822**	**1,332,104**	**1,215,927**

	Commercial Bank					
	Stage 1		Stage 2		Stage 3	
	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking	Wholesale Banking	Retail Banking
Balance at 1 January 2018	-	-	-	-	2,879,220	869,910
Transition adjustment on adoption of IFRS 9 on 1 January 2018	537	820	890,711	42,105	-	-
Allowance made during the year	29,856	42,361	(210,236)	(30,167)	1,201,874	557,450
Recoveries/reversal during the year	-	-	-	-	(214,259)	(80,382)
Written off / transferred during the year	-	-	-	-	(2,417,706)	(337,145)
Exchange differences	-	-	-	-	-	-
Balance at 31 December 2018	30,393	43,181	680,475	11,938	1,449,129	1,009,833

Notes to the Consolidated Financial Statements continued

(Figures in QAR '000s)

	Total Commercial Bank	Alternatif bank Stage 1	Alternatif bank Stage 2	Alternatif bank Stage 3	Total Alternatif Bank	Others Stage 1	Others Stage 2	Others Stage 3	Total
		Subsidiaries							
	3,224,949	(23,192)	259,813	373,228	609,849	-	-	11,827	**3,846,625**
	-	-	-	-	-	-	-	-	**-**
	786,566	54,931	100,991	144,353	300,275	-	-	-	**1,086,841**
	(76,792)	(64,568)	(218,257)	199,975	(82,850)	-	-	(28)	**(159,670)**
	(540,530)	-	-	(494,310)	(494,310)	-	-	-	**(1,034,840)**
	-	8,832	(30,081)	(32,035)	(53,284)	-	-	-	**(53,284)**
	3,394,193	**(23,997)**	**112,466**	**191,211**	**279,680**	**-**	**-**	**11,799**	**3,685,672**

(Figures in QAR '000s)

	Total Commercial Bank	Alternatif bank Stage 1	Alternatif bank Stage 2	Alternatif bank Stage 3	Total Alternatif Bank	Others Stage 1	Others Stage 2	Others Stage 3	Total
		Subsidiaries							
	3,749,130	-	-	512,865	512,865	-	-	12,368	4,274,363
	934,173	(41,914)	423,729	-	381,815	-	-	-	1,315,988
	1,591,138	122,381	23,900	175,679	321,960	-	-	-	1,913,098
	(294,641)	(103,358)	(75,250)	(37,831)	(216,439)	-	-	(541)	(511,621)
	(2,754,851)	(301)	6,919	(135,339)	(128,721)	-	-	-	(2,883,572)
	-	-	(119,485)	(142,146)	(261,631)	-	-	-	(261,631)
	3,224,949	(23,192)	259,813	373,228	609,849	-	-	11,827	3,846,625

11. INVESTMENT SECURITIES

(Figures in QAR '000s)

	2019	2018 (Restated)
Fair value through other comprehensive income (FVOCI)	4,899,768	3,992,624
Fair value through profit & loss (FVTPL)	1,786,054	1,099,791
Amortised cost (AC)	20,012,686	17,015,392
	26,698,508	22,107,807
Accrued interest	145,718	98,270
	26,844,226	22,206,077

The carrying value of investment securities pledged under repurchase agreements (REPO) is QAR 10,610 million (2018: QAR 7,656 million).

a) Fair value through other comprehensive income

(Figures in QAR '000s)

	2019		
	Quoted	**Unquoted**	**Total**
Equities	-	5,198	5,198
State of Qatar debt securities	3,624,920	-	3,624,920
Debt and other securities*	1,215,752	53,898	1,269,650
Total	**4,840,672**	**59,096**	**4,899,768**

	2018		
	Quoted	Unquoted	Total
Equities	-	110,774	110,774
State of Qatar debt securities	2,568,724	-	2,568,724
Debt and other securities*	1,270,436	42,690	1,313,126
Total	3,839,160	153,464	3,992,624

* Fixed rate securities and floating rate securities amounted to QAR 1,201 million and QAR 69 million respectively (2018: QAR 1,311 million and QAR 2 million respectively).

11. INVESTMENT SECURITIES (continued)

(b) Fair value through profit & loss

(Figures in QAR '000s)

	2019		
	Quoted	**Unquoted**	**Total**
Equities	390,718	8,321	399,039
State of Qatar debt securities	111,000	-	111,000
Debt and other securities	1,207,774	36,400	1,244,174
Investment funds	7,439	24,402	31,841
Total	**1,716,931**	**69,123**	**1,786,054**

	2018		
	Quoted	Unquoted	Total
Equities	569,696	26,752	596,448
State of Qatar debt securities	61,000	-	61,000
Debt and other securities	343,774	36,400	380,174
Investment funds	26,068	36,101	62,169
Total	1,000,538	99,253	1,099,791

c) Amortised Cost

(Figures in QAR '000s)

	2019		
By Issuer	**Quoted**	**Unquoted**	**Total**
State of Qatar debt securities	15,533,030	-	15,533,030
Debt and other securities	4,197,774	281,882	4,479,656
Total	**19,730,804**	**281,882**	**20,012,686**

(Figures in QAR '000s)

	2019		
By Interest Rate	**Quoted**	**Unquoted**	**Total**
Fixed Rate Securities	19,577,298	281,882	19,859,180
Floating Rate Securities	153,506	-	153,506
Total	**19,730,804**	**281,882**	**20,012,686**

11. INVESTMENT SECURITIES (continued)

c) Amortised Cost (continued)

(Figures in QAR '000s)

By Issuer	2018 Quoted	2018 Unquoted	2018 Total
State of Qatar debt securities	12,482,962	1,605,250	14,088,212
Debt and other securities*	2,927,180	-	2,927,180
Total	15,410,142	1,605,250	17,015,392

(Figures in QAR '000s)

By Interest Rate	2018 Quoted	2018 Unquoted	2018 Total
Fixed Rate Securities	16,884,538	-	16,884,538
Floating Rate Securities	130,854	-	130,854
Total	17,015,392	-	17,015,392

* Investment in securities include an amount of Nil (2018: QAR 1.92 billion) in a subsidiary which were re-classified and designated as amortized cost from FVOCI. The associated FVR within the statement of OCI increased by Nil (2018: QAR 202 million) with a corresponding increase in the carrying value of the investment. The profit and loss impact impact was not material.

12. INVESTMENT IN ASSOCIATES AND A JOINT ARRANGEMENT

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

(Figures in QAR '000s)

	2019	2018 (Restated)
Balance at 1 January	4,512,940	2,088,158
Share of results -(note 22)	(6,799)	181,483
Cash dividend - (note 22)	(93,072)	(76,627)
Other movements	22,051	(239,665)
Reclassified from asset held for sale - (note 13)*	-	2,559,591
Impairment of investment in an associate	(413,881)	-
Balance at 31 December	**4,021,239**	4,512,940

* Reclassified assets held for sale includes rights issue by UAB in 2018, amounting to QAR 272 million.

12. INVESTMENT IN ASSOCIATES AND A JOINT ARRANGEMENT (continued)

(Figures in QAR '000s)

Name of the Entity	Classification	Country	Activities	Carrying Value and % of interest held 2019	%	2018 (Restated)	%	Price per share (QAR)
National Bank of Oman SAOG ('NBO')	Associate	Oman	Banking	2,163,815	34.9%	2,083,707	34.9%	1.74
United Arab Bank PJSC ('UAB')*	Associate	UAE	Banking	1,849,500	40.0%	2,416,630	40.0%	0.99
Massoun Insurance Services L.L.C	Joint venture	Qatar	Insurance brokerage	7,924	50.0%	12,603	50.0%	Not listed
				4,021,239		4,512,940		

** Refer to note 13

The summarised financial position and results of NBO and UAB as at the end of reporting period is as follows:

(Figures in QAR '000s)

	2019	2018 (Restated)
Total assets	**53,395,161**	54,093,441
Total liabilities	**46,000,933**	46,515,921
Operating income	**1,752,987**	1,861,059
Net profit	**38,419**	554,895
Total comprehensive income	**129,713**	450,597
Share of results	**(9,370)**	177,698

13. ASSET HELD FOR SALE

The Group had previously classified its investment in UAB as an asset held for sale as they were under advanced stages of discussion with a third party which was not realized. The management has hence reclassified the investment to an Investment in an Associate in fourth quarter of 2019, effective from 1 January 2019 with prior year balances restated in line with IFRS.

14 PROPERTY AND EQUIPMENT

(Figures in QAR '000s)

	Land and buildings	Right of use assets	Leasehold improvements	Furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost							
Balance at 1 January 2018	1,998,459	-	135,713	1,184,804	4,825	417,663	3,741,464
Additions / transfers	177,909	-	6,067	79,056	456	8,641	272,129
Revaluation on land & buildings	21,592	-	-	-	-	-	21,592
Disposals	(414)	-	(11,000)	(12,014)	(905)	-	(24,333)
Exchange differences	(21,264)	-	(11,820)	(20,282)	(217)	-	(53,583)
Balance at 31 December 2018	2,176,282	-	118,960	1,231,564	4,159	426,304	3,957,269
Balance at 1 January 2019	2,176,282	-	118,960	1,231,564	4,159	426,304	3,957,269
Adjustment on transition to IFRS 16	-	142,020	-	-	-	-	142,020
Additions / transfers	6,543	28,981	7,724	58,274	3,891	66,747	172,160
Revaluation on land & buildings	-	-	-	-	-	-	-
Disposals	(6)	(4,282)	(5,729)	(5,898)	(38)	-	(15,953)
Exchange differences	(18,334)	(1,178)	(3,095)	(6,192)	(231)	-	(29,030)
Balance at 31 December 2019	**2,164,485**	**165,541**	**117,860**	**1,277,748**	**7,781**	**493,051**	**4,226,466**
Accumulated depreciation							
Balance at 1 January 2018	48,351	-	113,324	985,508	3,294	-	1,150,477
Depreciation for the year	39,629	-	4,424	84,534	640	-	129,227
Revaluation on land & buildings	-	-	-	-	-	-	-
Disposals	-	-	(7,652)	(11,687)	(901)	-	(20,240)
Exchange differences	(211)	-	(6,711)	(14,018)	(168)	-	(21,108)
Balance at 31 December 2018	87,769	-	103,385	1,044,337	2,865	-	1,238,356
Balance at 1 January 2019	87,769	-	103,385	1,044,337	2,865	-	1,238,356
Depreciation for the year	32,057	34,220	3,921	79,023	773	-	149,994
Revaluation on land & buildings	-	-	-	-	-	-	-
Disposals	(1)	(692)	(3,444)	(5,296)	(31)	-	(9,464)
Exchange differences	(311)	(603)	(1,660)	(3,512)	(46)	-	(6,132)
Balance at 31 December 2019	**119,514**	**32,925**	**102,202**	**1,114,552**	**3,561**	**-**	**1,372,754**
Net carrying amounts							
Balance at 31 December 2018	2,088,513	-	15,575	187,227	1,294	426,304	2,718,913
Balance at 31 December 2019	**2,044,971**	**132,616**	**15,658**	**163,196**	**4,220**	**493,051**	**2,853,712**

Right of use asset pertains to the following:	**2019**
Land and buildings	131,592
Vehicles	1,024

15. INTANGIBLE ASSETS

(Figures in QAR '000s)

	Goodwill	Brand	Customer relationship	Core deposit	Internally developed software	Total
Cost						
Balance at 1 January 2018	251,220	87,863	286,479	73,878	28,300	727,740
Additions / transfers	-	5,001	-	-	9,301	14,302
Acquisitions	-	-	-	-	-	-
Disposals	-	-	-	-	(188)	(188)
Exchange differences	(70,971)	(23,463)	(15,718)	(6,165)	(7,418)	(123,735)
Balance at 31 December 2018	180,249	69,401	270,761	67,713	29,995	618,119
Balance at 1 January 2019	180,249	69,401	270,761	67,713	29,995	618,119
Additions / transfers	-	-	-	-	-	-
Acquisitions	-	3,464	-	-	10,716	14,180
Disposals	-	-	-	-	-	-
Exchange differences	(20,593)	(6,976)	15,488	2,758	(2,431)	(11,754)
Balance at 31 December 2019	**159,656**	**65,889**	**286,249**	**70,471**	**38,280**	**620,545**
Amortisation and Impairment						
Balance at 1 January 2018	49,800	46,940	147,576	33,292	19,954	297,562
Amortisation during the year	-	3,449	36,894	8,323	6,083	54,749
Acquisitions	-	-	-	-	-	-
Impairment during the year	-	-	-	-	-	-
Exchange differences	-	(12,360)	-	-	(4,881)	(17,241)
Balance at 31 December 2018	49,800	38,029	184,470	41,615	21,156	335,070
Balance at 1 January 2019	49,800	38,029	184,470	41,615	21,156	335,070
Amortisation during the year	-	3,414	36,892	8,323	6,394	55,023
Acquisitions	-	-	-	-	-	-
Impairment during the year	-	-	-	-	-	-
Exchange differences	-	(2,955)	-	-	(2,970)	(5,925)
Balance at 31 December 2019	**49,800**	**38,488**	**221,362**	**49,938**	**24,580**	**384,168**
Net carrying amounts						
Balance at 31 December 2018	130,449	31,372	86,291	26,098	8,839	283,049
Balance at 31 December 2019	**109,856**	**27,401**	**64,887**	**20,533**	**13,700**	**236,377**

15. INTANGIBLE ASSETS (continued)

Impairment testing for CGU containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU-Alternatifbank. A cost of equity of 24.7% and a terminal growth rate of 2.5 % were used to estimate the recoverable amount of Alternatifbank.

The recoverable amount for the CGU has been calculated based on the 'Value in Use Method', determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. The discount rate was a pre-tax measure based on the Government Bonds 10 year yield TL, adjusted for an equity market risk premium and equity beta.

Five years of cash flows are included in the discounted cash model. A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which CGU operate and the long term compound annual profit before taxes, depreciation and amortization growth rate estimated by the management. The key assumptions described above may change as economic and market conditions change.

No impairment loss is recognized in 2019 nil (2018: nil) as the recoverable amount of this CGU was determined to be higher than its carrying amount.

16. OTHER ASSETS

(Figures in QAR '000s)

	2019	2018
Accrued income	69,973	68,481
Prepaid expenses	56,441	60,366
Accounts receivable	615,812	392,869
Repossessed collateral*	4,531,182	2,605,213
Positive fair value of derivatives (note 37)	764,320	371,716
Clearing cheques	240,094	218,861
Others	822,183	642,109
	7,100,005	4,359,615

*This represents the value of the properties acquired in settlement of debts and subsequent additions, which have been stated at their carrying value net of any allowance for impairment and credit enhancement. The estimated market values of these properties at the end of the reporting period are not materially different from the carrying values.

17. DUE TO BANKS

(Figures in QAR '000s)

	2019	2018
Balances due to central banks	1,193,687	561,311
Current accounts	844,499	323,873
Placement with banks	11,107,326	6,773,721
Repurchase agreements with banks	9,223,815	6,161,638
Accrued interest	161,455	129,916
Total	**22,530,782**	13,950,459

18. CUSTOMER DEPOSITS

(Figures in QAR '000s)

	2019	2018
Current and call deposits	18,712,151	16,310,290
Saving deposits	4,746,766	4,389,075
Time deposits	52,381,708	50,622,085
	75,840,625	71,321,450
Accrued interest	455,967	464,333
Total	**76,296,592**	71,785,783

(Figures in QAR '000s)

	2019	2018
Government	6,788,520	10,610,571
Government and semi government agencies	12,286,077	8,641,978
Individuals	24,049,009	22,064,871
Corporate	28,516,188	26,865,471
Non-banking financial institutions	4,200,831	3,138,559
	75,840,625	71,321,450
Accrued interest	455,967	464,333
	76,296,592	71,785,783

19. DEBT SECURITIES

(Figures in QAR '000s)

	2019	2018
EMTN unsecured Programme – Senior unsecured notes *	7,038,935	7,809,032
Senior Notes*	466,805	2,888,175
Subordinated Notes *	1,261,225	3,441,222
Others#	727,556	1,860,110
Accrued interest	30,069	73,207
Total	**9,524,590**	16,071,746

* The following table provides the breakdown of the Debt Securities as at close of 31 December 2019.

19. DEBT SECURITIES (continued)

Instrument	Issuer	Issued amount	Issued on	Maturity	Coupon
EMTN - Senior notes	CBQ Finance Ltd	USD 750 million *	Jun-16	Jun-21	Fixed Rate 3.25%
	CBQ Finance Ltd	USD 500 million *	May-18	May-23	Fixed Rate 5.00%
	CBQ Finance Ltd	CHF 335 million *	Mar-18	Mar-21	Fixed Rate 0.697%
	CBQ Finance Ltd	CHF 150 million *	Oct-19	Oct-23	Fixed Rate 0.38%
	CBQ Finance Ltd	CHF 100 million *	Oct-18	Oct-22	Fixed Rate 1.115%
	CBQ Finance Ltd	USD 36 million *	Feb-19	Feb-24	LIBOR + 1.95%
	CBQ Finance Ltd	USD 25 million *	Sep-19	Sep-22	LIBOR + 1.15%
	CBQ Finance Ltd	USD 24.9 million *	Nov-19	Nov-21	LIBOR + 1%
Subordinated Notes	Alternatifbank	USD 297 million	Apr-16	Apr-26	Fixed Rate 8.75%
	Alternatifbank	USD 50 million	Jun-15	Jun-25	LIBOR +6.00%
Senior Notes	Alternatifbank	TL 50 million	Aug-19	Aug-21	Fixed Rate 14.29%
	Alternatifbank	TL 30 million	Nov-19	Jan-20	Fixed Rate 13.13%
	Alternatifbank	TL 87 million	Nov-19	Feb-20	Fixed Rate 12.50%
	Alternatifbank	TL 9 million	Nov-19	Jan-20	Fixed Rate 12.61%
	Alternatifbank	TL 113 million	Nov-19	Jan-20	Fixed Rate 12.94%
	Alternatifbank	TL 59 million	Nov-19	Jan-20	Fixed Rate 12.50%
	Alternatifbank	TL 26 million	Nov-19	Jan-20	Fixed Rate 12.23%
	Alternatifbank	TL 51 million	Nov-19	Feb-20	Fixed Rate 12.28%
	Alternatifbank	TL 40 million	Nov-19	Feb-20	Fixed Rate 11.60%
	Alternatifbank	TL 35 million	Dec-19	Feb-20	Fixed Rate 11.62%
	Alternatifbank	TL 43 million	Dec-19	Feb-20	Fixed Rate 11.71%
	Alternatifbank	TL 8 million	Dec-19	Mar-20	Fixed Rate 10.58%
	Alternatifbank	TL 93 million	Dec-19	Mar-20	Fixed Rate 10.86%
	Alternatifbank	TL 115 million	Dec-19	Mar-20	Fixed Rate 10.72%
	Alternatifbank	TL 13 million	Dec-19	Mar-20	Fixed Rate 10.44%
	Alternatifbank	TL 8 million	Dec-19	Mar-20	Fixed Rate 10.25%

* Issued for and Guaranteed by the Bank

Others include Commercial Papers and certificate of deposits issued by the bank.

19. DEBT SECURITIES (continued)

Movement in debt securities are analysed as follows:

(Figures in QAR '000s)

	2019	2018
Balance at 1 January	16,071,746	11,604,890
Additions	3,486,978	9,508,091
Repayments	(9,932,780)	(5,055,194)
Amortisation of discount and transaction cost	23,826	29,119
Accrued interest	(43,138)	73,207
Exchange difference	(82,042)	(88,367)
Balance at 31 December	**9,524,590**	16,071,746

The table below shows the maturity profile of debt securities:

(Figures in QAR '000s)

	2019	2018
Up to 1 year	1,193,838	7,958,305
Between 1 and 3 years	4,568,449	4,679,586
Over 3 years	3,762,303	3,433,855
Total	**9,524,590**	16,071,746

20. OTHER BORROWINGS

(Figures in QAR '000s)

	2019	2018
Bilateral loans	180,559	-
Syndicated loans	4,616,940	4,848,032
Others	7,144,995	3,453,796
Accrued interest	100,673	77,906
Total	**12,043,167**	8,379,734

20. OTHER BORROWINGS (continued)

Movements in other borrowings are as follows:

(Figures in QAR '000s)

	2019	2018
Balance at 1 January	8,379,734	9,303,365
Additions	7,793,321	6,583,404
Repayments	(3,735,723)	(6,634,330)
Fair value adjustment on consolidation of Abank	-	(37,291)
Amortisation of discount and transaction cost	12,077	13,724
Accrued interest	22,767	77,906
Exchange difference	(429,009)	(927,044)
Balance at 31 December	**12,043,167**	8,379,734

The table below shows the maturity profile of other borrowings:

(Figures in QAR '000s)

	2019	2018
Up to 1 year	7,102,050	3,526,421
Between 1 and 3 years	4,134,116	4,096,190
Over 3 years	807,001	757,123
Total	**12,043,167**	8,379,734

21. OTHER LIABILITIES

(Figures in QAR '000s)

	2019	2018
Accrued expense payable	148,459	127,238
Other provisions (Note i)	194,270	215,723
Negative fair value of derivatives (Note 37)	526,643	353,499
Unearned income	231,416	228,529
Cash margins	663,044	652,083
Accounts payable	650,715	443,407
Directors' remuneration and meeting attendance fee	18,500	18,500
Provision for sports and social activities support fund ("Daam") (note 24)	50,526	41,580
Dividend payable	23,373	19,640
Managers' cheque and payment order	46,841	28,164
Unclaimed balances	12,609	11,010
Due for trade acceptances	1,480,885	1,766,122
Deferred tax liabilities	649	12,123
Lease liabilities (Note ii)	133,333	-
Employees' benefit liability (Note32 and Note iii)	117,462	-
Income tax payable	25,596	26,634
Others	965,052	835,344
Net impairment losses on loan commitments and financial guarantees	95,753	103,972
Total	**5,385,126**	4,883,568

(i) Other provisions

(Figures in QAR '000s)

	Provident fund (a)	Pension fund (b)	Total 2019	Total 2018
Balance at 1 January	213,005	2,701	215,706	225,099
Provision made during the year (note 32)	13,327	9,156	22,483	19,368
Earnings of the fund	5,530	-	5,530	5,968
Provident fund – staff contribution	5,627	4,801	10,428	12,802
Transferred to state retirement fund authority	-	(16,247)	(16,247)	(15,460)
Payment during the year	(43,117)	(10)	(43,127)	(29,838)
Exchange difference	(503)	-	(503)	(2,216)
Balance at 31 December	**193,869**	**401**	**194,270**	215,723

(a) The provident fund includes the Group's obligations for end of service benefits to expatriate staff per Qatar labour law and the employment contracts

(b) Pension fund contributions in respect of the national staff are paid to the State administered retirement fund at the end of each month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized when they are due.

21. OTHER LIABILITIES (continued)

(ii) Lease liabilities

The table below shows the maturity profile of lease liabilities:

	2019	2018
Up to 1 year	26,534	-
Above 1 year	106,799	-
Total	**133,333**	-

(iii) Employees' benefit liability

The Bank has granted performance rights to employees including senior management. Performance rights represent a contingent right to receive a cash payment by referencing to the value of Bank shares during a specified period of time. These performance rights do not provide any entitlement to receive Bank shares, voting rights or dividends associated with them. The fair value at the grant date was estimated using the Black Scholes model, considering the terms and conditions upon which the performance rights were granted. Performance rights will be settled in cash. The following tables list the inputs to the model used for plan for the year ended 31 Dec 2019:

	Max	Min
Expected volatility (%)	30.88%	26.78%
Dividend yield (%)	9.92%	3.28%
Risk - free int. rate (%)	3.05%	2.43%

Number of performance rights	180.7 million
Vesting period	3 years
Share price (QAR)	4.7
Average strike price (QAR)	3.56

22. EQUITY

(a) Share capital

The issued, subscribed and paid up share capital of the Bank is QAR 4,047,253,750 (2018: QAR 4,047,253,750) divided into 4,047,253,750 (2018: 404,725,375) ordinary shares of QAR 1 each (2018: QAR 10 each).

(Figures in QAR '000s)

	2019	2018
Authorised number of ordinary shares	4,047,253,750	404,725,375
Nominal value of ordinary shares (QAR)	1	10
Issued and paid up capital (in thousands of Qatar Riyals)	**4,047,254**	4,047,254

On 20 March 2019, the Extraordinary General Meeting of the Bank, shareholders approved the par value of the ordinary share to be QAR 1 instead of QAR 10, as per the instructions of Qatar Financial Markets Authority, and amendment of the related Articles of Association. The share split was implemented on 09 June 2019 and the total number of shares were increased from 404,725,375 to 4,047,253,750 ordinary shares. Consequently, Earnings per share for comparative periods has been restated to reflect this.

At 31 December 2019, the authorised share capital comprised 4,047,254 thousand ordinary share (2018: 404,725 thousand).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' Annual/Extra-ordinary General meeting of the Bank.

(b) Legal reserve

The legal reserve of Commercial Bank and Alternatifbank are QAR 9,740 million (2018: QAR 9,652 million) and QAR 96 million (2018: QAR 89 million) respectively.

In accordance with Qatar Central Bank Law No 13 of 2012, 10% of the net profit of the Group for the year is required to be transferred to legal reserve. Share premium collected from the issuance of new shares and sale of treasury shares is also transferred to legal reserve. Transfer to legal reserve from net profit is mandatory until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No 11 of 2015 and is subject to pre-approval from QCB.

In accordance with the Turkish Commercial code, an entity is required to transfer 5% of net profit until the legal reserve is equal to 20% of issued and fully paid up share capital. Rate for transfer to legal reserve goes up to 10% of net profit allocated for distribution excluding the first 5% of the allocated profit. Share premium and proceeds from cancelled shares, if any net of related expenses are also transferred to legal reserve.

(c) General reserve

As per the Bank's Articles of Association, the general reserve may only be used in accordance with a resolution from the General Assembly upon the Board of Directors recommendation and after obtaining Qatar Central Bank approval.

22. EQUITY (continued)

(d) Risk reserve

In accordance with QCB regulations, a risk reserve should be maintained created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.50% of the total loans and advances of the Group inside and outside Qatar after the exclusion of the credit impairment losses and interest in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees is excluded from the gross direct finance. On 1st January 2018, after QCB approval QAR 1,529 millions was appropriated from risk reserve for transition adjustment on adoption of IFRS 9. During the year QAR 535 million (2018: QAR 525 million) was transferred to the risk reserve account as per QCB approval.

(e) Fair value reserve

The fair value reserve arises from the revaluation of the investment securities through FVOCI, cash flow hedges and change of post acquisition fair value reserve of its associates and a joint arrangement.

(Figures in QAR '000s)

Fair value reserve	2019	2018 (Restated)
Balance as at 1 January	(96,333)	(44,500)
Changes due to adoption of IFRS 9:		
Transfer to Amortised cost	-	32,980
Transfer from retained earnings	-	(51,510)
Restated balance at beginning of the year	**(96,333)**	(63,030)
Impact of revaluation (IFRS 9) :		
- on equity securities	(34,072)	(19,484)
- on debt securities	663,769	2,355
Net amount Transferred to Income statement	(9,091)	(10,228)
Net movement in effective portion of Cash Flow hedges	9,053	24,436
Net change in fair value of investment in associates	22,051	(30,382)
FVOCI instrument loss transferred to Retained earnings	44,717	-
Net movement during the year	696,427	(33,303)
Balance as at 31 December	**600,094**	(96,333)

(f) Treasury shares

Treasury shares represents ordinary shares of The Commercial Bank (P.S.Q.C) with nominal value of QAR 1 each. These shares are carried at cost of QAR 2.747 each. Treasury shares are presented as a deduction from equity.

(g) Foreign currency translation reserve

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

22. EQUITY (continued)

(h) Other reserves

This includes the Group's share of profit from investment in associates and a joint arrangement and non-distributable profit of subsidiaries, net of cash dividend received, as required by QCB regulations as follows:

(Figures in QAR '000s)

	2019	2018 (Restated)
Balance as at 1 January	959,764	1,064,189
Transition adjustments on adoption of IFRS 9 on 1 January 2018	-	(209,281)
Share of result of associates and a joint arrangement (note 12)	(6,799)	181,483
Dividend from associates and a joint arrangement (note 12)	(93,072)	(76,627)
Net movement	(99,871)	104,856
Balance as at 31 December	**859,893**	959,764

(i) Proposed dividend

The Board of Directors has proposed a cash dividend of 20% for the year 2019 (2018: 15% cash dividend). This proposal is subject to approval at the Annual General Assembly.

(j) Dividends

A cash dividend of 15% for the year 2018 (2017: 10% cash dividend), was approved at the Annual General Assembly held on 20 March 2019 and distributed to shareholders.

(k) Revaluation reserve

This represents the surplus on revaluation of land and buildings that are used in Group's operations and is not available for distribution until the related assets have been disposed off or used.

(l) Instruments eligible for additional capital

In December 2013; the Bank raised regulatory tier 1 capital of QAR 2 billion by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes. The coupon payments are discretionary and non-cumulative. On the first call date of 30 December 2019, the interest rates on the notes have been agreed at 5.15% (previous rate 6%) and thereafter to be reset at a prevailing sixth year mid-swap rate plus margin every sixth year which will be at 30 December 2025.

In February 2016, the Bank raised additional regulatory tier 1 capital of QAR 2 billion by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes. The coupon payments are discretionary and non-cumulative and priced at a fixed rate of 6% per annum, payable annually until the first call date and thereafter to be reset at a prevailing sixth year mid-swap rate plus margin every sixth year. As per amendments required by Qatar Central Bank the first call date was amended from 27 February 2022 to 31 December 2021.

The Notes are ranked junior to the Bank's existing unsubordinated obligations including existing subordinated debt and depositors, pari passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank.

22. EQUITY (continued)

(l) Instruments eligible for additional capital (continued)

The Notes have no fixed redemption date and the Bank can only redeem the Notes in the limited circumstance as mentioned in the term sheet i.e. regulatory / tax redemption and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write-off the proposed Capital issue, if a "loss absorption" event is triggered and the Bank has non-discretionary obligation to deliver cash or financial assets. These notes have been classified under equity.

23. OTHER COMPREHENSIVE INCOME

(Figures in QAR '000s)

	2019	2018 (Restated)
Changes in fair value of investments in debt securities designated at FVOCI (IFRS 9):		
Positive change in fair value	666,739	68,543
Negative change in fair value	(2,970)	(66,415)
Net change in fair value	**663,769**	2,128
Net amount transferred to profit or loss*	(9,091)	(10,001)
Foreign currency translation differences for foreign operation	(129,811)	(432,940)
Share of other comprehensive income of associates and a joint arrangement	28,059	(24,959)
Net changes in FV of Cash Flow hedges	9,053	24,436
Net changes in fair value of equity investments designated at FVOCI (IFRS 9):	**561,979**	(441,336)
Net changes in FV of equity investments – FVOCI	(34,072)	(19,484)
Share of other comprehensive income of associates and a joint arrangement	(6,008)	(5,423)
Revaluation Reserve	-	19,126
Total other comprehensive income	**521,899**	(447,117)

*Net amount transferred to profit or loss includes a positive change in fair value of QAR 9.7 million (2018: QAR 10.4 million) and a negative change in fair value of QAR 0.6 million (2018: QAR 0.4 million).

24. CONTRIBUTION TO PROVISION FOR SPORTS AND SOCIAL ACTIVITIES SUPPORT FUND ("DAAM")

Pursuant to Law No. 13 of 2008, the Bank made an appropriation of QAR 50.5 million (2018: QAR 41.6 million) from retained earnings for its contribution to the Social and Sports Activities Support Fund ("Daam") of Qatar. This amount represents 2.5% of the net profit of the Group for the year ended 31 December 2019.

25. INTEREST INCOME

(Figures in QAR '000s)

	2019	2018
Loans and advances to customers	5,220,424	4,811,277
Debt securities	1,148,964	895,035
Amounts deposited with banks	375,151	321,830
Amounts deposited with central bank	50,871	49,180
	6,795,410	6,077,322

The amounts reported above include interest income, calculated using the effective interest method, that relate to, at amortized cost QAR 6,459 million (2018 : QAR 5,763 million) and at fair value QAR 336 million (2018: QAR 314 million).

26. INTEREST EXPENSE

(Figures in QAR '000s)

	2019	2018
Customer deposits	2,348,258	2,291,014
Debt securities	644,014	591,718
Other borrowings	393,231	364,976
Interest expense on lease liabilities	11,149	-
Amount deposited by central banks and other banks	435,575	347,292
	3,832,227	3,595,000

The amounts reported above include interest expense, calculated using the effective interest method, on financial liabilities at amortised cost.

27. FEE AND COMMISSION INCOME

(Figures in QAR '000s)

	2019	2018
Loans and advances	366,114	327,352
Credit and debit card fees	458,963	438,709
Indirect credit facilities	168,011	180,091
Banking and other operations	251,633	137,962
Investment activities for customers	44,499	33,851
	1,289,220	1,117,965

28. FEE AND COMMISSION EXPENSE

(Figures in QAR '000s)

	2019	2018
Credit and debit card fees	288,162	269,986
Brokerage services	11,391	23,805
Others	74,821	66,936
	374,374	360,727

29. NET FOREIGN EXCHANGE GAIN

(Figures in QAR '000s)

	2019	2018
Dealing in foreign currencies & revaluation of spot assets	**281,045**	202,247

30. INCOME FROM INVESTMENT SECURITIES

(Figures in QAR '000s)

	2019	2018
Net gain on disposal of investment securities measured at fair value	25,237	10,267
Net Change in Fair-value of Investment securities	39,405	(34,398)
Dividend income	4,351	5,305
	68,993	(18,826)

31. OTHER INCOME

(Figures in QAR '000s)

	2019	2018
Rental and other income	**118,578**	85,576

32. STAFF COSTS

(Figures in QAR '000s)

	2019	2018
Salary and benefits (Note)	754,687	637,954
Health care and medical insurance expenses	17,028	16,997
Staff end of services and pension fund contribution (note 21 (i))	22,483	19,368
Training and education	2,154	2,147
	796,352	676,466

Note: Salary and benefits include performance rights charge of QAR 117.5 million.

Notes to the Consolidated Financial Statements continued

33. OTHER EXPENSES

(Figures in QAR '000s)

	2019	2018
Marketing and advertisement	26,842	38,021
Professional fees	16,325	25,671
Communication, utilities and insurance	46,914	50,232
Board of Directors' remuneration	18,500	18,500
Occupancy, IT consumables and maintenance	41,486	68,328
Travel and related costs	1,684	1,800
Printing and stationery	4,376	6,498
Outsourcing service costs	38,158	46,361
Others	32,359	57,482
	226,644	312,893

34. EARNINGS PER SHARE

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

(Figures in QAR '000s)

	2019	2018 (Restated)
Basic and diluted		
Profit for the year attributable to the equity holders of the Bank	2,021,040	1,673,924
Less: Dividend on Instrument eligible for additional capital	(240,000)	(240,000)
Profit for EPS calculation	**1,781,040**	1,433,924
Weighted average number of outstanding shares in thousands (Note 22 (a))	4,047,254	4,047,254
Basic and diluted earnings per share (QAR)	**0.44**	0.35

Notes to the Consolidated Financial Statements continued

35. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(Figures in QAR '000s)

	2019	2018
a) Contingent liabilities		
Unutilized credit facilities	4,287,871	4,373,836
Guarantees	21,353,539	22,057,901
Letters of credit	1,706,950	2,148,781
Total	**27,348,360**	28,580,518
b) Capital commitments		
Total	**421,352**	157,569

Unused facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The total contractual amounts do not necessarily represent future cash requirements, since commitments may expire without being drawn upon.

Guarantees and letters of credit

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

36. CASH AND CASH EQUIVALENTS

(Figures in QAR '000s)

	2019	2018
Cash and balances with central banks *	2,453,619	3,184,658
Due from banks up to 90 days	7,602,352	6,799,888
	10,055,971	9,984,546

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

37. DERIVATIVES

(Figures in QAR '000s)

	Positive fair value	Negative fair value	Notional amount	within 3 months	3 - 12 months	1-5 years	More than 5 years
At 31 December 2019							
Derivatives held for trading:							
Interest rate swaps	439,654	333,780	12,540,390	30,599	1,936,671	4,004,935	6,568,185
Forward foreign exchange contracts and others	237,389	113,847	47,722,621	14,873,925	3,979,028	19,924,049	8,945,619
Derivatives held for fair value hedges:							
Interest rate swaps	86,578	8,086	3,713,772	-	-	1,092,122	2,621,650
Derivatives held for cash flow hedges:							
Forward foreign exchange contracts & others	-	62,289	4,426,448	-	-	4,426,448	-
Interest rate swaps	699	8,641	526,184	-	367,105	159,079	-
Total	**764,320**	**526,643**	**68,929,415**	**14,904,524**	**6,282,804**	**29,606,633**	**18,135,454**
At 31 December 2018							
Derivatives held for trading:							
Interest rate swaps	210,529	119,502	6,905,474	66,489	271,270	3,647,959	2,919,756
Forward foreign exchange contracts & others	147,758	158,232	42,587,267	26,254,574	7,742,516	8,476,634	113,543
Derivatives held for fair value hedges:							
Interest rate swaps	13,309	625	3,857,446	-	168,379	1,239,795	2,449,272
Derivatives held for cash flow hedges:							
Forward foreign exchange contracts & others	120	72,371	1,395,891	-	92,094	1,303,797	-
Interest rate swaps	-	2,769	413,065	-	-	413,065	-
Total	371,716	353,499	55,159,143	26,321,063	8,274,259	15,081,250	5,482,571

The bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the bank (i.e. assets) which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counter-parties.

37. DERIVATIVES (continued)

At 31 December 2019, the Group held the following derivatives as hedging instruments:

			Hedging instrument		
Cash Flow Hedges:	Hedged item	Description	Currency	Notional in currency	Average Rate
Interest Rate Swaps	Customer Deposits	Fixed for floating	TRY	860,000,000	22.90%
Cross Currency Swaps	Bond Issuance	CHF to USD	USD	610,905,560	3.96%
			CHF	585,000,000	0.69%

			Hedging instrument		
Fair value Hedges:	Hedged item	Description	Currency	Notional in currency	Average Rate
Interest Rate Swaps	Govt Bonds	Fixed for floating	USD	260,000,000	2.79%

38. FUND MANAGEMENT

As at the end of the reporting date, the Group holds QAR 392 million (2018: QAR 357 million) worth of international investment securities on behalf of its customers. Out of this amount, investment securities with a value of QAR 338 million (2018: QAR 306 million) are held with an international custody and settlement house. The remaining investment securities are held with the financial institutions through whom the securities were purchased. These financial institutions are industry leaders in their respective fields. The Group has established maximum limits for such holding with each financial institution according to its risk management policy.

39. RELATED PARTIES

(Figures in QAR '000s)

	2019	2018
Board members of the bank		
- Loans, advances and financing activities (a)	1,176,839	1,604,135
- Deposits	798,857	729,255
- Contingent liabilities and other commitments	3,722	13,307
- Interest and fee income	25,835	36,683
- Interest paid on deposits accounts of board members	8,532	12,017
- Remuneration	18,500	18,500
Associates and joint arrangement companies		
Due from banks	309,400	436,800
Due to banks	10,610	24,333
Deposits	9,951	14,602
Contingent liabilities	745,942	782,138
- Interest earned from associates	-	26
- Interest paid to associates	4,725	2,271

39. RELATED PARTIES (continued)

	2019	2018
Senior management of the bank		
- Remuneration and other benefits*	110,941	46,710
- Loans and advances	5,156	4,636

* Remuneration and other benefits include cost for performance rights amounting to QAR 71.7 million.

(a) A significant portion of the loans, advances and financing activities' balance at 31 December 2019 and 31 December 2018 with the members of the Board and the companies in which they have significant influence are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities are performing satisfactorily honouring all obligations.

40. COMPARATIVES FIGURES

The comparative figures presented have been reclassified where necessary to preserve consistency with current period figures.

The below reclassifications did not have any impact on the consolidated net profit or the total consolidated equity for the comparative period. Accrued interest receivable amounting to QAR 1,059 million and accrued interest payable amounting to QAR 745 million as at 31 December 2018 have been reclassified to each of the respective account balances.

(Figures in QAR '000s)

Particulars	2018 (Previously reported)	Reclassification	2018 (Reclassified)
Assets			
Cash and balances with central banks	6,716,058	13,740	6,729,798
Due from banks	9,468,706	6,187	9,474,893
Loans and advances to customers	83,701,631	940,833	84,642,464
Investment securities	22,107,807	98,270	22,206,077
Other assets	5,418,645	(1,059,030)	4,359,615
Total		-	
Liabilities			
Due to banks	13,820,543	129,916	13,950,459
Customer deposits	71,321,450	464,333	71,785,783
Debt securities	15,998,539	73,207	16,071,746
Other borrowings	8,301,828	77,906	8,379,734
Other liabilities	5,628,930	(745,362)	4,883,568
Total		-	

40. COMPARATIVES FIGURES (continued)

In addition to the above, due to the reclassification of assets held for sale to investment in associates and a joint arrangement, comparative figures have been represented for the carrying value of investment and adjustment of share of results in associate in line with IFRS 5. The net impact is as follows:

(Figures in QAR '000s)

Particulars	2018 (Previously reported)	Reclassification and adjustment	2018 (Restated)
Assets			
Investment in associates and a joint arrangement	2,096,310	2,416,630	4,512,940
Asset held for sale	2,559,591	(2,559,591)	-
Total		**(142,961)**	
Equity			
Fair value reserve	(73,466)	(22,867)	(96,333)
Other reserve*	1,079,858	(120,094)	959,764
Total		**(142,961)**	
INCOME STATEMENT			
Share of results of associates and a joint arrangement	170,738	10,745	181,483
Profit for the year	1,663,180	10,745	1,673,925

* includes QAR 130 million related to IFRS 9 opening adjustment

Supplementary Information - Parent

FINANCIAL STATEMENTS OF THE PARENT

(a) Statement of Financial Position – Parent

QAR '000s

As at 31 December	2019	2018 (Restated)
ASSETS		
Cash and balances with central banks	4,431,379	5,206,929
Due from banks	11,767,481	8,934,975
Loans and advances to customers	76,475,207	72,643,836
Investment securities	24,407,811	19,811,384
Investment in associates and a joint arrangement and subsidiaries	5,445,227	6,052,484
Property and equipment	2,639,085	2,523,835
Other assets	6,403,778	3,678,728
TOTAL ASSETS	**131,569,968**	118,852,171
LIABILITIES		
Due to banks	23,348,968	13,569,153
Customer deposits	66,854,395	62,738,014
Debt securities	7,791,254	13,504,339
Other borrowings	7,256,184	4,991,906
Other liabilities	4,779,148	4,201,614
TOTAL LIABILITIES	**110,029,949**	99,005,026
EQUITY		
Share capital	4,047,254	4,047,254
Legal reserve	9,739,507	9,652,129
General reserve	26,500	26,500
Risk reserve	1,486,994	951,909
Fair value reserve	619,393	(63,951)
Treasury shares	(38,860)	(179,507)
Foreign currency translation reserve	(1,982,124)	(1,771,821)
Other reserves	809,892	909,764
Revaluation reserve	1,264,794	1,264,794
Retained earnings	1,566,669	1,010,074
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**17,540,019**	15,847,145
Instruments eligible for additional capital	4,000,000	4,000,000
TOTAL EQUITY	**21,540,019**	19,847,145
TOTAL LIABILITIES AND EQUITY	**131,569,968**	118,852,171

Supplementary Information - Parent continued

FINANCIAL STATEMENTS OF THE PARENT (continued)
(b) Income Statement – Parent

QAR '000s

For the year ended 31 December	2019	2018
Interest income	5,047,785	4,348,781
Interest expense	(2,473,614)	(2,262,088)
Net interest income	**2,574,171**	2,086,693
Fee and commission income	1,118,382	967,658
Fee and commission expense	(333,812)	(311,412)
Net fee and commission income	**784,570**	656,246
Net foreign exchange gain	189,832	171,946
Net income from investment securities	69,955	(6,599)
Other operating income	128,052	87,508
Net operating income	**3,746,580**	2,995,794
Staff costs	(592,298)	(494,179)
Depreciation	(118,921)	(118,874)
Amortization and impairment of intangible assets	(46,268)	(47,339)
Net impairment (losses)/reversal on investment securities	6,856	(399)
Net impairment losses on loans and advances to customers	(377,030)	(822,184)
Net impairment losses on other financial assets	(68,704)	111,108
Impairment on Investment in an Associate	(413,881)	-
Other expenses	(221,817)	(236,041)
Profit for the year	**1,914,517**	1,387,886